AutoTrader

Driving change

Auto Trader Group plc Annual Report and Financial Statements 2019

Who we are

Auto Trader Group Plc is the UK's largest digital automotive marketplace. Our purpose is to lead the future of the UK's digital automotive marketplace.

Follow us
twitter.com/ATInsight

What we do

There are over 10m transactions each year and we are driving change in how consumers are shopping for these cars online. We aim to drive further efficiencies in the market, benefitting consumers, retailers and manufacturers.

How we are driving change

Beneath our strategic pillars, we're focused on three horizons of growth.

We aim to significantly improve UK car buying focused around our core marketplace. We've identified adjacent market opportunities which leverage either our large consumer audience or our relationships with retailers and manufacturers. We believe future opportunities exist in creating an online transaction journey for car buyers.

Growth horizon 3
Future

Read more
page 17

Growth horizon 2
Adjacent

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Growth horizon 1
Core

Read more
page 15

2019 in summary

Purpose

To lead the future of the UK's digital automotive marketplace

Strategy

We continue to think about our strategy in terms of three strategic pillars, which address UK car buying, the wider automotive ecosystem and our culture as a business.

Each of these is critical in helping to meet our purpose to lead the future of the UK's digital automotive marketplace and we have made progress against each pillar in 2019.

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Our culture and values

Our culture is built around our digital, data-driven approach, our values, our commitment to diversity, our rapid response to change and our continued success and growth.

Critical to our culture are our values, from being community-minded to determined, they are at the heart of our company. They are fundamental to our recruitment process, induction, training, the way we behave and underpin our company's approach to everything that we do.

Strategic pillars

Improve car buying in the UK

Evolve the automotive ecosystem in the UK

Become the most admired UK digital business

Our values

Be determined
We are passionate about our customers, showing stamina and resilience, and have the conviction to do the right thing. We will roll up our sleeves to get the job done.

Be humble
We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

Be reliable
We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

Be curious
We are always learning. We question why, we search for better ways, ask questions and actively listen.

Be courageous
We are bold in our thinking, overcoming fears, challenging convention and embracing change.

Be community-minded
We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

2019 selected highlights[1]

Financial

Revenue
£m

£355.1m

+8%

2019	£355.1m
2018	£330.1m
2017	£311.4m

Operating profit[2]
£m

£243.7m

+10%

2019	69% Margin	£243.7m
2018	67% Margin	£221.3m
2017	65% Margin	£203.9

Basic EPS[2]
pence per share

21.00p

+18%

2019	21.00p
2018	17.74p
2017	15.62p

Operational

Cross platform visits
Monthly average visits spent across all platforms (millions)

49.1m

+1%

2019	49.1m
2018	48.7m
2017	49.4m

Advert views
Average number per month (millions)

239m

-3%

2019	239m
2018	246m
2017	247m

Live car stock
Average number per month

461,000

+2%

2019	461,000
2018	453,000
2017	450,000

1 The full list of KPIs is available on pages 20 to 23.
2 2018 and 2017 have been restated following the adoption of IFRS 16.

Key achievements

– We successfully monetised our dealer finance proposition, allowing retailers to advertise their finance pricing to consumers earlier in their buying journey.

– We launched a new car proposition which saw us close the year with over 30,000 physical new cars on autotrader.co.uk.

– We successfully maintained our leadership position in both visits and minutes, as measured by comScore, despite increased competition in the market.

– We completed a joint venture with Cox Automotive UK aimed at developing a more efficient way for retailers to source vehicles.

– We met the Hampton Alexander Review recommendation of having over a third of our leadership team and their direct reports as women.

– With community-minded a core company value, we're pleased to report that our employees completed 467 volunteering days within the reported financial year.

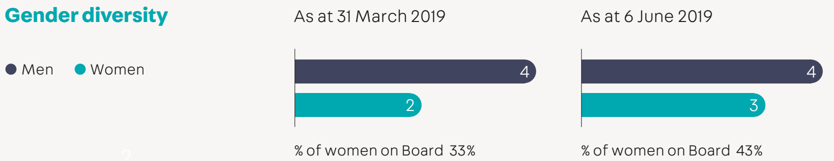
– We were the first company to be accredited by the National Autistic Society as an autism friendly employer.

Chairman's statement

> **"We returned £151m to shareholders through dividends and share buybacks, and reduced debt by £30m."**

Ed Williams
Chairman

Gender diversity



Overview

The last year saw Auto Trader make major steps towards many of our strategic goals which lie beyond simply being the best place for car buyers and sellers to advertise their cars in the UK and Ireland. The next paragraph highlights three of these.

First, we started to charge our customers for our Dealer Finance service. This allows car finance and monthly payments against vehicles advertised on Auto Trader. By the end of the year 67% of all cars displayed car finance quotes whether via the retailer or using our own service, via a third party. Second, we introduced the ability for manufacturers and retailers to advertise their new car stock, including vehicles manufactured but not yet allocated to a specific retailer. Third, we announced and received Competition and Markets Authority clearance for a joint venture with Cox Automotive, the UK's second largest car auction business, to provide retailers with a fully integrated online solution to sourcing used cars, including virtual auctions.

Healthy progress was made in our core business of advertising used cars for sale, despite a tough new car market and stable but slightly declining used car market. Indeed, the tougher trading conditions experienced by many of our customers have led to a re-evaluation of their marketing approach and greater appreciation of the efficiency gains to be made by making their business more digital.

Culture, diversity and inclusion

This Annual Report includes extensive coverage of our approach, initiatives and outcomes with regard to culture, diversity and inclusion. I wanted to highlight here one specific achievement. In April 2019 Auto Trader became the first company in the world to be accredited by the National Autistic Society as an autism friendly employer.

My personal thanks goes out to those people in the organisation that identified and took on the challenge of changing Auto Trader to make us worthy of this award. It emphasises that at Auto Trader efforts are not, and should not be, confined only to areas receiving corporate governance attention.

Dividend, financing and capital strategy

We are recommending to shareholders a final dividend of 4.6 pence per share, bringing the total dividend for the year to 6.7 pence per share. This 14% increase on the previous year is underpinned by our EPS growth.

Our capital strategy policy remains unchanged. We aim to distribute around a third of net income as dividends, and use the majority of surplus cash, after dividends, to buy back shares while also reducing debt. In 2019, we returned £151m to shareholders through dividends and share buybacks, and reduced debt by £30m. As we reported last year, on 6 June 2018 we entered into a new five-year £400m revolving credit facility, the majority of which has subsequently been extended for a further year. £313m was drawn at the end of the year.

Board changes and governance

Following the end of the financial year, we announced the intention of our CEO, Trevor Mather, to retire from the Company and step down from the Board on 31 March 2020. Trevor has made a huge contribution to the business. The Board would like to thank him and wish him all the best in retirement.

We will talk about Trevor's contributions and achievements in next year's Annual Report, when we can reflect on the complete period of his tenure.

We were delighted to be able to announce that Nathan Coe, previously COO and CFO, will replace Trevor on his retirement and that Jamie Warner, previously Deputy CFO, will become CFO. We were also delighted to announce the promotion of Catherine Faiers to the role of COO and her appointment to the Board from May 2019.

There were no changes to the Board, nor material matters relating to corporate governance, during the year under review in this Annual Report. We have reviewed the impact of the 2018 Corporate Governance Code. We were already in line with the new requirements in most respects. Where changes are needed, these are already underway and we are committed to taking the necessary steps to comply with the new Code within 12 months. Further details are included within the Corporate Governance report.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10.00am on Thursday 19 September 2019 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN and we expect that all Directors will be in attendance.

Ed Williams
Chairman
6 June 2019

Chief Executive Officer's statement

"We continue to operate the UK's largest digital automotive marketplace and have maintained our market leading position. A large proportion of our audience is unique to Auto Trader, and consumers spend more time on our platforms than any other automotive site."

Trevor Mather
Chief Executive Officer

Another year of growth

Our strategic focus

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

Summary of operating performance

Despite continued tough wider market conditions, we have had a great year. Revenue grew by 8% to £355.1m as retailers and manufacturers recognise the value in our core marketplace and our products. Operating profit grew by 10% with our Operating profit margin increasing to 69%.

Our key deliverables

We continue to operate the UK's largest digital automotive marketplace and have maintained our market leading audience position by a significant margin. A large proportion of our audience is unique to Auto Trader, and consumers are more engaged with our platforms compared to any other automotive site.

In April 2018 we successfully executed our annual retailer pricing event, introducing new products and features to better enable retailers and manufacturers to compete more effectively on our marketplace. As part of this, we effectively monetised our Dealer Finance product, and through the year increased penetration of our Advanced and Premium advertising packages.

The market

Both the new and used car markets declined in the financial year, although the size of the overall UK car parc continues to grow which benefits our stock-based business model. Predictions suggest that both markets will continue to decline for the calendar year 2019, albeit at a slower rate than in 2018. Economic and political uncertainty plus factors unique to the new car market, for example the continued impact of the Worldwide Harmonised Light Vehicle Test Procedure, continue to impact both new and used car sales.

People and culture

People are our greatest asset, so fostering a culture that is truly values-led, principles-driven and agile and responsive to change, is a fundamental part of our strategy. We work hard to ensure our people are proud to work for the business, and brilliantly 92% said that they were proud to work at Auto Trader in this year's annual employee engagement survey.

Our ambition to become the most admired digital business can only be fulfilled by having a diverse workforce, as well as a deep rooted desire to make a difference to wider society. We are making progress on our diversity and inclusion strategy and continue to develop initiatives to drive greater gender balance across all levels in the organisation. Our Gender Pay Gap Report showed an improvement this year, but there is still more work to be done.

Trevor Mather
Chief Executive Officer
6 June 2019

Creating value for our stakeholders

Market overview

The automotive market comprises over 10 million new and used car transactions each year, but is complex and often inefficient.

We believe that by continually improving transparency in the marketplace around pricing, specifications of the car, history checks and dealer reviews we can improve trust held within the industry. Greater trust, as well as a much improved buying journey, should help many consumers overcome the perception that changing their car is an onerous process and, ultimately, encourage more transactions.

Focus areas

Consumers
Owners of the 34.9 million cars within the UK car parc. Consumers involved in transactions as buyers, sometimes also as sellers and providers of stock via part-exchange.

New and used cars sold
10.2m

Trade
Retailers are involved in the sale of new cars, as part of a manufacturers' distribution network, and sellers of used cars. Much of that used car stock is sourced via part-exchange or through auction.

Used cars sold from trade to consumers
5.0m

Manufacturers
New cars are built and distributed either to fleet and lease companies or sold to companies and private buyers, usually via a franchise network.

Total new car registrations
2.3m

Read more
page 08

Our business model

Auto Trader is the UK's largest digital automotive marketplace.

Our trusted brand has been established for over 40 years, and in that time, we have built a network of highly engaged consumers searching over 450,000 cars from a diverse retailer base. These cars are largely supplied by retailers, as well as a small proportion from other consumers, and are then advertised on our marketplace, the most effective automotive sales platform. This creates a network effect model – a self-perpetuating cycle with each element further fuelling the next.

Our model

Inputs

- Trusted brand
- Data at scale
- Scalable technology platform
- People and culture
- Cash generation

Activities

- Ensuring the best choice of vehicles
- Connecting new and used buyers and sellers
- Providing insights and products that enable retailers and manufacturers to compete more effectively
- Risk management and strong corporate governance

Outputs

- Making car buying easier
- Improving retailer and manufacturer businesses
- Delivering sustainable revenue and profit growth
- Investing in our people, culture and community

Read more
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Growth horizons

Our position as the leading digital automotive marketplace provides multiple horizons for growth with our customers over time.

We have identified three horizons of growth to help achieve our strategy. These horizons are in our core marketplace, adjacent markets and long-term future opportunities.

Our growth horizons

Growth horizon 1
Core
Our core marketplace continues to offer a strong runway for growth, underpinned by continuous improvement of the car buying experience.

Growth horizon 2
Adjacent
Identification of adjacent opportunities in new car sales and the way in which our customers source vehicles.

Growth horizon 3
Future
The evolution of both our products and consumer experience aims to keep consumers online for longer throughout the buying journey.

Read more page 14

Our strategy

We have continued to make progress against all three of our strategic pillars in 2019.

We have made improvements to our core car buying journey, our company values and the way in which we work as an organisation. We have also entered other parts of the automotive ecosystem, around new car sales and the way in which our customers source vehicles.

Our strategic pillars

Improve car buying in the UK

Evolve the automotive ecosystem in the UK

Become the most admired UK digital business

Read more page 18

Key performance indicators

We have identified the following key performance indicators to track performance.

We have adopted the new accounting standard for Leases ('IFRS 16') from 1 April 2018, using the fully retrospective approach, and have restated all prior year periods. We have also replaced cross platform minutes as measured by comScore with our own internal tracking for cross platform visits.

Financial	Operational
Revenue £355.1m	**Cross platform visits** 49.1m monthly average across all our platforms
Average Revenue Per Retailer ('ARPR') £1,844 per month	**Advert views** 239m average per month
Operating profit £243.7m	**Number of retailer forecourts** 13,240 average per month
Basic EPS 21.00p pence per share	**Number of full-time equivalent employees ('FTEs')** 804 average number (including contractors)
Cash generated from operations £258.5m	**Live car stock** 461,000 average per month

Read more pages 20-23

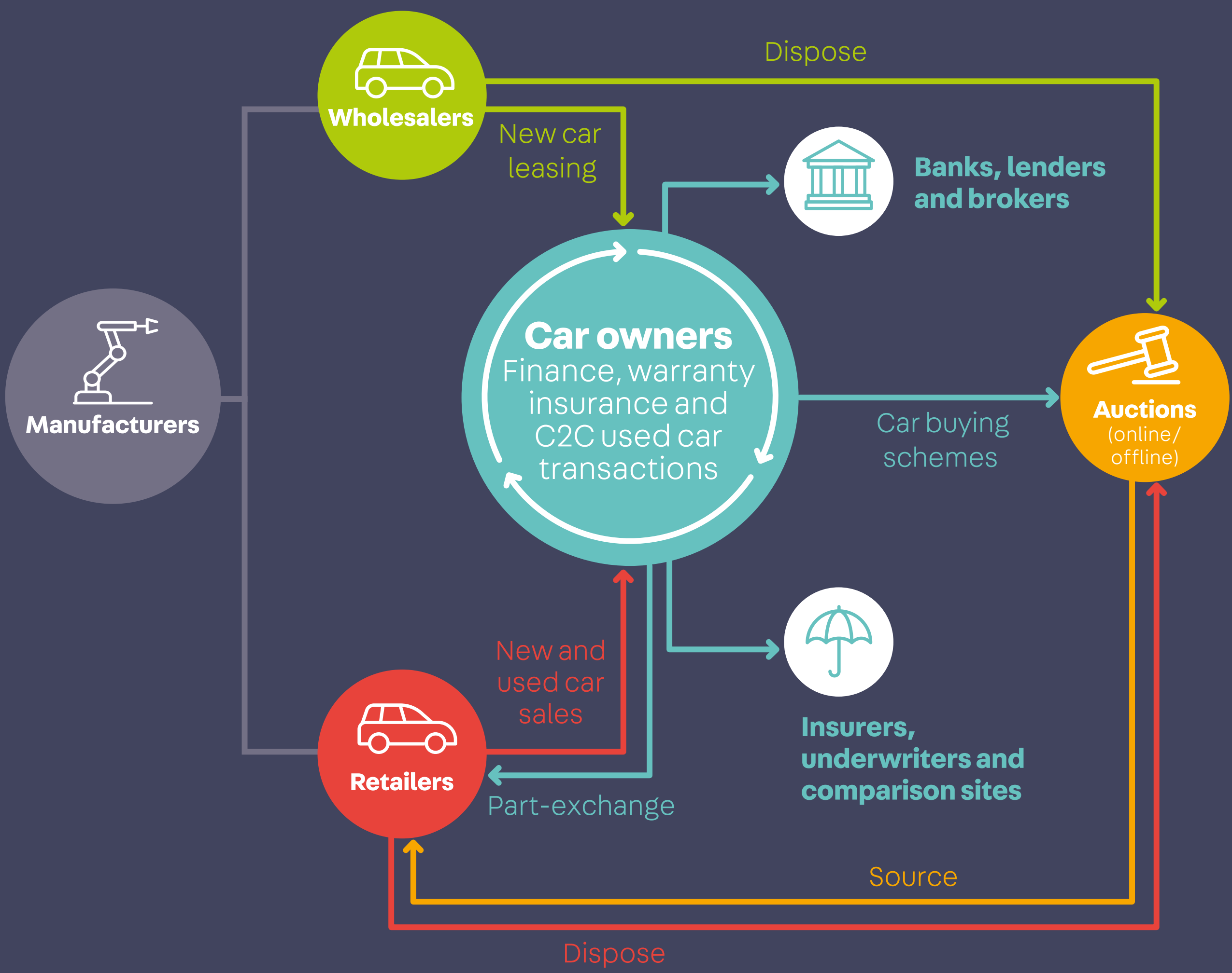
Market overview

The ecosystem we operate in

The automotive ecosystem

The automotive market is complex and often inefficient. There are multiple participants and unsurprisingly consumers can find the process of buying or selling a car overwhelming.

Through Auto Trader products, services and partnerships, we aim to significantly improve the car buying experience, as well as leverage our existing relationships to improve further parts of the value chain.

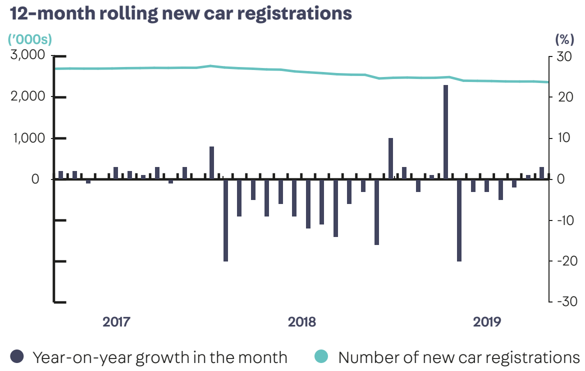


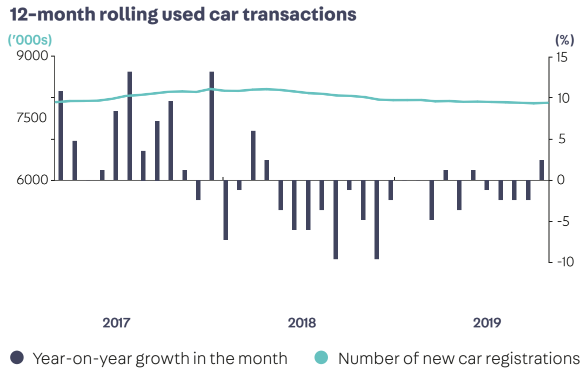
3.3m
part-exchanges estimated between retailers and consumers each year

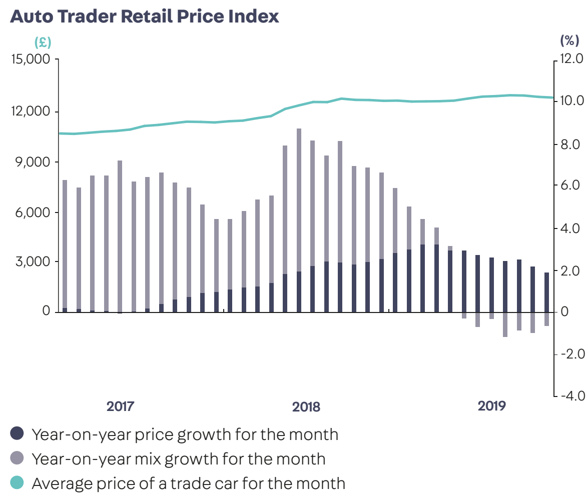
3.3m
cars auctioned through both physical and online channels each year

300k
cars bought directly from consumers by car buying schemes each year

Transactions declined in both the new and used car markets in 2019. Despite this decline, prices were buoyant and finance penetration continued to grow.







New and used car market

10.2 million car transactions took place in the 12 months to March 2019, according to the Society of Motor Manufacturers and Traders (SMMT), driven by a growing number of vehicles in the UK and car owners changing their car on average every 3.4 years. The total UK car parc continues to grow, increasing by just under 1% to 34.9 million cars[1].

The SMMT reported new car sales declined in the 12 months to March 2019 by 3.7%, giving a total number of 2.3 million registrations during the period. Used car transactions also declined over the 12-month period, albeit at a lesser rate of 0.9%, as 7.9 million transactions were made.

Particularly impacting the number of new car registrations, the new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) came into effect in September 2018, and was felt across the market as manufacturers struggled to maintain the supply of compliant vehicles into their retailer networks.

The Auto Trader Retail Price Index, which tracks the average trade retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of cars being sold, shows that prices remain buoyant across the market increasing over the 12-month period to March 2019 by 3.5%. Petrol and alternatively fuelled vehicles increased by 4.9% and 3.6% respectively, and diesel increased by 2.5%. The average price of a used car throughout the period was £12,520.

Looking ahead, industry predictions suggest that new car transactions will decline again in 2019, although at a slower rate than was seen in 2018. The used car market typically sees less volatility and therefore similarly we anticipate only a small decline in the number of used car sales in 2019.

UK economy and Brexit implications

The UK economy continues to perform resiliently despite the path of Brexit remaining unclear. It grew by 0.5% in the three months to March 2019, following a rise of 0.2% during the final quarter of 2018. GDP growth across 2018 was 1.4%, whilst UK inflation was 1.9% in March 2019, unchanged from February 2019. This remains close to January's two-year low, which is helping consumers to maintain their spending power.

In addition, wages were 3.3% higher in the three months to the end of March and UK unemployment has fallen to a 45-year low, reducing by 65,000 in the three months to March to 1.3 million. The continuing low level of interest rates has provided consumers with attractive car finance deals and given some support to the new car market.

Nevertheless, the Bank of England has in recent months downgraded its outlook for UK real GDP growth to its weakest since the financial crisis, largely as a result of heightened uncertainty related to Brexit. There were, however, some upgrades in the Bank's forecasts with expectations for 2021 nudged higher from 1.7% to 1.9%.

We do not foresee any issues with Brexit affecting our ability to provide our services, and we do not anticipate that it will materially change our cost base. As we have said previously, the form of any Brexit deal is likely to affect Auto Trader only as much as it impacts on both general levels of consumer confidence and the supply of new cars into the UK market. If the average price of a car increases and consumer confidence levels decrease, there is a potential impact on the number of car transactions. This would likely impact our retailers' profitability and their ability to spend on our marketplace.

Not new, not used but next car

As car buyers become more open to either a new or used car and indeed between a traditional combustion engine versus an alternatively fuelled one, one thing remains: they want to search for their next car online. Recent research conducted by Acacia Avenue suggests that consumers want to do at least 14 different tasks online. These tasks vary from the start of the journey where consumers are considering the general types of car to focus on, choosing to buy new or used, choosing the brand(s) of car, and subsequently slimming this choice down to find a specific dealer to visit.

Consumers are often open to a new car when starting their buying journey, but the majority don't know what new cars are for sale, how much they cost, whether they're in budget, or how soon they'll be available. It's estimated that there are over 120,000 physical new cars already manufactured and delivered to the UK, but that are effectively hidden from consumers. The current consumer buying journey for a new car ignores these readily available vehicles and sends the consumer down a configuration journey, which often results in a wait of several months to take delivery of the vehicle. At this point the consumer may be offered the alternative option of a car that is available in the UK for sale immediately, but there is usually a compromise on the specification, which can lead to dissatisfaction. Our proposition for new cars aims to surface these brand-new physical vehicles, available to buy and take delivery of now, to in market car-buyers.

Auto Trader is, by some distance, the UK's largest and most influential website for new car purchases. In fact, 70% of consumers would use Auto Trader to search for their next new car. Therefore, we have recently updated our search experience on Auto Trader so car buyers can now choose from new or used in one place, without the need to make a trade-off on their ideal next car. Our marketplace, as at 31 March 2019, featured over 30,000 physical brand new cars for sale.

Finance fuelling car ownership

The ubiquity of car finance options in the form of Personal Contract Plans (PCP), Hire Purchase (HP) and Personal Contract Hire (PCH) has been a key catalyst in shifting car buyers away from traditional car ownership to more of an 'access' or 'subscription' model of owning a car. In the 12 months to March, over 91% of new cars were purchased on finance, with the corresponding number of just over 30% for used cars, according to the Finance and Leasing Association (FLA)[2]. The growing number of these models will shape the future relationship between consumer and car; and therefore will have ownership implications for both retailers and manufacturers. Whilst the traditional concept of 'ownership', i.e. buying a car outright in cash, is indeed losing popularity, research we conducted for a recent Market Report[3] revealed that 80% of consumers still want to own their car or at least have exclusive access to it. 52% said they wouldn't consider sharing services; the primary reasons were an unwillingness to share (51%), inconvenience (48%) and it not fitting into lifestyles (43%).

New business models that allow consumers to access a car in a variety of ways and for varying time periods have the potential to grow demand for cars in the short term. They'll also open up car accessibility to those consumers who have not previously been able to afford a car or who don't want the commitment of owning one in the traditional sense. That's why we believe the evolution in ownership towards access models will complement, rather than cannibalise, the market. Understanding the type of access consumers want from their cars is perhaps the key to predicting how this evolutionary step will shape our industry.

We are the most visited automotive website with

76%

share of minutes spent across automotive classified sites

49.1m

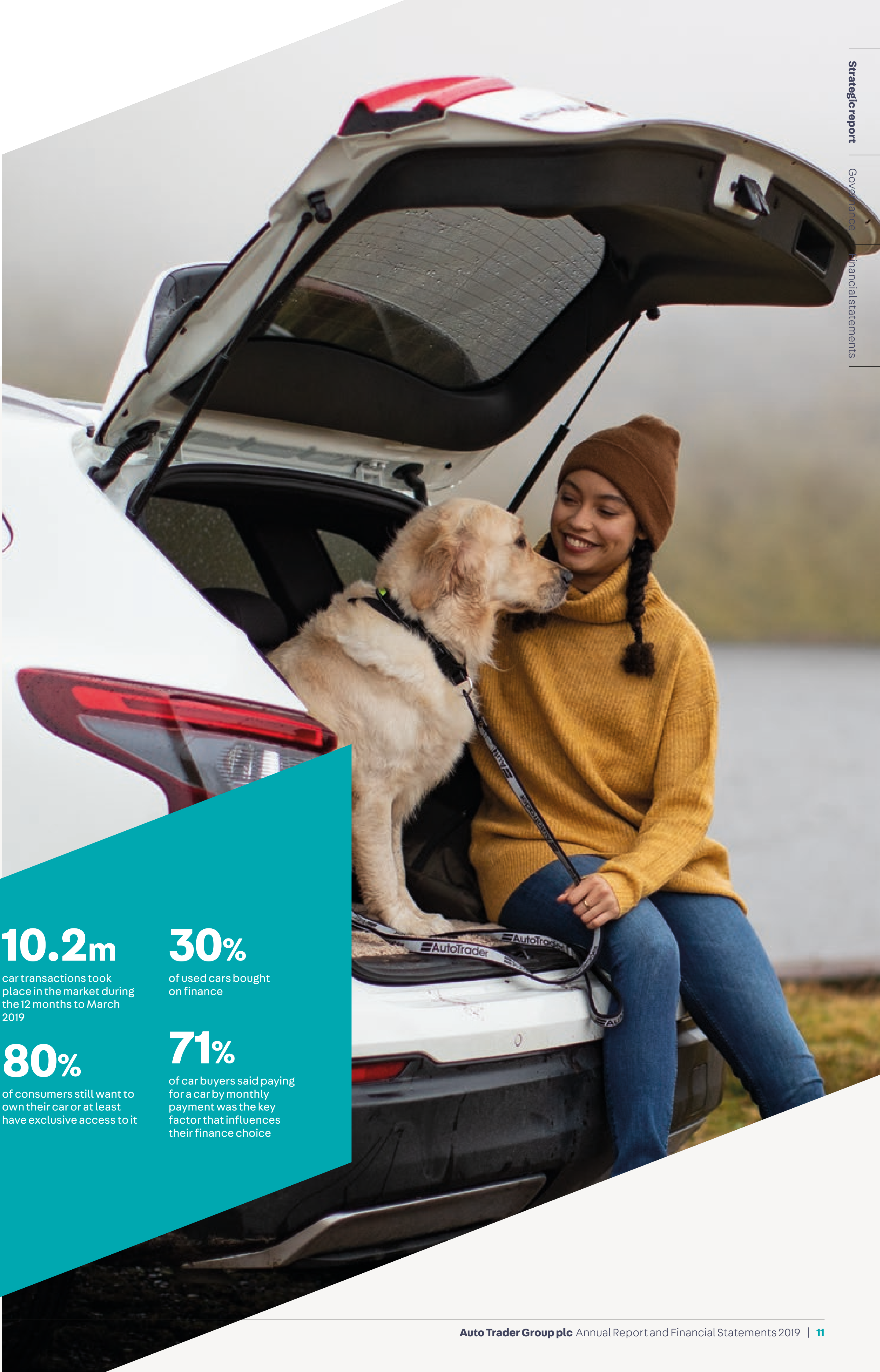
cross platform visits, we remain the primary source for consumers on their car buying journey

Last year we introduced the ability for consumers to search by monthly payment, as 71% of car buyers said paying monthly for a car was the key factor influencing their finance choice[4]. The move enabled retailers to advertise their monthly finance prices on each vehicle advert, alongside the purchase price. This benefits both retailers and consumers. Retailers can promote their own finance prices more effectively and buyers can see exactly what a car will cost on a monthly basis, enabling better comparison of cost earlier in the buying journey. In the year ended March 2019, we had over 5,000 retailers paying to display their own finance, and an additional 3,500 deciding to use our partner to display monthly pricing. At the end of the year, this meant that over 320,000 vehicles appeared with a monthly price on Autotrader.co.uk.

Maintaining our competitive position

We continue to evolve and adapt alongside changing market conditions which means we remain the UK's largest digital automotive marketplace for new and used cars. With 49.1 million cross platform visits, we remain the primary source for consumers on their car buying journey. The audience is not only large but highly engaged with a 76% share of minutes spent across automotive classified sites, five times more than our nearest competitor, a measure that has grown from four times in the previous year. What's more, we are also the most trusted automotive classified brand in the UK. We enjoy 83% and 70% prompted awareness when consumers think about which brand can help them with the process of buying or selling a used or new car respectively.[6]

1 Society of Manufacturers and Traders (SMMT)
2 Based on data from Finance & Leasing Association (FLA), March 2019
3 Auto Trader Market Report, September 2018
4 Auto Trader Market Report, March 2018
5 Auto Trader Brand Tracking conducted by Acacia Avenue average Brand tracking
6 Auto Trader Brand Tracker conducted by Acacia Avenue, monthly data



10.2m
car transactions took place in the market during the 12 months to March 2019

30%
of used cars bought on finance

80%
of consumers still want to own their car or at least have exclusive access to it

71%
of car buyers said paying for a car by monthly payment was the key factor that influences their finance choice

Auto Trader is the UK's largest digital automotive marketplace

Inputs

Trusted brand

Auto Trader has operated as a trusted source for UK car buyers and sellers for over 40 years.

Auto Trader prompted awareness

90%

of consumers were aware of Auto Trader for any mention of new or used car

Data at scale

Auto Trader's volume of vehicle listings and consumer interactions generate significant quantities of quality data.

Volume of searches on Auto Trader

139m

average volume of searches per month on Auto Trader by consumers

Scalable technology platform

We operate a technology platform that serves our core classified marketplace and is capable of supporting new growth opportunities and third parties.

Software releases

15,000

in 2019

People and culture

Our values-led culture has created a fast-moving, collaborative and community-minded company which can quickly respond to market changes and opportunities.

Number of full-time equivalent employees (including contractors)

804

on average in 2019

Cash generation

The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

Cash generated from operations

£258.5m

Activities generating value

Ensuring the best choice of vehicles

A key component of our network effect model is having the most comprehensive selection of both new and used stock for consumers to consider when shopping for a vehicle.

Connecting new and used buyers and sellers

Auto Trader has the largest consumer audience and is consistently investing in the online experience. This is achieved through an agile product development and delivery approach.

Providing insights and products that enable retailers and manufacturers to compete more effectively

Our customer-operation teams of over 350 employees provide proactive support and insight to retailer and manufacturer customers, helping them target the largest consumer audience in the most impactful way.

Risk management and strong corporate governance

Behind the Company's strong network effect model is a framework that ensures consumers, customers, employees and shareholder interests are upheld.

Our trusted brand has been established for over 40 years, and in that time we have built a network of highly engaged consumers searching over 450,000 used cars from a diverse retailer base. These cars are largely supplied by retailers, as well as a small proportion from consumers, which are then advertised on our marketplace, the most effective automotive sales platform.

This creates a network effect model – a self-perpetuating cycle where greater volumes of stock attract a larger, more engaged audience, generating a greater volume of sales, which in turn fuels more stock. Underpinning this network effect model is large amounts of data we collect, as well as continual investment in our platform, marketing, insight and customer relationships.

Outputs

Make car buying easier

Consumer visits

49.1m

average per month

Through the introduction of our new dealer finance product, and the evolution of our full page advert view, where we have brought together more aspects of "the deal". As well as this we have seen greater usage of our valuation products and increased the number of dealer and expert reviews, which gives greater transparency to the UK car buying experience.

Improving retailer and manufacturer businesses

Package penetration

19%

of retailer car stock is advertised using our two highest level packages as of March 2019

With the continued evolution of our data-driven Managing products, we've provided retailers with the necessary tools to manage their forecourts more efficiently, focusing particularly on price position and speed of sale.

Our prominence products, which include higher level advertising packages and our InSearch product, give manufacturers and retailers the opportunity to gain greater standout on our marketplace.

Delivering sustainable revenue and profit growth

Operating profit

£243.7m

Through a combination of new product initiatives, pricing and strong cost control we look to consistently deliver long-term growth of both revenue and profit. We're committed to our proactive approach of returning capital to shareholders.

Investing in our people, culture and community

Donated to charity

£212k

We have a strong purpose-driven culture, with a bold approach to societal issues, such as diversity and inclusion. Our company values see us make continued investment in both our employees and the community in which we operate.

Growth horizons

Our position as the leading digital automotive marketplace provides multiple horizons for growth with our customers over time.

Our strategic pillars

Our three strategic pillars are the foundations with which we build towards our overall purpose; these are:

Improve car buying in the UK

Evolve the automotive ecosystem in the UK

Become the most admired UK digital business

Read more page 18

Growth horizons

We look to execute on our purpose and strategic pillars by thinking about growth opportunities in three horizons:

Growth horizon 1
Core

Our core marketplace continues to offer a strong runway for growth, underpinned by continuous improvement of the car buying experience and helping retailers improve their profitability.

Growth horizon 2
Adjacent

We've identified adjacent opportunities to our core marketplace in new car sales and the way in which our retailers source vehicles. We believe the scale of our consumer audience and our relationships with retailers and manufacturers help create these opportunities.

Growth horizon 3
Future

The evolution of both our products and our consumer experience aims to keep consumers online for longer throughout the buying journey.

Core

Our core marketplace continues to offer a strong runway for growth, underpinned by continuous improvement of the car buying experience and helping retailers improve their profitability.

Continually enhance our core

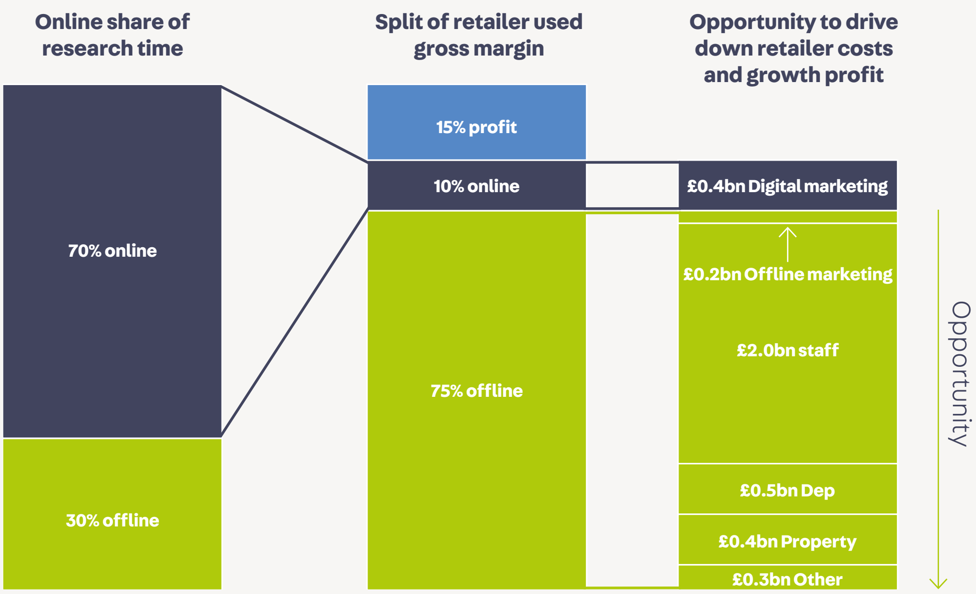
There remains a mismatch between used car retailing costs and the way in which consumers are shopping for their next vehicle. Throughout financial year 2019 we have introduced products to help retailer customers better target in-market car buyers. We have grown penetration of our higher-level advertising packages, which attract greater levels of response from consumers. We monetised our Dealer Finance product, which surfaces a retailers' finance pricing earlier in the buying journey. This product helps consumers arrive at the forecourt better informed on what their next vehicle purchase is likely to be, helping make the actual forecourt experience more efficient.

We have also overhauled and relaunched our data-driven Managing products to help retailers improve their price position and speed of sale, thereby lowering the impact of depreciation and discounting.

Strategy

The industry will become more digital and offline costs will reduce. Auto Trader will be fundamental to this change through:

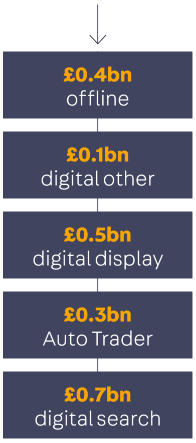
- maintaining leadership with car buyers
- moving the car buying process online
- providing products, data and services that deliver a higher ROI to our retailers than the offline alternatives they use today



Adjacent

We've identified adjacent opportunities to our core marketplace in new car sales and the way in which our retailers source vehicles to sell on their forecourts. We believe the scale of our consumer audience and our relationship with retailers and manufacturers help create these opportunities.

£2.0bn
2018 UK Automotive Digital Advertising



Become to new cars what we are in used

We estimate there was c.£2.0bn spent on automotive advertising in the UK in 2018 and of that c.£800m–£1bn was spent by manufacturers promoting new cars.

Financial year 2019 has seen investment in both a new native display product for manufacturers, called InSearch, and also giving franchise retailers the ability to advertise physical new cars on Auto Trader. Consumers currently shop for a new car using a new car configurator. This often leads to frustration as consumers will have to wait a number of months to take delivery of the vehicle. Our proposition informs consumers which new cars are immediately available to buy, including their associated discounts.

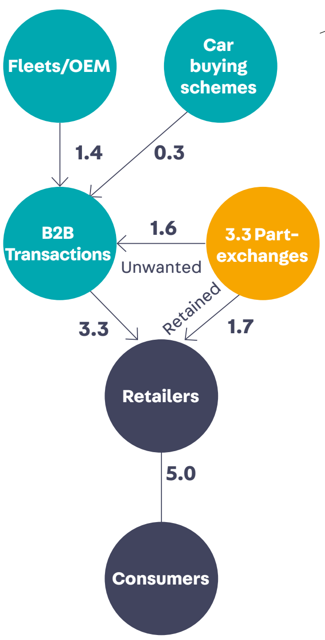
Strategy

Leveraging Auto Trader's large in-market consumer audience, we believe we have a big role in helping manufacturers and their franchises sell new cars.

Today we generate just over £20 million from manufacturers and their agencies, but we believe we can take a more meaningful share of new car advertising, by doing the following things well and consistently:

- delivering the best UK new car buying experience
- continue to grow the choice and quality of physical new car inventory
- mobile-led advertising products with greater scale and targeting
- deepening relationships and perceptions with manufacturers and their agencies

Source of stock for used car transactions sold by trade customers in 2018 (m)



Develop a more efficient way for retailers to source, dispose and move vehicles

There are c.3.3 million B2B transactions per year, fuelled in part by the c.3.3 million part-exchanges that occur when a consumer purchases a vehicle.

In 2019, Auto Trader entered into a joint venture with Cox Automotive UK, to provide a leading digital marketplace for wholesale vehicles in the UK, under the brand Dealer Auction.

Cox Automotive UK has transferred both Dealer-Auction.com, which offers an online auction of trade-in vehicles from UK franchise dealers, and Manheim Online, the online remarketing services division of Cox Automotive UK, to the joint venture, while Auto Trader has transferred its Smart Buying business (formally known as Autotrade-mail), its retailer-to-retailer platform.

The new Dealer Auction platform will provide a digital led low cost B2B platform that is data-driven to improve profitability for vendors and retailers in a single marketplace with easy access to additional services, such as logistics and wholesale funding provided by partners. Since formation, Dealer Auction has transacted over 30,000 vehicles and advertised an additional 58,000 vehicles through the Smart Buying platform.

Strategy

Sourcing vehicles is one of our customers' biggest challenges and the costs can be significant. Through our joint venture we are looking to grow the online auction market in several ways:

- Our online marketplace will be national, whereas the existing physical auction market revolves around regional centres
- Using Auto Trader's digital relationship with retailers we're able to target potential auction buyers and, following purchase, create a process where a vehicle can be advertised quicker to consumers using **Autotrader.co.uk**
- We will power the search experience using Auto Trader's unique metrics that inform retailers the vehicles that are in demand in their area and provide specification adjusted valuations to guide their buying decisions
- The pricing of Dealer Auction, particularly for buyers' fees, will be cheaper than those currently paid at physical auctions
- We will continue to grow our logistics marketplace, Motor Trade Delivery

Future

The evolution of both our products and our consumer experience aim to keep consumers online for longer throughout the buying journey.

Help consumers transact online

Recent research suggests there is growing appetite for a greater online journey from consumers when it comes to car buying.

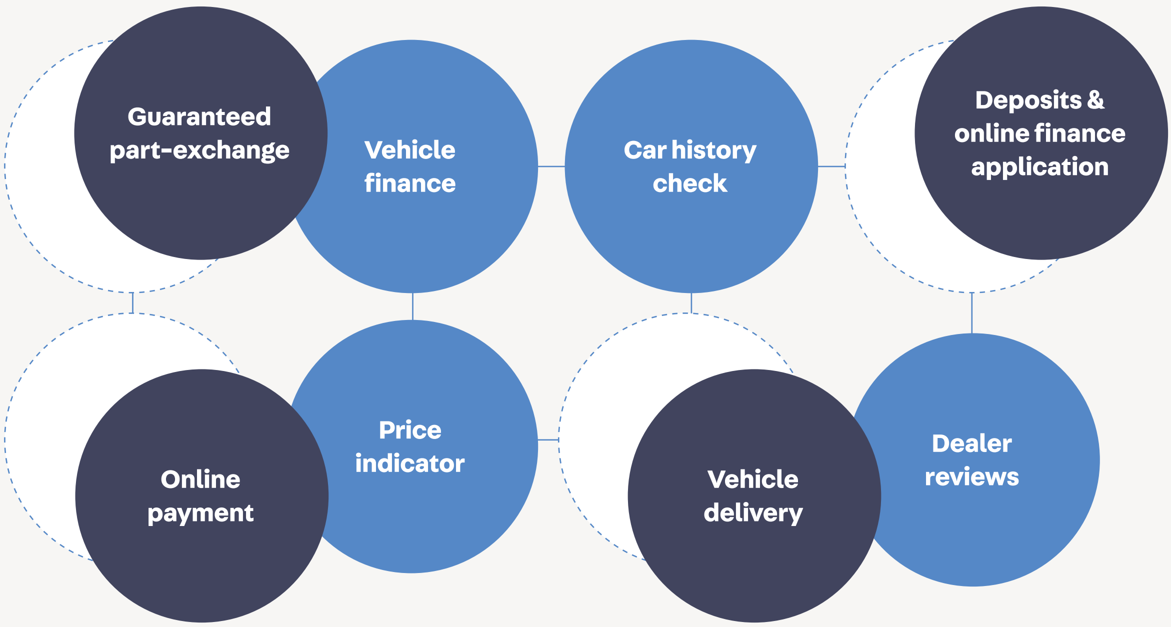
In 2019, Auto Trader has shown monthly prices on its adverts, increased the volume of dealer reviews and in the last few months launched a more comprehensive vehicle check product, all giving greater confidence to car buyers. In the next three years, much of our product development is focused around a deeper online journey. We have the experience, resources and technology to continue leading innovation in the UK automotive marketplace.

Strategy

There are several elements to an online journey and we have made good progress in 2019, with the next areas of focus being:

- We currently show a recommended part-exchange guide price for consumers, but believe we need a way to guarantee this price for consumers
- Our finance product is currently an advertisement of the monthly price, however there is a need to develop the application process and help consumers understand eligibility
- Auto Trader owns a logistics marketplace, however the concept of home delivery is not well established
- The ability to take a full online payment or deposit, including the finance approval, would be required

The elements to deliver an end-to-end online transaction



Our strategy

To be the UK's leading digital automotive marketplace

Strategic pillars

Improve car buying in the UK

Evolve the automotive ecosystem in the UK

Become the most admired UK digital business

Horizon	Focus areas	
	1 Maintain the best consumer experience for buying and selling vehicles	The largest and most engaged consumer audience, shopping for their next vehicle, underpins our network effect marketplace model. We continue to invest in the onsite experience and the tools available to consumers to help them make the most informed decisions.
	2 Create and maintain high-performing, data-orientated teams	The successful development and scale of our products and services comes down to our people, our most important asset. We consistently invest in our people's development and work hard to ensure we have a diverse and inclusive workforce. Data is fundamental to decision making within the organisation and we constantly strive to improve our capability in this area.
	3 Grow ARPR in a balanced and sustainable way, by creating value for our customers	Average Revenue Per Retailer ('ARPR') is a key determinant of revenue, with 83% of Group revenue coming from retailer customers. Growth in ARPR is split into three levers: price, stock and product.
	4 Improve stock choice, volumes, accuracy and transparency in both new and used vehicles	Stock is a key part of our network effect model. It is vitally important we maintain our leadership position across different profiles, including: age, price, make/model and region, across both new and used vehicles. We aim to replicate in new cars the success we have achieved in used cars. All our stock is underpinned by our extensive vehicle taxonomy.
	5 Develop a more efficient way for retailers to source, dispose and move vehicles	A consistent painpoint for retailers is how they currently source vehicles outside of consumer part-exchanges. Through market research it shows a challenge exists to find quality stock, within a specific stocking policy, at competitive prices whilst also maintaining margin. Disposing of and moving vehicles in a cost effective manner can also be challenging, with many retailers wedded to one supplier.
	6 Extend our product offering further down the buying funnel, towards online transactions	Our research suggests there is a growing desire to complete more aspects of the car buying journey online. We continue to look at the various component parts which might make up that transaction journey and how we might offer those on Auto Trader, extending the time consumers currently spend online shopping for new and used vehicles.

Growth horizon 1
Core

Growth horizon 2
Adjacent

Growth horizon 3
Future

2019 progress	Relevant risks	How we measure progress
Improvements made to search listings and the full page advert view have helped improve the onsite experience. We have maintained share of minutes spent on automotive classified sites and grown cross platform visits as measured by Google Analytics.	4 Failure to innovate: disruptive technologies and changing consumer behaviours: If we fail to adapt to changing consumer behaviour, we could be surpassed in offering the best consumer experience by competitors. 5 IT systems and cyber security: Significant downtime or a data breach, resulting in reputational damage, could result in a loss of consumer trust in our marketplace. 7 Reliance on third parties: Disruption or downtime from a supplier could result in a poor consumer experience.	- Full page advert views - Cross platform visits
The number of employees has marginally declined year-on-year, although this was partly impacted through the transfer of 15 employees to our new joint venture in Q4. We have improved our data capabilities, resulting in the launch of new iterations of our data-driven Managing products.	5 IT systems and cyber security: The data we hold on our employees must be stored securely. Compliance training must also be completed annually by all employees. 6 Employees: All our office locations are seeing increased levels of competition for talent.	- Operating profit - Operating profit margin - Number of full-time equivalent employees ('FTEs')
ARPR saw growth of £149 in 2019. The main contributor to this was the successful execution of our annual pricing event and the monetisation of our new Dealer Finance product. Upsell to our advanced and premium advertising packages also contributed to our product lever growth. Our paid stock lever was marginally negative, due to H1 pressure on supply.	1 Economy, market and business environment: Reduced transactions and lower dealer profitability could lower the propensity for dealers to buy our products. 4 Failure to innovate: disruptive technologies and changing consumer behaviours: Inability to react to market disruption could limit our ability to grow our product lever revenue. 5 IT systems and cyber security: Significant downtime or a data breach, resulting in reputational damage, could result in a loss of customer confidence. 7 Reliance on third parties: Significant downtime or disruption due to a third party could lead to loss of value to customers, potentially resulting in lower product uptake.	- Revenue - Operating profit - Operating profit margin - Number of retailer forecourts - Average Revenue Per Retailer ('ARPR') - Live stock
Live stock on Auto Trader grew 2% in 2019, with the growth coming through the introduction of our physical new car product. Underlying used car stock saw a small decline year-on-year, in line with used car transaction volumes.	1 Economy, market and business environment: Reduced new and used car transactions could lead to lower volumes of stock for sale in the market.	- Live stock - Number of retailer forecourts
In December 2018 we completed a joint venture with Cox Automotive UK to provide a digital online auction marketplace. Auto Trader contributed a business called Smart Buying to complement the Cox owned Dealer Auction, the brand under which the JV will operate, and a business called Manheim Online.	4 Failure to innovate: disruptive technologies and changing consumer behaviours: The way in which retailers source, dispose and move their vehicles is currently inefficient and requires innovation to significantly improve the existing processes. 7 Reliance on third parties: The delivery of improvements in how retailers source, dispose and move vehicles is likely to rely on a greater number of partnerships with third parties.	- Operating profit - Operating profit margin
In 2019 we monetised our dealer finance product which allows consumers to consider their finance pricing earlier in the buying journey. We also evolved our full page advert to bring the part-exchange guide pricing and finance quote into a more integrated journey.	4 Failure to innovate: disruptive technologies and changing consumer behaviours: If we fail to innovate in this area, it is likely that we will miss the significant opportunity in bringing more of the buying journey online and potentially have our existing model undermined. 7 Reliance on third parties: The delivery of more components of an online transaction journey is likely to rely on a greater number of partnerships with third parties.	- Revenue - Operating profit - Operating profit margin - Number of retailer forecourts - Average Revenue Per Retailer ('ARPR')

Risk that applies to all focus areas

2 Brand: Failure to protect our brand could result in a reduction in audience, which would limit our ability to execute on all focus areas.

3 Increased competition: It's possible that audience, customers, employees and innovation could all be impacted by improvements from our competitors.

Measures that apply to all focus areas

- Basic EPS
- Cash generated from operations

Key performance indicators

Financial

Revenue

£m

£355.1m

+8%

Relevant focus areas

1 2 3 4 5 6

Definition
The Group generates revenue from three different streams: Trade, Consumer Services and Manufacturer and Agency. Trade is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private and Motoring Services.

Progress
Revenue increased 8% year-on-year, with the main driver of growth being our Retailer line, supported by Manufacturer and Agency. This growth was slightly offset by a decrease in Consumer Services, largely as a result of declining private listings.

Relevant risks

1 2 3 4 5 6 7

Average Revenue Per Retailer ('ARPR')

£ per month

£1,844

+£149

Relevant focus areas

1 2 3 4 5 6

Definition
Average Revenue Per Retailer ('ARPR') is calculated by taking the average monthly revenue generated from retailer customers and dividing by the average monthly number of retailer forecourts who subscribe to an Auto Trader advertising package.

Progress
ARPR grew £149 in the year. Growth was largely a function of the product lever through: further upsell to our higher-level packages; the monetisation of our new Dealer Finance product; expanding the products included within our packages to include stock exports and improved dealer landing pages; and small growth in the volume of customers paying for a data-driven Managing product. Growth was further bolstered by an underlying price increase, which was slightly offset by a year-on-year decline in our stock lever.

Relevant risks

1 2 3 4 5 6 7

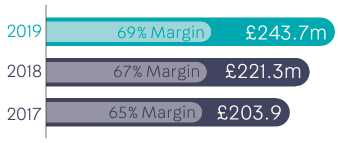
Operating profit

£

£m

£243.7m

+10%



Relevant focus areas

1 2 3 4 5 6

Definition
Operating profit is as reported in the Consolidated income statement on page 83. This is defined as revenue less administrative expenses, plus share of profit from joint ventures. Operating profit margin is Operating profit as a percentage of revenue. Comparative periods have been restated to reflect the Group's adoption of the new accounting standard for Leases ('IFRS 16') from 1 April 2018 using the fully retrospective approach.

Progress
Operating profit increased by 10% reflecting top line revenue growth of 8% and well managed costs. Operating profit also benefitted from one quarter of profit, contributed through our new joint venture, Dealer Auction. Operating profit margin saw improvement, growing by a further 2 percentage points to 69%.

Relevant risks

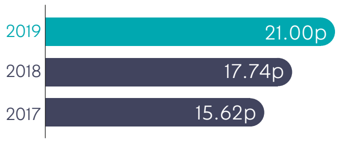
1 2 3 4 5 6 7

Basic EPS

pence per share

21.00p

+18%



Relevant focus areas

1 2 3 4 5 6

Definition
Basic earnings per share is defined as profit for the year attributable to equity holders of the parent divided by the weighted average number of shares in issue during the year. Comparative periods have been restated to reflect the Group's adoption of the new accounting standard for Leases ('IFRS 16') from 1 April 2018 using the fully retrospective approach.

Progress
Basic EPS growth was 18%, demonstrating the Group's high operational gearing. Much of the growth drops through from growth in net income, which benefitted from a one-off profit on disposal as we entered a joint venture with Cox Automotive UK. Basic EPS was also supported by a reduction in the weighted average number of shares in issue during the year as a consequence of our share buyback programme.

Relevant risks

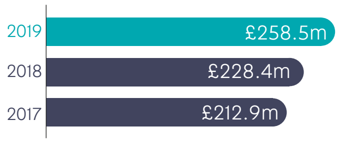
1 2 3 4 5 6 7

Cash generated from operations

£m

£258.5m

+13%



Relevant focus areas

1 2 3 4 5 6

Definition
Cash generated from operations is as reported in the Consolidated statement of cash flows on page 87. This is defined as cash generated from operating activities, before corporation tax paid. This is considered to be a more meaningful measure of performance than the statutory measure of cash generated from operating activities, which can be distorted by changes in funding structure and the time lag that applies to the payment of corporation tax. Comparative periods have been restated to reflect the Group's adoption of the new accounting standard for Leases ('IFRS 16') from 1 April 2018 using the fully retrospective approach.

Progress
Cash generated from operations increased to £258.5 million in the year, giving growth of £30.1 million or 13%. This represented a high proportion of profit converted into cash, which was largely returned to shareholders through dividends and share buybacks.

Relevant risks

1 2 3 4 5 6 7

Linked to remuneration £

Directors' remuneration report
page 64

Focus areas relevant to our KPIs

1. Maintain the best consumer experience for buying and selling vehicles
2. Create and maintain high-performing, data-orientated teams
3. Grow ARPR in a balanced and sustainable way, by creating value for our customers
4. Improve stock choice, volumes, accuracy and transparency in both new and used vehicles
5. Develop a more efficient way for retailers to source, dispose and move vehicles
6. Extend our product offering further down the buying funnel, towards online transactions

Our strategy
pages 18–19

Risks relevant to our KPIs

1. Economy, market and business environment
2. Brand
3. Increased competition
4. Failure to innovate: disruptive technologies and changing consumer behaviours
5. IT systems and cyber security
6. Employee retention
7. Reliance on third parties

Principal risks and uncertainties
pages 30–34

Key performance indicators

Operational

Cross platform visits

Monthly average visits spent across all platforms (millions)

49.1m

+1%

Relevant focus areas

1 2 3 4 5 6

Definition
Monthly average visits made across all our platforms, as measured by Google Analytics.

Progress
Cross platform visits, as measured by Google Analytics, increased 1% year-on-year and have been largely flat over the last two years. We have changed from the measure of absolute comScore minutes due to volatility in the number which does not correlate with internal measures. The value in comScore lies in the comparison to competitors where we retained our 54% share of visits and over 70% share of minutes across automotive classified sites.

Relevant risks

1 2 3 4 5 6 7

Advert views

£

Average number per month (millions)

239m

-3%

Relevant focus areas

1 2 3 4 5 6

Definition
When a consumer conducts a search on Auto Trader, they are presented with a list of search results meeting their search criteria. The consumer can then click into an advert to see the detailed specification of the vehicle, images, videos and how to contact the dealer. This click-through classifies as an advert view.

Progress
2019 has seen a slight decline in advert views, at a slightly higher rate than the reduction in transaction volumes, which were down 0.9%. Throughout the year we have made improvements to our search experience, presenting more parts of the deal on the advert view, which has made finding the right car easier.

Relevant risks

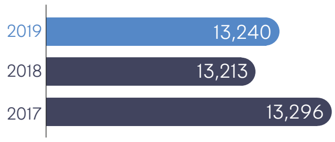
1 2 3 4 5 6 7

Number of retailer forecourts

Average number per month

13,240

+0%



Relevant focus areas

1 2 3 4 5 6

Definition
The average number of retailer forecourts per month that subscribe to an Auto Trader advertising package.

Progress
The average number of retailer forecourts in the year was broadly flat. Previously we reported two years of modest decline in retailer numbers, as the overall market for retailers consolidates each year. We believe this consolidation is continuing, implying a marginal increase in our share of retailer forecourts in the year.

Relevant risks

1 2 3 4 5 6 7

Number of full-time equivalent employees ('FTEs')

Average number (including contractors)

804

-2%

Relevant focus areas

1 2 3 4 5 6

Definition
Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis. Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

Progress
FTEs have decreased by 2% year-on-year. The decline was driven by continued efficiency in the organisation and the completion of our joint venture with Cox Automotive UK, where employees were transferred into the JV.

Relevant risks

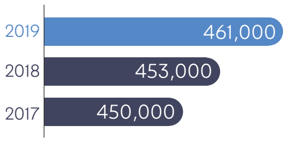
1 2 3 4 5 6 7

Live car stock £

Average number per month

461,000

+2%



Relevant focus areas

1 2 3 4 5 6

Definition
The average number of physical cars (either new or used) that are advertised on autotrader.co.uk per month. Live stock is an important component of our network effect business model and we charge our retailer customers on a cost per advertised slot basis for their advertising package, making the stock on our website a key dependency of retailer revenue.

Progress
Live car stock on site increased by 2%. This growth was driven by our new physical stock product, where Franchise retailers can list their physical new cars, currently for free. Underlying used car stock was marginally down, despite a stronger second half, following tight used car supply at the beginning of the year.

Relevant risks

1 2 3 4 5 6 7

Linked to remuneration £

Directors' remuneration report
page 64

Focus areas relevant to our KPIs

1. Maintain the best consumer experience for buying and selling vehicles
2. Create and maintain high-performing, data-orientated teams
3. Grow ARPR in a balanced and sustainable way, by creating value for our customers
4. Improve stock choice, volumes, accuracy and transparency in both new and used vehicles
5. Develop a more efficient way for retailers to source, dispose and move vehicles
6. Extend our product offering further down the buying funnel, towards online transactions

Our strategy
pages 18–19

Risks relevant to our KPIs

1. Economy, market and business environment
2. Brand
3. Increased competition
4. Failure to innovate: disruptive technologies and changing consumer behaviours
5. IT systems and cyber security
6. Employee retention
7. Reliance on third parties

Principal risks and uncertainties
pages 30–34

"Against a backdrop of general market uncertainty, I am pleased to report on another excellent year for the business."

Nathan Coe
Chief Financial Officer and
Chief Executive Officer-designate

Operational review

70%
of consumers would use Auto Trader to help them buy a brand-new car

78%
of consumers would use Auto Trader to help them buy a used car

Introduction

Against a backdrop of general market uncertainty, I am pleased to report on another excellent year for the business, both from an operational and financial perspective. We continue to invest in both our products and experience, ensuring that we're continually adding value to our consumers, retailers and manufacturers, as well as being focused on driving efficiencies across our business and delivering returns to shareholders.

Enhancing the car buying experience

Consumers are carrying out more of their car buying research online. We commissioned some independent research which found that 52% of consumers who had already started their car buying process claimed to consider the cost of a car as a monthly price, rather than the full retail price. We therefore offer functionality so that consumers can search by monthly payment whilst allowing retailers the option to display their finance pricing to the UK's largest car buying audience earlier in their car buying journey. This Dealer Finance product was monetised with retailers as part of our annual pricing event with over 5,000 retailers now paying to advertise their finance offers. In addition to this, over 3,500 retailers chose to appear in monthly search by advertising finance rates provided by our third-party partner.

This year we have also made a significant step forward in new cars, launching a stock-based product allowing retailers to upload physically available new cars at current retail prices, much the same way as they have been doing for decades with their used car stock. We had over 30,000 of these physical new cars onsite at the end of the financial year, and there's still room for growth as we estimate that there are an additional 90,000 of these cars that exist today but are not actively being advertised anywhere. Both consumers and retailers are showing strong appetite for the new car offering, however the technical and operational challenges to get these cars online have proven to be high. At present we are offering this product on a free trial basis. We intend to commence charging for the product during the course of the coming financial year.

Our highest two levels of advertising packages, Advanced and Premium, continue to gain recognition from retailers. These higher yielding packages allow retailers to pay for greater prominence on our marketplace, which drives a higher volume of advert views which in turn enables those cars to sell faster.

Despite a tougher new car market, manufacturers and agencies continue to see the value in our marketplace to advertise their new cars to consumers, with spend up by 18%. However the short-term challenges faced by both of these customer types did impact our growth in the second half of the year. Our fastest growing product is InSearch which allows manufacturers to reach and influence car buyers in a highly targeted fashion.

We continue to invest in our data products and during the year we completely relaunched new 'Managing' products, Retail Check and Retail Accelerator (formerly known as i-Control). The new products represent a significant enhancement with new and improved data, analytics, design, reporting and goal setting. The number of retailer forecourts using one of these products at the end of the year was 3,200 (2018: 3,000). Over 39% of trade stock is managed using one of these data intelligence solutions, which are now hosted on mobile-friendly platforms. We now provide richer valuation data and a proprietary Retail Rating which takes account of supply and demand, enabling retailers to get a more accurate view of how their stock will perform on the live retail market. Building on the success of its predecessor, i-Control, Retail Accelerator takes a retailer's business goals and creates a daily action plan aligned to their desired stock turn and margin. It enables them to manage their inventory more effectively by constantly tracking changing market conditions and delivering alerts on valuation changes, incorrect pricing and ageing stock, as well as dynamic performance reporting to improve retailers' competitive position.

As a technology business we are constantly improving our core platform and infrastructure which are key enablers of our approach to software and product development. This year we have invested in new public cloud-based solutions enabling security, resilience and importantly speed when it comes to releasing software. Over the last year we have released three times as many software updates, achieving 15,000 in the year. Using the public cloud has also enabled us to increase the visibility of application performance enabling us to highlight and rectify issues in applications quickly to avoid customer impacts.

We continue to invest in marketing to keep our brand front of mind with consumers, ensuring they are fully aware of all our available products to help make their purchase of a new or used car easier and a more enjoyable experience.

An independent brand tracker currently suggests that 78% of consumers would use Auto Trader to help them buy a used car and 70% would use Auto Trader to help them buy a brand-new car. One of this year's campaign highlights was a social campaign called ATGoals which ran during the Football World Cup and gave fans a chance to win a car every time England scored a goal in the tournament. The award-winning campaign culminated in a live TV screening of the semi-final game in our home city of Manchester and was viewed by over 27 million people.

The largest automotive marketplace

We continue to operate the UK's largest digital automotive marketplace and we have maintained our market leading audience position by a significant margin. A large proportion of our audience is unique to Auto Trader, and consumers are more engaged with our platforms compared to any other automotive site.

Average monthly cross platform visits increased by 1% to 49.1 million (2018: 48.7 million). We will now report, where possible, our own internal data as measured by Google Analytics to ensure an accurate picture of the cross platform traffic driven to our marketplace. We have grown our market share of time spent on automotive portals as measured by Comscore to 76% (2018: 75%), which is more than five times that of our nearest competitor. Advert views saw modest decline in line with broader market trends.

The level of live stock on our site has increased by 2% in the year, as the average number of cars on the marketplace rose to 461,000 (2018: 453,000). The growth was driven by new cars, through our newly launched product, with a small decline in used car volumes which were impacted by supply side tightening at the beginning of the financial year. The average number of retailer forecourts using our marketplace remained stable, increasing slightly to 13,240 (2018: 13,213).

Financial review

Revenue

£355.1m
+8%
(2018: £330.1m)

Operating profit

£243.7m
+10%
(2018 restated: £221.3m)

Cash generated from operations

£258.5m
+13%
(2018 restated: £228.4m)

Cash returned to shareholders

£151.1m
(2018: £148.4m)

Revenue	2019 £m	2018 £m	Change
Retailer	293.0	268.7	9%
Home trader	10.2	11.4	(11%)
Other	1.4	1.1	27%
Trade	**304.6**	**281.2**	**8%**
Consumer Services	28.0	29.8	(6%)
Manufacturer and Agency	22.5	19.1	18%
Total	**355.1**	**330.1**	**8%**

Revenue

In 2019, we saw another strong year of revenue growth at 8%, climbing to £355.1m (2018: £330.1m), predominantly through Trade revenue, and more specifically Retailer revenue, as our core business continued to grow.

Trade revenue – comprising Retailers, Home Traders and other revenue – increased by 8% to £304.6m (2018: £281.2m). Retailer revenue grew 9% to £293.0m (2018: £268.7m), driven by the launch of new products, our annual pricing event and further penetration of higher yielding advertising packages. Average Revenue Per Retailer ('ARPR') improved by £149 to £1,844 per month (2018: £1,695). Average retailer forecourts were stable, with a marginal increase in the year to 13,240 (2018: 13,213).

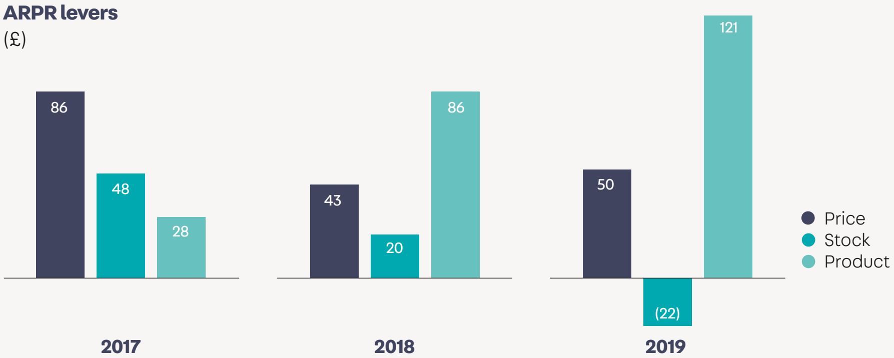
ARPR growth of £149 per month was broken down as follows into our three levers: price, stock and product.

- **Price:** Our price lever contributed £50 (2018: £43) and 34% (2018: 29%) of total ARPR growth. We executed our annual event for the vast majority of customers on 1 April 2018 which included a like-for-like price increase.
- **Stock:** A small contraction in stock had a negative effect on ARPR growth of £22 (2018: positive effect of £20) and was -15% (2018: +13%) of total ARPR growth.

A reduction in the number of new cars registered, lower volumes of pre-registration and some consumer uncertainty led to a lack of used car supply in the market during the first half of the year. Retailer stock has seen some level of recovery through the second half of the year although the market is still challenging.

- **Product:** Our product lever contributed £121 (2018: £86) and 81% (2018: 58%) of total ARPR growth. Our annual event allowed us to introduce two new products, stock exports and profile pages, into all package levels and we also monetised our Dealer Finance product following a trial period. Since 1 April 2018, over 5,000 retailers have opted to pay for the opportunity to advertise their finance offers against their cars, representing 70% of all eligible retailers. In addition, the penetration of our higher yielding Advanced and Premium advertising packages has continued to grow as retailers recognise the value of receiving greater prominence within our search listings. At the end of March, 19% of retailer cars advertised were on one of these levels (March 2018: 12%). There was also a small contribution from our Managing products, which despite re-platforming and continued development in the year, still saw growth to 3,200 customers (2018: 3,000).

ARPR levers
(£)



Home Trader had a challenging year, declining 11% to £10.2m (2018: £11.4m), as volumes were impacted by supply constraints, particularly in older, less expensive vehicles which are often traded in this segment and we saw some of these customers move to take up subscription packages. Other revenue increased 27% to £1.4m (2018: £1.1m).

Consumer Services revenue decreased 6% in the year to £28.0m (2018: £29.8m). Private revenue, generated from individual sellers who pay to advertise their vehicle on the Group's website, declined 7% to £20.1m (2018: £21.6m), impacted by a lack of supply in older vehicles, a greater propensity to part-exchange (influenced by the transparency we have enabled for part-exchange values), and increased competition. Motoring services revenue decreased 4% to £7.9m (2018: £8.2m), as we discontinued a low yielding display product, the impact of which outweighed growth from our finance and insurance third-party partners.

Manufacturer and Agency revenue grew 18% to £22.5m (2018: £19.1m). The level of growth, which was skewed towards the first half of the year, was largely driven by InSearch; 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. In the second half of the year we have seen what we believe to be a transient impact as a result of the well documented uncertainties resulting from Brexit and cost pressures facing both car manufacturers and their advertising agencies.

Administrative expenses

The Group has adopted IFRS 16 'Leases' in the period, which impacts Other costs and Depreciation & amortisation within Operating profit. Property and vehicle rental charges are no longer included in other costs, and depreciation now includes depreciation on leased assets. Prior period comparatives have been restated to reflect these changes as the fully retrospective approach has been used.

Operating costs continue to be well controlled, with administrative expenses increasing by 3% to £112.3m (2018 restated: £108.8m).

People costs, which comprise all staff costs including third-party contractor costs, increased by 3% in the year to £56.4m (2018: £54.8m). The increase in people costs was driven primarily by underlying salary costs which increased due to strong competition for digital talent, however this has been partially offset by a reduction in average full-time equivalent employees ('FTEs') (including contractors) to 804 (2018: 824). The number of FTEs was particularly impacted in the fourth quarter by the transfer of 15 staff to Dealer Auction, our joint venture with Cox Automotive UK. Share-based payments, including applicable national insurance costs of £5.9m (2018: £3.7m), have been included within people costs. The year-on-year increase in the share-based payment charge was due to leavers under the Performance Share Plan in 2018 for which a credit was recognised in the prior year, and a change in the way senior management are remunerated. The Group now settles a greater proportion of the senior management incentive scheme in shares which increases the share-based payment charge with an offset realised within cash bonuses.

Marketing spend increased in line with revenue by 8% to £17.6m (2018: £16.3m), as we look to maintain and enhance our audience position and educate consumers on new products such as new car offerings and search by monthly payment.

Other costs, which include data services, property related costs and other overheads, remain well controlled and increased by 2% on a like-for-like basis to £29.4m (2018 restated: £28.7m).

Depreciation & amortisation remained broadly flat at £8.9m (2018 restated: £9.0m). Within this was depreciation of £2.0m in relation to lease assets (2018 restated: £1.9m).

Costs	2019 £m	2018[1] £m	Change
People costs	56.4	54.8	3%
Marketing	17.6	16.3	8%
Other costs	29.4	28.7	2%
Depreciation and amortisation	8.9	9.0	(1%)
Total administrative expenses	**112.3**	**108.8**	**3%**

1 2018 has been restated for the impact of IFRS 16.

Operating profit

In the year, Operating profit grew 10% to £243.7m (2018 restated: £221.3m). Operating profit margin increased by two percentage points to 69% (2018 restated: 67%).

On 31 December 2018, following clearance from the Competition and Markets Authority, the Group completed its joint venture agreement with Cox Automotive UK Limited. The new combined business, called Dealer Auction, provides a leading digital marketplace for B2B transactions in the UK. The Group transferred Smart Buying (formally known as Autotrade-mail), its retailer-to-retailer platform, to the joint venture and paid Cox Automotive UK Limited £19.7m to hold 49% of the new entity. The transfer of the business, combined with the recognition of profits generated by Dealer Auction from the point of completion, had the following impact on Operating profit:

- a reduction in Average Revenue Per Retailer ('ARPR') of £3;
- no effect on costs overall. People costs reduced by £0.4 million, but were offset by increased overheads resulting from amounts payable to the joint venture for continued access to Smart Buying for Auto Trader i-Control customers; and
- the share of the profit from the joint venture at £0.9 million.

Operating profit	2019 £m	2018[1] £m	Change
Revenue	355.1	330.1	8%
Costs	(112.3)	(108.8)	(3%)
Share of profits from joint ventures	0.9	-	n.m
Operating profit	**243.7**	**221.3**	**10%**

1 2018 has been restated for the impact of IFRS 16.

Profit before taxation

Profit before taxation increased by 15% to £242.2m (2018 restated: £210.7m) following the Operating profit performance, a small reduction in net finance costs at £10.2m (2018 restated: £10.6m) and a one-off profit on disposal of subsidiary of £8.7m created by the transfer of our Smart Buying business to the joint venture, Dealer Auction.

In June 2018, the Group signed into a five-year £400m Syndicated revolving credit facility (the 'Syndicated RCF') to replace the Syndicated Term Loan and the former revolving credit facility. The new facility allows the Group greater flexibility to manage cash flows and allows for further reduction on margin payable as the Group's leverage decreases further. Following the year end the majority of the facility has been extended for an additional year.

Interest costs on the new Syndicated RCF, the Syndicated Term Loan and the former revolving credit facility were £6.5m (2018: £6.8m) reflecting a lower level of drawn debt offset by a small increase in both LIBOR and the margin payable given the increased level of debt flexibility. Amortisation of debt issue costs of £2.8m (2018: £3.0m) included £2.2m of accelerated costs relating to the previous facility following the decision to refinance before the termination date of March 2020. Following the adoption of IFRS 16, finance costs relating to leases were £0.9m (2018 restated: £0.8m).

As part of the joint venture entered into with Cox Automotive UK, the Group disposed of its Smart Buying business, Auto Trader Auto Stock Limited, for which it recognised a profit on disposal of £8.7m. The profit recognised on the disposal has no cash impact as consideration was in the form of shares in the newly formed Dealer Auction business.

Taxation

The Group tax charge of £44.5m (2018 restated: £39.6m) represents an effective tax rate of 18% (2018: 19%) which, when allowing for the profit on disposal above which was non-taxable, 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 18% to 21.00 pence (2018 restated: 17.74 pence) based on a weighted average number of ordinary shares in issue of 941,506,424 (2018: 964,516,212). Diluted earnings per share of 20.94 pence (2018 restated: 17.68 pence) increased by 18%, based on 944,254,998 shares (2018: 967,912,689) which takes into account the dilutive impact of outstanding share awards.

Cash flow and net external debt

Cash generated from operations increased by 13% to £258.5m (2018 restated: £228.4m) and was achieved as a result of strong Operating profit with low working capital requirements and a high level of cash conversion driven by a particularly strong performance in terms of customer payments and collections.

Corporation tax payments totalled £42.2m (2018: £39.4m). Net cash generated from operating activities was £216.3m (2018 restated: £189.0m).

At 31 March 2019 the Group had £313.0m of the Syndicated revolving credit facility drawn (31 March 2018: £343.0m borrowed under the former Syndicated Term Loan), representing a net repayment of £30.0m (2018: £20.0m repayment). Leverage, defined as the ratio of gross borrowings less cash to Adjusted underlying EBITDA, decreased to 1.19x (2018: 1.46x). Interest paid on these financing arrangements was £6.6m (2018: £6.7m).

Post balance sheet event

On 5 June 2019, the Group extended the term for £316.5m of the Syndicated revolving credit facility for one year. The facility will now terminate in two tranches: £316.5m will mature in June 2024; and £83.5m will mature at the original termination date of June 2023.

There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

Capital structure and dividends

During the year, a total of 20.2m shares (2018: 26.8m) were repurchased for a total consideration of £93.5m (2018: £96.2m) before transaction costs of £0.5m (2018: £0.5m). A further £57.6m (2018: £52.2m) was paid in dividends, giving a total of £151.1m (2018: £148.4m) in cash returned to shareholders.

The Directors are recommending a final dividend for the year of 4.6 pence per share, which together with the interim dividend makes a total dividend of 6.7 pence per share, amounting to £62.5m, in line with our policy of distributing approximately one third of net income. Subject to shareholders'

Operating profit

£243.7m
+10%
(2018 restated: £221.3m)

Profit before taxation

£242.2m
+15%
(2018 restated: £210.7m)

Earnings per share

21.00p
+18%
(2018 restated: 17.74p)

approval at the Annual General Meeting ('AGM') on 19 September 2019, the final dividend will be paid on 27 September 2019 to shareholders on the register of members at the close of business on 30 August 2019.

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

At the 2018 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 94,802,631 of its ordinary shares, subject to minimum and maximum price restrictions.

This authority will expire at the conclusion of the 2019 AGM and the Directors intend to seek a similar general authority from shareholders at the 2019 AGM. The programme will be ongoing, and any purchases of its shares made by the Company under the programme will be affected 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.

Contingent liability

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

Nathan Coe
Chief Financial Officer and
Chief Executive Officer-designate
6 June 2019

Identify, evaluate and manage the Group's risks

Identify, evaluate and manage the Group's risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

Focus areas that are impacted by our risks

1. Maintain the best consumer experience for buying and selling vehicles
2. Create and maintain high-performing, data-orientated teams
3. Grow ARPR in a balanced and sustainable way, by creating value for our customers
4. Improve stock choice, volumes, accuracy and transparency in both new and used vehicles
5. Develop a more efficient way for retailers to source, dispose and move vehicles
6. Extend our product offering further down the buying funnel, towards online transactions

1. Economy, market and business environment

Impact

A contraction in the number of new or used car transactions could lead to reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturers' spend on digital display advertising.

There continues to be concerns about the implications surrounding the UK's departure from the EU. Economic conditions, currency volatility and consumer confidence levels could all be adversely affected, with the impact likely to be greater in a no-deal scenario. If the prices of cars increase, as tariffs are introduced, and consumer confidence levels decrease, manufacturers' appetite to supply cars to the UK market reduces, this could have an adverse impact on our business.

Changes in the year

New car sales have fallen by 3.7% during this financial year, compared to an 11% decline last financial year. The used car market, which tends to lag new car sales, has also seen a decline of 0.9%. However, the overall UK car parc has continued to grow as the number of cars registered still outweighs the number of cars that are scrapped each year.

We are not currently seeing evidence that consolidation by retailers is accelerating. The number of retailer forecourts has remained flat year-on-year. Advertising spend by retailers has also continued to grow with ARPR rising by 9%, mostly driven by adoption of our product innovations.

There continues to be significant uncertainty around ongoing Brexit negotiations and the timing of the UK's departure from the EU.

Overall, this risk has slightly increased.

Key mitigations

We monitor new and used car transactions closely, using data from SMMT and directly from the DVLA.

We use our own Auto Trader Retail Price Index to monitor the pricing trends of used cars by trade sellers.

We continue to diversify into related and adjacent activities to reduce our reliance on stock and to improve the resilience of our business model.

We closely manage our cost base and operate on a lean basis. We should be able to respond swiftly in the event of a downturn.

The Board has considered the potential implications of the UK's departure from the EU, taking into account the factors above, as well as the time lag between the registration of new cars and the entry of cars into the used car marketplace and the strength of our value proposition.

Relevant focus areas

1 2 3 4 5 6

Change

Slight increase

Read more about our Key Performance Indicators
pages 20-23

2. Brand

Impact

Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK.

Failure to maintain and protect our brand, or negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.

Changes in the year

Our research shows that Auto Trader has 90% prompted brand awareness with consumers for new and used cars and is consistently voted as the most influential automotive website by consumers in the car buying process.

We continue to see very low levels of fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team.

Key mitigations

We have a clear and open culture with a focus on trust and transparency.

We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts.

We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used.

Our approach to cyber security and data protection, as described on page 32, helps to protect us from the adverse impact of a significant data breach or cyber attack.

Relevant focus areas

1 2 3 4 5 6

Change

No change

3. Increased competition

Impact

There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange.

Competitors could develop 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.

Changes in the year

The competitive landscape continues to develop, with new business models emerging. Big media players, such as Schibsted and Facebook, are also entering the marketplace, mostly competing for lower-value private sales. There has been some competitor consolidation during the year, and retailers and manufacturers are also evolving their online offerings.

During the year we diversified our offerings which widens our competitive set.

We have maintained share of minutes spent on automotive classified sites, grown cross platform visits as measured by Google Analytics, and continue to increase the level of stock onsite, however as we widen our activities into new areas, we increase the number of other companies that could be considered to be competitors. On this basis we judge competition to have increased slightly during the year.

Key mitigations

We have the largest and most engaged audience of any UK automotive site. Our investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle.

We have a dedicated competitors' working group to closely monitor competitor activity and regularly review this at OLT and Board level.

We continue to invest in and develop our product offering to improve the value we offer to consumers, retailers and manufacturers.

We work in an agile way and to date have responded quickly to emerging competitive threats.

Relevant focus areas

1 2 3 4 5 6

Change

Slight increase

Identify, evaluate and manage the Group's risks

4. Failure to innovate: disruptive technologies and changing consumer behaviours

Impact

Failure to develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront of industry developments.

Changes in the year

During 2019, we introduced "deal builder", which brings part-exchange guide pricing and the finance quote into a more integrated journey for consumers. We also launched AT Vehicle Check which enables dealers to check the provenance of the vehicles they are sourcing, and to display this to consumers thereby improving transparency. We have re-platformed our Managing products to provide more powerful data to retailers, helping them to manage and price stock more effectively. We have introduced a service by which car retailers can advertise new cars including those built but yet to be delivered to their physical premises.

We also launched a joint venture with Cox Automotive UK to provide a digital online auction model to disrupt the auction marketplace.

Overall, we are at the forefront of innovation that is happening in the digital automotive marketplace and therefore the risk has decreased.

Key mitigations

Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world.

Formal reviews of opportunities to disrupt the marketplace.

Ability to innovate and respond quickly due to our agile and collaborative way of working, and continuous investment in technology.

Relevant focus areas

1 2 3 4 5 6

Change

Slight decrease

5. IT systems and cyber security

Impact

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 the public, car retailers and advertisers.

This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.

Changes in the year

The enactment of GDPR in May 2018 significantly increased the financial impact of a data breach. We have reviewed all processes that involve data collection, storage or processing, and updated and amended policies and processes to ensure that they meet the enhanced GDPR requirements.

During 2019, we have made significant progress in migrating our applications to the cloud, which increases the resilience of our systems and the security of our data. Our aim is to get all applications migrated to the cloud in the next two years.

The constantly evolving threat of a cyber attack means that overall the risk level is unchanged.

Key mitigations

We have a disaster recovery and business continuity plan in place which is regularly reviewed and tested. This includes the use of two data centres and regular back ups of data. We are in the process of migrating to the public cloud.

We continuously monitor the availability and resilience of processing systems and services. If required, we can restore the availability of and access to systems and data in a timely manner in the event of a physical or technical incident.

We have dedicated security teams, including white hat hackers, and carry out regular penetration testing and review of threats and vulnerabilities. We invest in IT and security infrastructure to ensure our systems remain robust.

All of our employees are required to undertake annual compliance training which includes Information Security and GDPR.

We have two-factor verification for all our car retailers and employees, to access our network.

We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.

Relevant focus areas

1 2 3 4 5 6

Change

No change

Read more about our Key Performance Indicators **pages 20-23**

6. Employees

Impact

Our continued success requires us to attract, recruit, motivate and retain our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.

Changes in the year

Employee engagement remains high, with 92% of employees completing our engagement survey saying they are proud to work at Auto Trader. Our Glassdoor rating based on anonymous reviews is 4.5 out of 5.

The Remuneration Committee carried out a review of our long-term incentive plans, and introduced a new Single Incentive Plan for senior executive and key staff.

In preparation for the changes to the 2018 Corporate Governance Code, we have established a new employee engagement forum which will liaise with the Board to ensure we understand the views of our workforce.

Overall, this risk remains unchanged.

Key mitigations

We use long-term incentive plans for our senior and key staff, which are currently of material value to those in the schemes.

We carry out active succession planning and career development plans to retain and develop our executives. Talent development is now part of the Terms of Reference of the Nomination Committee.

We have a strong, values-led culture which is embedded through recruitment, induction, training and appraisal processes.

We carry out employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, networks, guilds and an all-employee annual conference.

Relevant focus areas

1 2 3 4 5 6

Change

No change

7. Reliance on third parties

Impact

We rely on third parties particularly with regard to supply of data about vehicles and their financing, so it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from dealer customers and a loss of audience due to impaired consumer experience.

Changes in the year

This is not a new risk for the business but has been added as a principal risk during 2019 as a result of an increasing number of our products and services depending on data from suppliers.

Key mitigations

Where possible, we limit reliance on a single supplier to reduce potential single points of failure.

Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process, and are subject to regular review.

We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture.

We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.

Relevant focus areas

1 2 3 4 5 6

Change

Increase

Viability statement

In accordance with Provision C.2.2 of the 2016 UK Corporate Governance Code, the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

Assessment of prospects

The Board has determined that a period of three years to March 2022 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts;and
- projections looking out further than three years become significantly less meaningful given the pace of change in the digital automotive market.

The Group's overall strategy and business model, as set out on pages 12 to 19, are central to assessing its future prospects.

As such, key factors likely to affect the future development, performance and position of the Group are:

- **Data and technology:** continuous investment is made in developing platform technologies which leads to improvements for consumers, retailers and manufacturers;
- **Market position:** the Group has the largest and most engaged audience of any UK automotive site and is the most influential website a consumer visits when purchasing a vehicle; and
- **People:** continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

The Group's prospects are assessed primarily through its strategic planning process. This process includes an annual review of the ongoing plan, led by the Group CEO and CFO/CEO-designate through the Operational Leadership Team and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macroeconomic changes.

The output of the annual review process is a set of objectives which the Group determines to be its focus areas, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2019, which considered the Group's current position and its prospects over the forthcoming years.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the three-year period to March 2022. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated RCF.

The first year of the financial forecasts forms the Group's 2020 annual budget and is subject to ongoing review through the year. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets and focus areas are reviewed monthly by both the Operational Leadership Team and the Board.

This control measure is in place to prevent and mitigate the impact of factors that may affect the Group's prospects.

Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 30 to 33. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were:

Scenario 1: Reduction of stock on the Auto Trader marketplace

Link to risk – Economy, market and business environment, Increased competition, Failure to innovate: disruptive technologies and changing consumer behaviour.

Macroeconomic factors such as consumer confidence have an impact on the number of new and used car transactions that occur in the UK and therefore may impact retailer and manufacturer profitability. A contraction in the number of new and used car transactions when coupled with failure to innovate new products in order to grow ARPR in a sustainable way, could lead to retailers reducing their advertising spend in favour of competitors.

This scenario assumes a shock reduction in live car stock around a pricing event. The number of retailers advertising stock with the Group was assumed to reduce in a short space of time with further reductions in the year after the shock event. No cost savings were assumed.

Scenario 2: Data breaches

Link to risk – IT systems and cyber security, Brand.

The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine, coupled with a significant level of reputational damage to the Group's brand. A severe reduction in revenue was modelled through each of the Trade, Consumer Services and Manufacturer and Agency areas. Marketing costs were increased to model a potential need to increase traffic.

The scenarios above are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group; however, multiple control measures are in place to prevent and mitigate any such occurrences from taking place.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, it would be able to withstand the impact and remain cash generative.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2022.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the financial statements.

Corporate social responsibility

We take our corporate social responsibilities seriously and are constantly looking at what we can implement to continue to make a difference.

A key business strategic focus is to become the UK's most admired digital business and we all agree that to achieve this we must make a difference to our colleagues, to our customers, to consumers and to wider society. We have built a digital culture, that is values-orientated, customer-centric, data-driven, and also underpinned by creating a diverse and inclusive workforce.

Our CSR strategy is focused on 'Making a Difference' and comprises three key strands: making a difference to our people and culture; making a difference to our communities; and making a difference to the industries in which we operate.

Our values reflect our culture and commitment to make a difference

Our values

Be determined
We are passionate about our customers, showing stamina and resilience, and have the conviction to do the right thing. We will roll up our sleeves to get the job done.

Be reliable
We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

Be courageous
We are bold in our thinking, overcoming fears, challenging convention and embracing change.

Be humble
We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

Be curious
We are always learning. We question why, we search for better ways, ask questions and actively listen.

Be community- minded
We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

Making a difference to our people and culture

Our employees

People are the Group's most valuable resource, so we have built a business that puts people at the heart of everything we do. Our success at Auto Trader is down to the diverse talent of innovative, courageous, talented and determined people.

We value our people and their opinions. Therefore, we organise an annual employee conference where all colleagues get the chance to get together to celebrate our achievements but also to hear the latest strategic thinking and priorities. We also hold regular business and financial updates throughout the year to keep employees informed of the Group's performance and priorities as well as giving them the opportunity to contribute with questions and ideas.

THE SUNDAY TIMES 100 BEST COMPANIES TO WORK FOR 2019

92%

of our people feel proud to work for Auto Trader

Employee engagement and recognition

We conducted another employee experience survey and achieved a response rate of 91% of our total workforce. Overall engagement remains positive with 92% (2018: 90%) of our people feeling proud to work for Auto Trader and 89% (2018: 88%) saying they would recommend us as a great place to work. Our Glassdoor rating based on 250 anonymous reviews is 4.5 out of 5. There were also areas to improve across our different Tribes and our senior leaders have taken actions to enhance the employee experience based on the results of the survey which have resulted in workshops to produce action plans. We also hold regular checks throughout the year that allow our teams to spend time together in an open and secure environment to discuss how they feel in the workplace and how we are doing against our key areas of improvement as well as a six-month pulse survey.

For the third year running, we participated in and joined the "Sunday Times Top 100 Best Companies to Work for" and we achieved a two-star "outstanding" rating.

Every year we host an annual benefits roadshow, bringing together all of our benefit providers, to really showcase the great benefits we have to offer. Our "Incredible Benefits" platform allows employees to access all the benefits offered at Auto Trader in one place, enabling them to tailor their benefits package to meet their own specific needs. It is evident that our employees place a lot of value in the benefits on offer with 98% of employees having one or more benefits in place. This year, our company funded healthcare benefit of either Private Medical Insurance (employee level) or Health Cashplan (up to family level) remained very popular. We also have a wide range of voluntary benefits that our employees have the flexibility to choose from including: critical illness, dental insurance and any time benefits such as travel loans and cycle to work schemes.

Our 2015 Save as You Earn (SAYE) scheme reached maturity at the end of 2018 and the introduction of the SAYE 2018 scheme saw over 50% of employees join the scheme. This year we have also introduced employee friends and family manufacturer discounts from the likes of BMW and Nissan and now offer independent mortgage advice for all employees.

> **"Investing heavily in the development of our people remains a key focus for our business."**

Training and development

Investing heavily in the development of our people remains a key focus for our business. All new starters are given a great start to their careers with us through a comprehensive onboarding programme which includes a three-day induction that allows them to understand the core values of our business and help achieve a one-team culture.

Everyone is responsible for their own career and personal development at Auto Trader. We aim to have quarterly development conversations and personal development plans with people leaders that provide an opportunity to reflect and ensure we remain successful in the future.

Our people managers take part in the Practical People Leadership Programme (PPLP) and our senior leaders take part in the Leadership Development Programme (LDP), both aimed at developing well rounded leaders that will drive the future of Auto Trader.

We are all unique and have different needs as well as learning styles, so we offer a variety of learning initiatives that are a mixture of workshops, bitesize sessions, on-the-job solutions, the chance to attend and participate in conferences, coaching and mentoring, online learning and professional qualifications. Our Learning & Development team has experts specialising in various fields including: personal; career; leadership; systems; business-related training; and coaching and mentoring. We also utilise external experts to bring insight and knowledge into our organisation when required.

Employee wellbeing

Our objective is to retain and maintain a healthy and happy workforce, so we need to constantly have a culture that energises, motivates and promotes resilience.

We've always been committed to making Auto Trader a great place to work and we continuously strive to provide the best support, guidance and benefits to make this a great environment for everyone to thrive.

We treat our people as individuals and appreciate that everyone has their own unique set of circumstances and challenges around wellbeing. Consequently, we have consciously built our wellbeing strategy around three core pillars: mental; physical; and financial wellbeing. Approaching health from a holistic perspective helped us derive the concept of having "more good days at work".

We want to provide the tools, support and guidance for each individual to have more good days whether that be utilising our incredible benefits such as private medical insurance, or a discounted gym membership through our Auto Trader discount site, to requesting to speak to one of our 20 newly qualified Mental Health First Aiders.

In addition to these supportive services, we recently focused on developing our People Leads, specifically in the challenges around mental ill health. We wanted to equip our managers with the knowledge to spot the signs and symptoms of mental health issues and give them the confidence to guide their people towards appropriate support. The Mental Health First Aiders act as a support to the wider business in this area.

To support our financial wellbeing strand, we partnered with a mortgage broker who offered free, no obligation one-to-one mortgage advice sessions to anyone looking to get on the property ladder. To make this advice even more accessible, the service is offered either face to face, via online video call, or telephone appointments, meaning getting an appointment is really easy no matter where you are. We also launched the incredibly popular Virgin Pulse 100 Day Global Challenge to motivate people to get moving through monitoring their daily step count via a fitness tracker. The challenge sees teams of seven work together to 'walk' around the virtual globe and encourage healthy competition on an organisational leader board, whilst offering practical tips and advice on a range of topics from nutrition and sleep, to mindfulness.

Making a difference to diversity and inclusion

Striving to make Auto Trader an inclusive employer where diverse people can enjoy fulfilling careers, while making a positive contribution to the communities we operate in, remains a strategic priority for our business. Our dedicated Diversity & Inclusion working group has been committed for the past three years to design and deliver a comprehensive strategy concentrating on all diversity strands with a focus on: LGBT+; gender equality; disability and neurodiversity; and BAME.

Diversity for everyone at Auto Trader means respect for and appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We believe that inclusion is a state of being valued, respected and supported for who you are. Diversity is the mix, inclusion is getting the mix to work well together.

Colleagues from across the business and our employee working groups have continued to achieve positive results against their commitments.

All new starters participated in one-day workshops focusing on creating a common understanding of D&I as well as exploring participants' unconscious biases and how they can impact their own behaviour and relationships with other people inside and outside of work. They also met all of our employee working groups and got an update on how they can actively get involved in delivering our strategy. We again extended the invite to customers and partners who participated in the workshop and took some of the learnings back to their own organisations.

Our employee groups and networks (Family Network, Women's Network; photography, book, board game, running and film clubs) continue to bring our colleagues together in line with our philosophy that inclusion will be achieved by respecting each other's differences but concentrating on finding common ground.

> **"Diversity is the mix, inclusion is getting the mix to work well together."**

90%
of our women are proud to work for Auto Trader

55%
of graduates who joined us last year were women

LGBT+

We took part in the Stonewall Index benchmarking and moved up the rankings by more than 100 places compared to last year after making significant progress including reviewing our policies and processes while improving the employee experience of LGBT+ colleagues.

In August, more than a hundred of our employees took part in the Manchester Pride Festival parade and we were awarded "Best Corporate Entry" for the third consecutive year, recognising our passion for creativity. We also sponsored the film "Invisible Women" as part of the Superbia culture festival; a short documentary charting the last 50 years of Manchester LGBT+ history through the personal story of two incredible women. As part of our commitment to make a difference to the community we have sponsored community groups and charities, including Manchester Frontrunners and the George House Trust, who aim to support LGBT+ people across the region.

Disability & Neurodiversity

This year we have launched our Disability & Neurodiversity Employee Network led by disabled and neurodiverse colleagues, as well as allies. The network is working towards creating a more accessible and inclusive environment and supporting the work we are doing with various charities including Action on Hearing Loss and the Leonard Cheshire Disability. We continue being part of the Department of Work and Pension Disability Confident Employer Scheme and are progressing towards achieving the Disability Leader level in 2019 following the completion of an external audit by the Clear Company.

We remain committed to supporting disabled and neurodiverse employees, and those who become disabled during their employment with us. Recognising that everyone is unique, we provide the right support to ensure they continue to realise their full potential at work and develop their careers with us. This year we have also added more support and education for managers of disabled and neurodiverse colleagues.

An example of this are workshops on autism, dyslexia and hearing loss that we have run throughout the year.

Our dedicated resourcing team is actively reaching out to disabled and neurodiverse candidates and welcomes their applications for employment. They take great care in making reasonable adjustments during the assessment process according to the needs of each individual, to ensure that they can perform at their best.

BAME

A year ago, a working group comprising both BAME (Black, Asian, and Minority Ethnic) and non-BAME representatives was established in order to celebrate multi-culturalism, encourage inclusivity, and not exclusivity. The group committed to raising awareness of BAME within the business, supporting the BAME community and helping with the recruitment and retention of BAME individuals. As well as running a series of internal events for employees, the group also held an external event in conjunction with Inclusive Companies during Black History Month which was open to local businesses in the Manchester area. This event coupled with a social media takeover for the month really began to highlight the importance of BAME to both Auto Trader employees and the wider community.

We are pleased to report that the number of those who identify themselves as BAME has increased slightly from 13% to 14% in the year. However, although this is encouraging, the numbers don't represent wider society and so we will continue to focus on driving initiatives to continue to positively influence an upward trend of BAME individuals at Auto Trader.

Gender

People can experience barriers based on their gender as well as other diversity characteristics simultaneously, so we have changed our approach to address this. Our Auto Trader Women's Network is a working group of men and women hosting events focusing on supporting gender balance. Within this, we have focused on helping women to be resilient in the workplace, building their own personal brand, as well as launching a book group and support network.

We have established an internal mentoring and coaching community, launched earlier this year as part of the Auto Trader Women's Network. We have sponsored three of our women colleagues to become qualified coaches so that they can support our people with their personal and professional career development.

Our annual Employee Engagement Survey answered by 91% of our workforce has provided positive evidence about the experience of our women colleagues in Auto Trader. 96% of our women are proud to work for Auto Trader, 90% of our women would recommend Auto Trader as a great place to work, and 85% of our women said they received support from people at work when they need it.

In the 12 months to December 2018 women have successfully secured 44% of all internal vacancies. Our external recruitment efforts remain successful and 46% of all external job offers have been accepted by women who have joined us. 55% of our graduates and 60% of our apprentices who joined us last year were women. We also introduced a "re-training" programme for people who want to change their career to digital and 60% of participants are women.

Gender pay gap

When it comes to our gender pay gap we have followed the government's legislation in terms of reporting on those who identify as men or women, which in itself is a shame as those gender definitions don't include those who identify as non-binary. We have made progress and improved in all areas since last year, and although a gap still exists, we are working hard to address it. The mean hourly gender pay gap for Auto Trader Group was 12% (2018: 15%) while the median gap was 13% (2018: 18%). This gap is not about inequality of pay. We are confident that men and women are paid equally across the business for comparable roles. Our gender pay gap arises from under-representation of women in certain highly paid functions, including technology and other STEM related roles, as well as under-representation of women in leadership roles.

We won't be satisfied until we reach parity, and therefore remain dedicated to eliminating the gender pay gap completely. Our commitment that everyone has equal opportunities to reach their full potential remains in line with our focus to welcome more women into our business and to offer them exciting careers.

Gender diversity

We are committed to more women at senior management level and throughout the organisation. This is particularly prevalent in parts of the business where women are currently under-represented, such as technology. Throughout most of the year, 50% of our Operational Leadership Team ('OLT') were women, and we were delighted to be able to promote Le Etta Pearce to Chief Executive Officer of our new joint venture with Cox Automotive UK, which meant that she leaves our OLT to take up this opportunity. At the end of our financial year, 42% of our OLT were women, and 36% of the OLT's direct reports were women.

	Men	Women	Men as % of total	Women as % of total
Board	4	2	67%	33%
OLT [1]	7	5	58%	42%
OLT direct reports	69	38	64%	36%
Total Company	**488**	**311**	**61%**	**39%**

1 Senior managers for the purpose of s.414C of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

Making a difference to our communities

We have a dedicated team of colleagues from across our business who are committed to driving our Make a Difference strategy, which aims to maximise the support and impact we provide to the communities in which we operate.

The Auto Trader Community Fund powered by charity Forever Manchester considers applications and awards up to £1,000 to community groups and grassroots projects across Greater Manchester. The Community Fund also supports projects with the Kings Cross Saint Pancras Community Association. This year, the Fund has donated £75,000 to various local groups, in both cities, that bring people together and empower them to create sustainable changes in their lives.

Donations from Auto Trader directly to other charities totalled an additional £100K through our "AT Sponsorships" initiative which provides match-funding to employees, customers and partners who were fundraising for charities that are close to their hearts.

Also, this year we decided to replace corporate Christmas gifts to customers with donations to charities of their choice. Our Give as You Earn scheme participation has reached 16% of our total workforce and £90,000 was donated to various charities by our colleagues.

But making a difference extends to more than donating money. 45% of our colleagues have utilised one of our Incredible Benefits, two optional volunteering days, to support worthy causes across the UK. They have collectively offered 467 volunteering days to try and battle food poverty, renovate green spaces and provided coaching and mentoring. The participants of our Leadership Development Programme took part in Ideathon; joining a mix of leaders from some of the most exciting organisations worldwide, collaborating to solve a live strategic challenge for the CEO of a leading charity.

£212,000

donated to charity in 2019

Our offices and colleagues

As a digital business, with offices in Manchester, London and Dublin, we believe our environmental footprint is small. Nevertheless, we actively encourage our colleagues to consider their individual and our collective environmental impact. We therefore operate recycling systems in the offices, established with local authorities, and we have no waste bins by desks which encourages the amount of recycling we do. As an online business, we naturally work in a near paperless environment. During the year we reduced the number of printers in all our offices from seven to four. However, we recognise that our responsibilities do not stop with how we operate internally, and we encourage all our customers, business partners and suppliers to use online records and reduce printing, especially emails.

We continue to develop our marketplace to ensure we provide consumers with as much information about different cars as possible, to reduce the need for them to physically view multiple cars, therefore reducing the need to travel.

Last year, we started a sustainability working group, set up by our employees to educate and encourage sustainability. The group held a week-long sustainability and climate change project to showcase the need to be more environmentally minded. The group has implemented several initiatives across the year, such as: reducing single-use drink items including giving away re-usable bottles and coffee cups to our employees; offering a 10p discount on reusable coffee cups in our Manchester staff canteen; offering plastic bag reusing points in all locations; and removing plastic milk containers in the London office (so far saving 501 containers from going to landfill). The group's achievements were recognised when one of the group was selected to be part of the Edie 30 under 30, which highlights the next generation of sustainability leaders.

Our UK offices are both graded highly by the BREEAM standard; Kings Cross in London achieved an "outstanding" rating and our Manchester office an "Excellent" rating. We decided to re-fit our London office in the last year and it now features more video conferencing rooms, which facilitates cross-office collaboration as well as reducing the need for employees to travel between offices as frequently.

We continue to use Fruitful Office to deliver fruit to our offices each week. Fruitful Office plants one tree in Malawi for every order of breakfast fruit they receive. Last year 1,966 trees were planted on behalf of Auto Trader, helping the organisation to mitigate the effects of global warming and deforestation and providing incomes to local communities.

Health and safety

Maintaining a safe working environment for our employees, customers and visitors and anyone affected by our business's activities is very important to us. It is therefore our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality. During the year, there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Total CO_2 emissions FY19

	FY19	FY18	FY17	FY16
Scope 1	**263**	390	491	565
Manchester	**213**	281	361	357
London	**44**	60	76	88
Scope 2	**258**	340	437	445
Total	**521**	731	928	1,010
Revenue	**355.1**	330.1	311.5	281.6
Carbon intensity	**1.47**	2.21	2.98	3.59
Year-on-year change	**-34%**	-26%	-17%	

1 Tonnes of carbon dioxide equivalent.
2 Absolute carbon emissions divided by revenue in millions.

Auto Trader is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. The greenhouse gas reporting period is aligned to the financial reporting year. The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK government ('BEIS') conversion factor guidance for the year reported.

The report includes the 'Scope 1' (combustion of fuel) in relation to company cars and 'Scope 2' (purchased electricity and gas) emissions associated with our offices. We have chosen to include the emissions associated with leased company cars in Scope 1, as we are responsible for these emissions.

We have chosen to present a revenue intensity ratio as this is a relevant indicator of our growth and is aligned with our business strategy. The reduction in our GHG emissions is due to a reduction in the fuel emissions from our company car fleet, as the fleet has reduced. We have also reduced the amount of electricity we use, and this coupled with a decrease in BEIS conversion factors has also contributed to our Scope 2 reduction.

Making a difference to our industries

Our Make a Difference strategy extends to ensuring we support the wider technology, automotive, advertising and creative industries.

We are customer-centric and consumer-orientated which means we are relentlessly focused on developing new products that will add value to our retailer and manufacturer customers, as well as constantly developing our marketplace to ensure consumers get a great experience whether they are looking to buy or sell a car.

We take pride in our collaborative work with partners from across the automotive and media industries as well as with recruitment businesses who share our commitment in driving greater diversity across industry.

We continue to promote Science, Technology, Engineering, and Maths (STEM) careers, through our education outreach activities.

30%

Our ambition is to fill at least 30% of key leadership positions in automotive with women by 2030

The automotive industry

Last year we worked with recruitment specialists, Ennis & Co., to co-host a diversity and inclusion event at our London offices, where circa. 80 HR Directors and senior executives from some of the industry's largest retailers, manufacturers and trade bodies came together to share ideas, experiences and best practice. The event was followed by an in-depth whitepaper developed by our Auto Trader colleagues which explored the cultural and economic benefits of attracting and retaining a diverse workforce.

We formed a new partnership with the UK Automotive 30% Club, which was created with the ambition of filling at least 30% of key leadership positions in automotive with women by 2030. We are sponsoring a series of events and thought leadership discussions throughout 2019, helping the Club drive its '30 by 30' strategy.

We believe that supporting our industry shouldn't be limited to the board room and conferences.

That's why last year we once again took part in the annual Bangers 4 Ben charity drive, which saw some of our colleagues race across Europe in an old 'banger' alongside other industry partners, colleagues and friends. The race raised funds for the automotive industry's official charity organisation, Ben.

With over 40 years' heritage and with a privileged position at the very heart of the UK automotive industry, we take our position seriously. We actively celebrate and recognise the best performing retailers each year, at our annual Auto Trader Retailer Awards event. Now in its 11th year, we hosted 130 of the best performing retailers to share the latest insights and to award their successes. The awards are used by retailers to promote their businesses to consumers on our marketplace.

Leading the industry, sharing ideas, and inspiring change and action are at the heart of our work with our retailer customers. Through our masterclasses, conferences, webinars, in-house discovery days and award events we share the latest consumer trends, best practice advice and insights gleaned from our data to help shape the future of the industry.

5,000

Retailers attended one of our best practice events, masterclasses or webinars

Over 5,000 retailer customers or industry figures joined us for one of these sessions.

The technology industry
We have 26 STEM Ambassadors and volunteers throughout the business who provide talks and workshops to schools and colleges, including running "Code Clubs" to teach younger students how to code. Over the past year we have also: hosted digital insight days for students and teachers; hosted Continuous Professional Development activities; brought the curriculum to life with guest lessons/ talks; and delivered digital career insight events for careers advisors. We're proudly sponsoring the Digital Her Roadshow which aims to showcase digital careers and inspire Year 8 girls into STEM subjects. We have also partnered with Hey Girls, a social enterprise focused on eradicating period poverty. We're gifting each school we meet through the Digital Her programme with boxes of sanitary protection as we believe that no girl should miss out on education due to lack of sanitary protection.

We've also joined the Enterprise Advisor Network and have an Enterprise Advisor partnered with a local school. We are supporting them by using our professional network and industry knowledge to help develop and implement an effective strategy that puts opportunities with local employers at the heart of a young person's education.

Following the success of the past three years we continue to participate in the "Change 100" programme organised by the Leonard Cheshire Disability and offered four summer placements to disabled students in our Manchester and London offices.

We've hosted and supported many conferences and events over the past year. From Tomorrow's Tech Leaders, an event designed to encourage young women into the technology industry, to Upfront and UX in the City, major technical conferences in Manchester. As part of our ongoing commitment to the surrounding communities, we purchase 'diversity tickets' where possible. This gives underrepresented groups the opportunity to attend conferences and events they otherwise wouldn't have the chance to go to.

To support the arts and design in Manchester we continue our partnership with HOME arts centre. We supported various initiatives including the PUSH festival of fresh creative experiences from the North West showcasing some of the most exciting film, theatre and visual arts from the region.

> **"We're proudly sponsoring the Digital Her Roadshow which aims to showcase digital careers and inspire Year 8 girls into STEM subjects."**

Being a responsible business

Auto Trader believes in promoting trust and fairness in our marketplace and this has become part of the way we work across the organisation. We aspire to be the UK's most admired digital business and we want that admiration to come from employees, suppliers, partners and customers alike.

The only way to deliver the best experience for our consumers and the best services for our customers – and do the right things by our people – is to approach things in the right way. We have established policies, procedures and training to ensure that everyone at Auto Trader knows that they must behave professionally, ethically and legally; treating people with decency and respect.

We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees, consumers and customers smart, safe and secure.

VSTAG
GB
VEHICLE SAFE TRADING ADVISORY GROUP

Maintaining a trusted marketplace

Buying or selling a car should be a pleasant and hassle-free experience, and should be transparent and fair. At Auto Trader we do everything we can to make sure that's the case.

We put the consumer at the heart of everything we do. By introducing tools such as Price Indicator, Dealer Reviews and Monthly price search, we improve the transparency of the consumer's car buying journey and of the whole marketplace.

Consumers trust Auto Trader to show genuine, accurate adverts when they search for vehicles. We have a dedicated customer security team working seven days a week, who monitor our site to identify adverts that are potentially fraudulent or misleading, whether that be a misleading price or inaccurate mileage in their advert. We also have functionality to enable users of our site to report a misleading advert whilst they are searching, which we then investigate and, if necessary, remove from the site. Our online Safety and Security area offers tips, checklists and advice to help car buyers and car owners stay safe when using our platform. Over 10 years ago, we founded the Vehicle Safe Trading Advisory Group (VSTAG), an industry forum created to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud. VSTAG brings the UK's leading online car sales companies together with advisors from the Metropolitan Police, Get Safe Online and Action Fraud.

Customers and consumers trust our platform, and we invest to keep it secure. We continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure to ensure they remain robust.

We employ dedicated security teams and carry out regular penetration testing and reviews of threats and vulnerabilities. We have two-factor verification in place to access our network, providing enhanced authentication. We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.

Protecting consumer and customer data

Protecting the data of our consumers and our retailer customers is also an important focus for us. We have completed a comprehensive programme of work to ensure the organisation (both in the UK and Ireland) complies with the new General Data Protection Regulation.

We are a data-led business, and when it comes to collecting and storing personal data we abide by a clear set of principles.

We are committed to ensuring that personal information we collect and use is appropriate for the purpose, and does not constitute an invasion of privacy. Where appropriate Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent is also obtained to contact consumers for marketing purposes. We may pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees. We carefully vet any third parties that we share data with, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf.

"We put the consumer at the heart of everything we do. By introducing tools such as Price Indicator, Dealer Reviews and Monthly price search, we improve the transparency of the consumer's car buying journey and of the whole marketplace."

Operating ethically and responsibly
We are committed to carrying out all business activities in an honest, open and ethical manner.

We take a holistic view when deciding which suppliers and partners we should work with, and alignment with our values and culture is as important as commercial considerations. We carefully vet new and existing relationships to ensure that our standards will be adhered to. We have a formal procurement policy that ensures that selection of suppliers and partners is carried out in a consistent and fair manner.

We work closely with our key suppliers and partners and engage regularly to further strengthen relationships. As with all large businesses, we publish information about our supplier payment practices and performance.

We treat all our customers fairly and consistently, with transparent and standardised pricing and business practices.

We have zero tolerance to any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption policy and procedures in place including reporting of gifts and hospitality, standard contractual clauses with suppliers and annual online compliance training for all employees.

Each year, our employees complete compliance training that covers fraud, bribery, anti-money laundering, information security and GDPR.

We have a culture of transparency and openness and encourage our employees to speak up whenever they have any concerns or experience any serious malpractice or wrongdoing in our business. We provide a whistleblowing helpline through an independent organisation, which is anonymous and confidential. Reports are directed to the Audit Committee chairman and the Company Secretary.

Protecting human rights and equal opportunity
We are committed to promoting diversity and inclusion and treating all our employees and job applicants fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

We have a zero-tolerance approach to modern slavery and are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. We expect the same high standards from all our contractors, suppliers and other business partners.

The Company's Strategic Report is set out on pages 1 to 45. Approved by the Board on 6 June 2019 and signed on its behalf by:

Nathan Coe
Chief Financial Officer
and Chief Executive Officer-designate
6 June 2019

A robust framework for governance

"The Company complied with all provisions set out in the Code for the period"

Ed Williams
Chairman

I am pleased to introduce our corporate governance statement which incorporates reports from the Chair of each of our Board Committees. These reports explain our governance policies and procedures in detail and describe how we have applied the principles of corporate governance contained in the UK Corporate Governance Code 2016 (the 'Code').

Compliance with the Corporate Governance Code

The Company complied with all provisions set out in the Code for the period.

Directors and succession planning

As we announced on 29 April 2019, Trevor Mather has decided to retire as CEO and Director and will leave the Board on 31 March 2020. We had a robust succession plan in place and we were pleased to be able to put this into practice by appointing Nathan Coe as CEO-designate, whilst retaining his CFO responsibilities during the transition period. As part of this plan, Catherine Faiers was appointed as Chief Operating Officer and joined the Board on 1 May 2019.

All Directors will offer themselves for election or re-election by the shareholders at the forthcoming AGM.

New Corporate Governance Code

The Board has completed a review of the 2018 Corporate Governance Code and assessed the impact on our current governance arrangements.

For the majority of the changes, we were already in line with the new requirements. Where we identified gaps, proposals have been considered by the Board and its Committees, and we have already adopted some of the new requirements:

- Terms of Reference of the Remuneration Committee have been updated
- We have decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Further details are set out on page 67. After this change, our Remuneration Policy will comply with the expanded requirements of the 2018 Code
- We have already introduced a Cultural Scorecard to assist the Board in assessing and monitoring the culture of the organisation
- Proposals have been considered in respect of the method of workforce engagement, and the Board has decided that it will adopt an approach that builds on the extensive engagement mechanisms that are already in place in the business
- A suggested framework has been agreed to assist the Board in ensuring that the views of and impact on the wider stakeholders are taken into account in decision making and discussions.

These changes will be implemented over the coming months and reported upon in the 2020 Annual Report. Further details are included within the relevant sections of this report.

Remuneration Policy review

We carried out a review of our Remuneration Policy during 2018, and we were pleased to have received approval for the new policy at our 2018 AGM. The policy has been implemented in this financial year, as described more fully in the Directors' remuneration report on pages 64 to 74.

Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10.00 am on Thursday 19 September 2019 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN and we expect that all Directors will be in attendance.

Ed Williams
Chairman
6 June 2019

Governance

Leadership
Read more page 50

Effectiveness
Read more page 52

Accountability
Read more page 55

Remuneration
Read more page 57

Relations with shareholders
Read more page 57

Committees of the Board

The Board has established the following Committees and has delegated certain functions and tasks within their approved Terms of Reference. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The full Terms of Reference of each Committee are published on the Company's website at **plc.autotrader.co.uk/investors**

Board of Directors

Nomination Committee

Members
- Ed Williams (Chair)
- David Keens
- Jill Easterbrook
- Jeni Mundy

Role and Terms of Reference
Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also covers diversity, talent development and succession planning.

Read more page 58

Audit Committee

Members
- David Keens (Chair)
- Jill Easterbrook
- Jeni Mundy

Role and Terms of Reference
Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit and the independence and effectiveness of the external auditors.

Read more page 60

Remuneration Committee

Members
- Jill Easterbrook (Chair)
- David Keens
- Jeni Mundy

Role and Terms of Reference
Responsible for all elements of the remuneration of the Executive Directors, the Chairman and senior employees.

Read more page 64

Disclosure Committee

Members
- Trevor Mather
- Nathan Coe
- Claire Baty

Role and Terms of Reference
Assists the Board in discharging its responsibilities relating to monitoring the existence of inside information and its disclosure to the market.

Read more plc.autotrader.co.uk/investors

Board of Directors

Ed Williams
Chairman

Biography

Ed was appointed as Chairman of Auto Trader Group plc in February 2015. Prior to this, Ed was a Non-Executive Director of Auto Trader Holding Limited from November 2010 and Chairman from March 2014.

He was the founding Chief Executive of Rightmove plc, serving in that capacity from November 2000 until his retirement from the business in April 2013. Rightmove plc was floated on the London Stock Exchange in February 2006. Prior to Rightmove, Ed spent the majority of his career as a management consultant with Accenture and McKinsey & Co. Ed holds an MA in Philosophy, Politics and Economics from St Anne's College, Oxford.

Appointed to PLC Board
February 2015

Independent on appointment
Yes

External appointments
Idealista S.A.

Committee memberships
Nomination (Chair)

Trevor Mather
Chief Executive Officer

Biography

Trevor joined Auto Trader as Chief Executive Officer ('CEO')in June 2013, and was appointed as a director of Auto Trader Group plc in February 2015. Previously, Trevor was President and CEO of ThoughtWorks, a global IT and software consulting company.

Trevor joined ThoughtWorks in 2001, to kick-start the UK branch of the company, and then took responsibility for all international operations before becoming CEO in 2007. He helped oversee the business grow from a 300-person North American company to a 2,200-person global business with operations in 29 cities around the world with a particular personal focus on helping businesses become truly digital. Before his time at ThoughtWorks, Trevor spent almost 10 years at Andersen Consulting (now Accenture) focusing on e-business solutions. Trevor holds an MEng in Aeronautics and Astronautics from Southampton University.

As announced in April 2019, Trevor will retire from the Board on 31 March 2020.

Appointed to PLC Board
February 2015

Independent on appointment
N/A

External appointments
Matches Fashion Limited; Forever Manchester

Committee memberships
Disclosure

Nathan Coe
Chief Financial Officer and Chief Executive Officer - designate

Biography

Nathan was appointed to the Board as Chief Operating Officer ('COO') in April 2017 and as Chief Financial Officer ('CFO') in July 2017. Nathan joined Auto Trader in 2007 to oversee the transition from a magazine business to being a pure digital company. He was responsible for launching a number of new business areas, and led the Company's early entry and subsequent growth in mobile and online. Prior to his appointment to the Board, Nathan was the joint Operations Director, sharing responsibility for the day-to-day operations of the business.

Prior to joining Auto Trader, Nathan was at Telstra, Australia's leading telecommunications company, where he led Mergers and Acquisitions and Corporate Development for its media and internet businesses. He was previously a consultant at PwC, having graduated from the University of Sydney with a B.Com. (Hons).

As announced in April 2019, Nathan will become CEO on 1 April 2020.

Appointed to PLC Board
April 2017

Independent on appointment
N/A

External appointments
None

Committee memberships
Disclosure

Catherine Faiers
Chief Operating Officer

Biography

Catherine joined Auto Trader in August 2017 and was appointed as Chief Operating Officer in May 2019. Catherine is responsible for the day-to-day operations of Auto Trader's business. She is also focused on guiding the Group's strategy and development.

Prior to this, Catherine was Chief Operating Officer at Addison Lee where she was responsible for all aspects of operations with a team of over 750 employees, management of the base of 6,000 driver partners, fleet logistics and customer operations. She was previously Corporate Development Director at Trainline with responsibility for strategy, change management and M&A and a Director at Close Brothers Corporate Finance responsible for the origination and execution of M&A and Debt Advisory mandates in the technology sector.

Catherine graduated from the University of Durham with a BA in Economics and is a qualified Chartered Accountant, training at PwC.

Appointed to PLC Board
May 2019

Independent on appointment
N/A

External appointments
None

Committee memberships
None

Jill Easterbrook
Independent
Non-Executive Director

Biography
Jill was appointed as a Non-Executive Director to the Board on 1 July 2015.

Jill is currently the CEO of Boden, the clothing retailer.

Jill was previously at Tesco PLC (2001-16) where she was a member of the Executive Committee, having held a variety of roles across Strategy and Operations.

Jill started her career at Marks & Spencer in buying and merchandising and also spent time as a management consultant with Capgemini Ernst & Young.

Appointed to PLC Board
July 2015

Independent on appointment
Yes

External appointments
Boden Limited

Committee memberships
Remuneration (Chair), Nomination, Audit

David Keens
Senior Independent
Non-Executive Director

Biography
David was appointed as a Non-Executive Director on 1 May 2015.

David was previously Group Finance Director of NEXT plc (1991 to 2015) and its Group Treasurer (1986 to 1991). Previous management experience includes nine years in the UK and overseas operations of multinational food manufacturer Nabisco (1977 to 1986) and prior to that seven years in the accountancy profession. David is a member of the Association of Chartered Certified Accountants and of the Association of Corporate Treasurers.

Appointed to PLC Board
May 2015

Independent on appointment
Yes

External appointments
J Sainsbury plc.

Committee memberships
Audit (Chair), Nomination, Remuneration

Jeni Mundy
Independent
Non-Executive Director

Biography
Jeni was appointed as a Non-Executive Director on 1 March 2016.

Jeni is currently the Regional Managing Director UK & Ireland of Visa Inc.

Jeni was previously at Vodafone (1998 to 2017). Most recently she held Group Director roles across Product Management and Sales. Prior to that she was Chief Technology Officer on the UK and New Zealand Executive Boards.

Jeni started her career as a Telecommunications Engineer with BellSouth in New Zealand and holds an MSc in Electronic Engineering from Cardiff University.

Appointed to PLC Board
March 2016

Independent on appointment
Yes

External appointments
Visa UK Limited

Committee memberships
Remuneration, Nomination, Audit

Claire Baty
Company Secretary

Biography
Claire joined Auto Trader in July 2015 and is Company Secretary and Director of Governance.

Claire was previously Deputy Company Secretary at Betfair Group plc and prior to that was Company Secretary at Centaur Media plc.

Claire is a qualified accountant, a member of the Institute of Chartered Secretaries and Administrators and holds an MBA from Manchester Business School.

The dates of appointment shown are the dates on which the Directors were first appointed to the Board of Auto Trader Group plc. Any reference pre February 2015 refer to the Group's previous parent company, Auto Trader Holding Limited.

This corporate governance statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2016 by the Financial Reporting Council.

Introduction

This statement also includes items required by the Listing Rules and the Disclosure Guidance and Transparency Rules ('DTRs'). The UK Corporate Governance Code (the 'Code') is available on the Financial Reporting Council website at **frc.org.uk**

Compliance with the 2016 Code

The Company has complied in full with all provisions of the 2016 Corporate Governance Code during the year.

This report is structured to follow each of the sections of the Code:

A Leadership

Board and Committee meetings and attendance

Board meetings are planned around the key events in the corporate calendar, including the half-yearly and final results and the Annual General Meeting ('AGM'), and a strategy meeting is held each year.

In months where there is no Board meeting, a financial update call is held at which the Board discusses results with operational management. Once a year, Directors spend a day visiting customers.

During the year, the Chairman and Non-Executive Directors have met without Executive Directors present. In addition, the Non-Executive Directors have met without the Chairman and the Executive Directors present.

Attendance at meetings

	Board	Audit	Remuneration	Nomination
Number of scheduled meetings held	9	3	6	3
Director				
Ed Williams	9	n/a	n/a	3
Trevor Mather	9	n/a	n/a	n/a
Nathan Coe	9	n/a	n/a	n/a
David Keens	9	3	6	3
Jill Easterbrook	9	3	6	3
Jeni Mundy	9	3	6	3

Board responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate. It is reviewed at least annually, and is published on our website at **plc.autotrader.co.uk/investors**

Insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2019.

Impact of the 2018 Corporate Governance Code

The new Code contains various new provisions that will have an impact on our governance arrangements

- The requirement for the Board to assess and monitor culture
- Understand the views of the Company's key stakeholders and other matters under s172 Companies Act 2006, and consider these in Board discussions and decision-making
- Engage with the workforce using one of the prescribed methods or an alternative arrangement.

The Board has assessed the impact of the new Code and has considered and approved proposals to ensure that we will be in a position to comply with these new provisions.

- A Cultural Scorecard has been designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board now receives and discusses this on a regular basis during Board meetings.
- The Board already takes into consideration in its decision making the interests of wider stakeholders, such as employees, consumers, customers and suppliers, and other factors as required of them under s172 of Companies Act 2006. However, in order to formalise this process, the Board has established a framework which will be applied to all Board papers and discussions.
- There are already a number of established ways in which the Company engages with the workforce, for example, an annual employee engagement survey; an annual conference; regular sharing of information from the CEO via regular business updates, emails and videos; and informal open forums such as breakfast forums. The Board intends to utilise these existing mechanisms and increase the level of informal and formal interaction with the workforce through these channels.
- There are also a number of employee "guilds" which have been established to drive changes forward in areas such as family & wellbeing; diversity & inclusion; recognition and career development. The Company will establish a "guild of guilds" which will act as a quasi-formal workforce advisory panel and use this as a mechanism for the Board to engage with the workforce.
- The Board has decided that it is not appropriate to designate a specific NED to carry out this role; instead this should be shared across all NEDs.

Full details of the actions and their implementation will be included in the 2020 Annual Report.

Board roles

To ensure a clear division of responsibility at the head of the Company, the positions of Chairman and Chief Executive Officer are separate and not held by the same person.

The division of roles and responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board.

David Keens is the Senior Independent Director.

Chairman

- Leadership and governance of the Board.
- Creating and managing constructive relationships between the Executive and Non-Executive Directors.
- Ensuring ongoing and effective communication between the Board and its key shareholders.
- Setting the Board's agenda and ensuring that adequate time is available for discussions.
- Ensuring the Board receives sufficient, pertinent, timely and clear information.

Chief Executive Officer

- Responsible for the day-to-day operations and results of the Group.
- Developing the Group's objectives and strategy and successful execution of strategy.
- Responsible for the effective and ongoing communication with shareholders.
- Delegates authority for the day-to-day management of the business to the Operational Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business.

Non-Executive Directors

- Scrutinise and monitor the performance of management.
- Constructively challenge the Executive Directors.
- Monitor the integrity of financial information, financial controls and systems of risk management.

Senior Independent Director

- Acts as a sounding board for the Chairman.
- Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive Officer or other Directors have failed to resolve.
- Meets with the other Non-Executive Directors without Executive Directors present.
- Leads the annual evaluation of the Chairman's performance.

Company Secretary

- Available to all Directors to provide advice and assistance.
- Responsible for providing governance advice.
- Ensures compliance with the Board's procedures, and with applicable rules and regulations.
- Acts as secretary to the Board and all Committees.

Board responsibilities

Providing leadership for the long-term success of the Group

- **Overall authority for the management and conduct of the Group's business, strategy, objectives and development.**
- **Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action.**
- **Oversight of operations including effectiveness of systems of internal controls and risk management.**
- **Approval of changes to the capital, corporate and/or management structure of the Group.**
- **Approval of the Annual Report and Financial Statements, communications with shareholders and the wider investment community.**
- **Approval of the dividend policy.**

B Effectiveness

Board composition, balance and independence

At the date of this report, the Board consists of the Non-Executive Chairman, three independent Non-Executive Directors and three Executive Directors.

All of the Non-Executive Directors (David Keens, Jill Easterbrook and Jeni Mundy) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. Ed Williams was considered to be independent on appointment. The Chairman's fees and the Non-Executive Directors' fees are disclosed on page 69, and they received no additional remuneration from the Company during the year.

Therefore, at 31 March 2019 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors.

The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle B.1 of the Code. Biographies of all members of the Board appear on pages 48 and 49.

Appointments to the Board

The Board has established a Nomination Committee, chaired by Ed Williams, with all other members comprising independent Non-Executive Directors, and one of the main responsibilities of this Committee is to identify and nominate candidates for appointment as Directors to the Board. The work of the Committee is described on pages 58 and 59.

Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Letters of appointment

The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting. These letters set out the expected time commitment from each Director.

External directorships

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. Trevor Mather is a director on the board of Matches Fashion Limited, a global luxury shopping online company. The Board approved the appointment and confirmed that it was satisfied that there was no conflict of interest arising. Trevor is also Chair of Forever Manchester, a charity which Auto Trader supports through donations. Neither Nathan Coe or Catherine Faiers have any external directorships as at the date of this report. The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

In accordance with the Company's Articles of Association, the Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation.

Induction and development

All newly appointed Directors receive an induction briefing on their duties and responsibilities as Directors of a publicly quoted company. There is a formal induction programme to ensure that newly appointed Directors familiarise themselves with the Group and its activities, either through reading, meetings with the relevant member of senior management or through sessions in the Board meetings.

Each Board meeting contains a presentation from senior management on one of the focus areas for the year. Specific business-related presentations are given to the Board by senior management and external advisors when appropriate – refer to the table of activities opposite.

All Directors are offered the opportunity to meet with customers and take part in sales calls to understand the business from a customer's perspective, or to take part or observe focus groups with consumers who use our website. All Directors receive a weekly newsletter from our sales and service team to ensure they are kept informed of the latest customer dialogue and sentiment.

The Board as a whole is updated, as necessary, in light of any governance developments as and when they occur, and there is an annual Legal and Regulatory Update provided as part of the Board meeting. All Directors are required to complete our annual compliance training modules covering anti-bribery, anti-money laundering, data protection, information security and other relevant subjects.

As part of the Board evaluation, the Chairman meets with each Director to discuss any individual training and development needs.

Information and support available to Directors

Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All of the Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

All Directors have access to the advice and services of the Company Secretary, Claire Baty.

Election of Directors

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next AGM and shall then be eligible for election by the shareholders.

Board and Committee activities in 2019

Year	Month	Strategy	Operational	Financial	People	Shareholders	Risk and governance
		Regular reports received					
			Monthly operational report with key achievements and issues in the month, view of the industry, competitors and customers.	**Monthly financial report with results, KPIs, out-turn and external view.**	**Monthly report of people changes, recruitment, resourcing needs and employee engagement.**	**Regular feedback from investor meetings.** **Quarterly shareholder analysis.**	**Approval of material contracts.** **Governance and regulatory updates.**
2018	April		Maintain the best consumer experience for buying and selling cars: focus on private car sales.	Quarterly financial review.	Approval of new Single Incentive Plan for senior managers (below Board level).	Finalise shareholder consultation for new Remuneration Policy.	Follow up on external Board evaluation recommendations. Legal and regulatory update. Review of GDPR compliance.
	June	Review and approval of the mid-term financial plan.	Improve stock choice, volumes, accuracy and transparency.	Approval of Annual Report and Preliminary Results Announcement. Approval of new £400m revolving credit agreement.	Approval of 2018 Bonus out-turn. PSP and Single Incentive Plan targets and grants.	Approval of dividend policy, capital structure and share buyback programme. Recommendation of final dividend.	Review and approval of Group risk register. Review and approval of viability statement.
	July	Review of progress on the joint venture with Cox Automotive.		Quarterly financial review.	Introduction of new Culture Scorecard.	Review of feedback from analysts and investors from results roadshows.	Review of risk management process.
	August	Approval of the Dealer Auction joint venture with Cox Automotive.					
	September		Grow ARPR in a balanced and sustainable way.	Quarterly financial review.		Reviewed feedback from investors and proxy advisory agencies in advance of Annual General Meeting ('AGM').	Review and approval of modern slavery statement. Insurance programme.
	October	Strategy off-site -understanding our consumers.	Extend our product offering further down the buying funnel: Pricing and product strategy for 2020.		Diversity and inclusion. Succession planning. Talent development.		Consideration of the impact of the 2018 Corporate Governance Code.
	November			Approval of half-yearly report.		Approval of interim dividend.	Review and approval of Group risk register. Business continuity. Supplier risk.
2019	February	2020 operating plan.	Develop a more efficient way for retailers to source vehicles.	Review of tax compliance. Quarterly financial review.	Review of remuneration framework. Gender pay gap reporting.	Review of feedback from analysts and investors from results roadshows.	Review of internal and risk management framework. Review of external audit effectiveness.
	March		Large customer update.	Approval of 2020 financial plan.	Salary reviews and bonus targets for 2020. Approval of planned approach to workforce engagement.		Internal Board evaluation feedback and action plan. Agreement on s172 framework for decision making.

Board evaluation and effectiveness

In 2018, the Board engaged Independent Audit Limited to facilitate an external evaluation of the Board, Committees and individual Directors.

This year, an internal evaluation was conducted. The internal review included the completion of a detailed questionnaire by each of the Board Directors, covering the following areas:

- Board meetings and information flows
- The Board's role, knowledge and skills
- Board composition and succession planning
- Business strategy, performance and culture
- Risk management
- Engagement with shareholders and other stakeholders
- The operation of each of the Board's Committees
- Follow up of the recommendations raised by the external review

The results were reviewed by the Chairman and then discussed with the Board in March 2019.

Actions arising from the 2018 external review

The Board and Committees operate with a relatively informal and high trust approach, and should monitor that this continues to function well.	This is kept under continuous review, and was specifically focused on during meetings of the Chairman and Non-Executive Directors, including review of any behavioural early warnings, weakening business performance relative to the economic cycle, and retrospective review of major decisions taken.
The Board should develop a systematic approach to building a view of and measuring the culture of the business.	A cultural scorecard has been developed and is used by the Board to formally measure and track culture.
The Nomination Committee should focus on succession planning and motivation of senior managers beyond the Board.	The Terms of Reference of the Nomination Committee were broadened to explicitly include talent development and succession planning below Board level, and these items were discussed during the 2018/19 meeting cycle.
The Board should consider opportunities for deeper and wider contact between the Non-Executive Directors and the wider workforce.	More opportunities for contact are being developed, including employee forums, attendance at all-employee events and greater exposure to areas of the business on an ad hoc and informal basis. This will be further increased during 2019/20 as the Board starts to implement the requirements of the 2018 Corporate Governance Code around workforce engagement (see below).
Board papers should be reviewed to ensure they are consistent and concise, and address the desired areas.	The Company Secretary reviews all Board papers to ensure that every paper has a clear purpose and positioning to give focus to Board discussions. This will be further strengthened during 2019/20 as the Board implements a framework for ensuring that due consideration is given to all stakeholders under s172.

Actions arising from the 2019 internal review

Although Board papers are published on a timely basis, there is often a large volume of pre-reading in a short space of time.	More discipline in ensuring the papers are as concise as possible without losing the detail required. Papers are now published individually on a secure board portal when ready, rather than in a "pack".
As the Terms of Reference of each Committee expand, the agendas for each meeting become very full.	Additional Committee meetings to be scheduled to spread the agenda items and enable more time for focus areas and discussions.
As the induction process has not been needed for a number of years, this becomes out of date and should be refreshed.	The induction process will be reviewed and refreshed to ensure that it continues to provide Directors with the information and knowledge they need about the business and their role.

In addition, an assessment of the Chairman's performance was carried out, led by the Senior Independent Director, and feedback was provided to him individually.

Overall, the results showed that the Board and its Committees continue to operate well, and that each individual Director continues to make an effective contribution.

C Accountability

The Board has established an Audit Committee, chaired by David Keens and comprised entirely of Independent Non-Executive Directors. The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management and internal control. The work of the Committee is described on pages 60 to 63.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2019 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Audit Committee report on page 60 for details of the review process.

See pages 12 to 19 in the Strategic report for a description of our business model, strategy and focus areas.

See page 34 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The processes in place for assessment, management and monitoring of risks are described below.

Risk management process

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

1. Identify risks
A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Operational Leadership Team ('OLT').

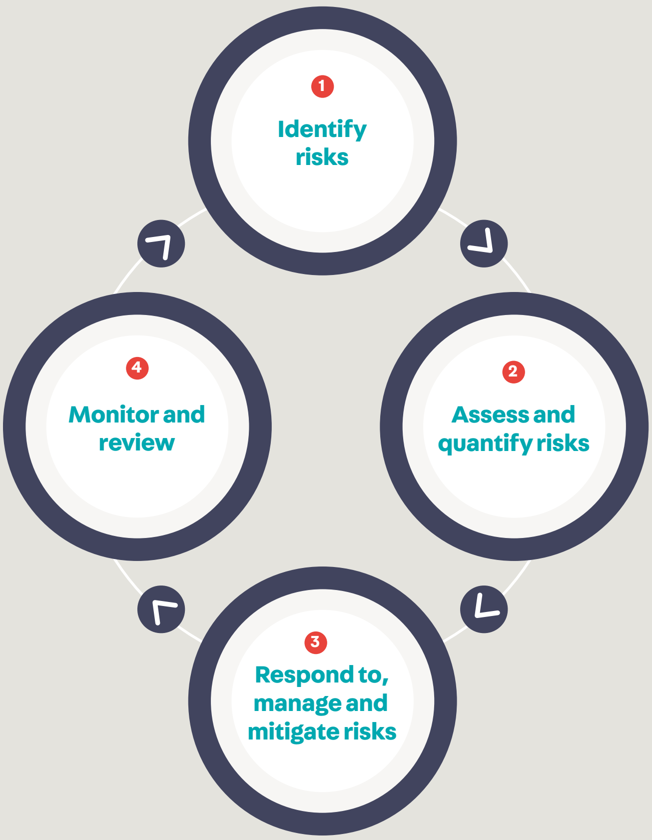
2. Assess and quantify risks
Risks and controls are analysed and evaluated to establish the root causes, financial impact and likelihood of occurrence. The Group categorises risks into six areas:

– economy, market and business environment;
– financial and compliance risk;
– asset risk;
– operational risk;
– competitive risk; and
– product specific risk.

3. Respond to, manage and mitigate risks
The effectiveness and adequacy of controls in place are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

4. Monitor and review
The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme run in conjunction with Deloitte.

The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.



Our framework

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

Responsibilities:

Board's responsibilities
- Overall responsibility for overseeing the Group's risk management and internal control process
- Determines the Group's risk appetite
- Ensuring appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate the risks to the overall viability of the Group

Audit Committee's responsibilities
- Assessing the scope and effectiveness of the Group's internal controls and risk management systems
- Agreeing the scope of the internal audit and external audit functions, and reviewing their work

Operational Leadership Team's responsibilities
- Identify, assess, monitor, manage and mitigate risks and exploit opportunities
- Embedding risk management and internal controls as business as usual
- Ensuring actions to mitigate risks are implemented

Lines of defence:

1. First line
Operational Leadership Team
- Primary responsibility for day-to-day risk management
- Risk identification, analysis, evaluation and mitigation
- Design and execution of appropriate mitigations and internal controls
- Self-certification of operation of processes and controls

2. Second line
Oversight functions and committees
- Functions: Risk and Compliance, Legal, HR, Security, Internal Controls
- Groups: Governance and Risk steering group; FCA Governance group, Trust Council
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

3. Third line
- Independent assurance-internal audit, PCI compliance assessors, external auditors
- Provide independent assurance that risk is being appropriately managed
- Identify process improvements and efficiencies

Our framework

The Audit Committee reviews the system of risk management and internal controls through reports received from management, along with others from internal and external auditors. Management continues to focus on how internal controls and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

The Board, assisted by the Audit Committee, has carried out a review of the effectiveness of the system of risk management and internal controls during the year ended 31 March 2019 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board considered the weaknesses identified and reviewed the developing actions, plans and programmes that it considered necessary. The Board confirms that no significant weaknesses or failings were identified as a result of the review of effectiveness.

D Remuneration

The Board has established a Remuneration Committee, chaired by Jill Easterbrook and comprised entirely of Independent Non-Executive Directors. The work of the Committee is described on pages 64 to 74.

Impact of the 2018 Corporate Governance Code

The Board has assessed the impact of the changes to the 2018 Corporate Governance Code and has already adopted updated Terms of Reference for the Remuneration Committee that incorporate some of these changes.

The Remuneration Committee has already decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Further details are set out on page 67. After this change, our Remuneration Policy will comply with the other expanded requirements of the 2018 Code – our pension provision for Executive Directors is aligned with our broader employee population, we operate a post-vesting holding period for the PSP and malus and clawback provisions apply.

E Relations with shareholders

The Board has a comprehensive investor relations programme to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts on the half-year and full-year results in November and June respectively. These updates are webcast live and then posted on the Group's website and are available to all shareholders.

The results presentations are followed by formal investor roadshows in the UK and overseas.

There is also an ongoing programme of attendance at conferences, one-to-one meetings and group meetings with institutional investors, fund managers and analysts. These meetings cover a wide range of issues, including strategy, performance and governance, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time. Meetings which relate to governance are attended by the Chairman or another Non-Executive Director as appropriate. Private shareholders are encouraged to give feedback and communicate with the Board through **ir@autotrader.co.uk.**

The Board receives regular reports on issues relating to share price, trading activity and movements in institutional investor shareholdings. The Board is also provided with current analyst opinions, forecasts and feedback from its joint corporate brokers, Bank of America and Numis, on the views of institutional investors on a non-attributed and attributed basis, and on the views of analysts from its financial PR agency, Powerscourt. Any major shareholders' concerns are communicated to the Board by the Executive Directors.

The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders and arrangements can be made through the Company Secretary.

Annual General Meeting

The AGM of the Company will take place at 10.00 am on Thursday 19 September 2019 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. All shareholders have the opportunity to attend and vote, in person or by proxy, at the AGM.

All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated. At the meeting itself, voting on all the proposed resolutions is conducted on a poll rather than a show of hands, in line with recommended best practice. The Chairman, the Chair of each of the Committees and the Executive Directors are present at the AGM and available to answer shareholders' questions.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Results of resolutions proposed at the AGM will be published on the Company's website: **plc.autotrader.co.uk/investors** following the AGM.

Report of the Nomination Committee

Ed Williams
Chairman of the Nomination Committee

Composed of the Chairman and three independent Non-Executive Directors.

At least one meeting held per year.

Meetings are attended by the Chief Executive Officer and other relevant attendees by invitation.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Three meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Ed Williams (Chairman)	3/3	100%
David Keens	3/3	100%
Jill Easterbrook	3/3	100%
Jeni Mundy	3/3	100%

Our progress in 2019:

- Renewal of additional three-year term for two Non-Executive Directors.
- Follow up on the recommendations of the 2018 external Board evaluation, and review the results of the 2019 internal evaluation
- Continued monitoring of succession planning for the Board and senior management and, in April 2019, putting this into practice
- Adopted the recommendations of the Hampton-Alexander review and increased the target for women on our Board to 33%

In 2020 we will:

- Continue to monitor Board and senior management succession in the context of the Company's long-term strategy.
- Support management and the Board in promoting diversity in senior management and across the workforce.

Dear shareholders,

I present the Report of the Nomination Committee for 2019.

Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

The Committee oversees diversity and inclusion across the whole Group and monitors succession planning and talent development below Board level.

How the Committee operates

All members of the Committee are independent Non-Executive Directors. The Chairman of the Board chairs all meetings of the Committee unless they relate to the appointment of his successor or such other matters in which he may have a potential conflict of interest. For those meetings, the Senior Independent Director ('SID') is invited to take the Chair unless the SID is in contention for the role or also has a potential conflict of interest.

The Committee meets at least twice a year, and on an ad hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer attends for all or part of meetings so that the Committee can understand his views, particularly on key talent within the business.

Succession planning

The Committee believes that effective succession planning is critical to the Company's long-term success. We have a continual formal succession planning process to ensure orderly succession for the Board and senior management. This was put into practice in April 2019 when Trevor Mather informed the Board of his intention to retire as CEO. Our long-term succession plan meant that we had already identified Nathan Coe as a natural successor to Trevor. Catherine Faiers was promoted to the Board as Chief Operating Officer with effect from 1 May 2019, and Jamie Warner was promoted to CFO-designate, with the intention that he will join the Board on or before the date that Trevor retires in March 2020.

In the coming year, the Committee will update and develop our formal succession plan for the new Board, taking into account future skills required in the context of the Group's strategy, as well as recognising the importance of growing and developing our internal talent.

Policy on appointments to the Board

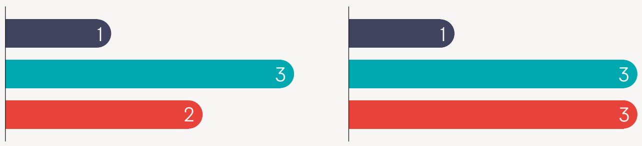
A priority for the Committee has been, and will continue to be, ensuring that members of the Board collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

Appointments are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. The Committee takes account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity, including gender and ethnic diversity.

Taking into consideration the recommendations of the Hampton-Alexander review, we have revised our target for women representation on our Board to 33%. We already exceed this target, as three of our seven Board members are women. Our longer-term goal, as it is for the organisation as a whole, is to achieve an equal number of men and women. We acknowledge the recommendations of the Parker review, but have not at this stage set a target, and do not currently meet the recommendations.

Board composition

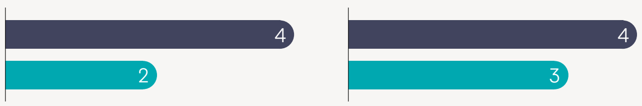
As at 31 March 2019 | As at 6 June 2019



● Chairman
● Independent Non-Executive Directors
● Executive Directors

Gender diversity

As at 31 March 2019 | As at 6 June 2019



% of women on Board 33% | % of women on Board 43%

● Men ● Women

Board tenure*

As at 31 March 2019 | As at 6 June 2019

● 0-3 years ● 3-6 years

*Refers to period since appointment to the PLC Board

Diversity and inclusion

The Nomination Committee's Terms of Reference include the responsibility to oversee diversity and inclusion across the whole Group, not just at Board and senior management level.

The Company has established a Diversity and Inclusion Guild, with representation from across all parts of the business and led by members of our Operational Leadership Team. This guild is responsible for developing and driving our strategy to create a diverse, inclusive and conscious Auto Trader, and reports to the Nomination Committee on its activities and progress.

Diversity at Auto Trader means respect for and appreciation of differences in: gender, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background, and way of thinking. We do not set targets but we do aim for our employee workforce to be reflective of the communities in which we operate.

We are committed to more women at senior management level and throughout the organisation, particularly in parts of the business where women are currently underrepresented, such as technology. Throughout most of the year, 50% of our Operational Leadership Team ('OLT') were women, and we were delighted to be able to promote Le Etta Pearce to Chief Executive Officer of our new joint venture with Cox Automotive UK, which meant that she leaves our OLT to take up this opportunity. At the end of our financial year, 42% of the OLT were women, and 36% of the OLT's direct reports were women, which means that we have already met the Hampton-Alexander Review recommendations.

Board evaluation

We carried out an internal Board evaluation during the year, which included following up on the recommendations of the 2018 externally facilitated Board evaluation. This is described in detail on page 54 of the corporate governance statement. Our next external Board evaluation will be in 2021.

Election and re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire and offer themselves for election or re-election to the Board. The Directors who have been in post throughout the year have been subject to a formal evaluation process, and both the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2019 AGM relating to the election and re-election of the Directors.

I will be available at the AGM to answer any questions on the work of the Committee.

Ed Williams
Chairman of the Nomination Committee
6 June 2019

Impact of the 2018 Corporate Governance Code

The 2018 UK Corporate Governance Code applies to us from 1 April 2019. The new Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board.

Ed Williams joined the Auto Trader business as a Non-Executive Director in November 2010 when it was under private ownership. He joined the Auto Trader Group plc Board in February 2015 and the Company listed on the London Stock Exchange in March 2015.

The Committee, led by David Keens as Senior Independent Director, has considered this change in the Code and has consulted with the FRC. The understanding of the Committee and the Board is that the nine year period commences on the date that Auto Trader listed on the London Stock Exchange. The nine year period for Ed Williams therefore runs to March 2024. However, it should be noted that these comments are made in reference to the maximum term stipulated in the new Code and do not commit the Company or Ed Williams to him remaining as Chairman until 2024.

David Keens
Chairman of the Audit Committee

Composed of three independent Non-Executive Directors.

David Keens is considered by the Board to have recent and relevant experience. All members have significant commercial and operating experience in consumer and digital businesses.

At least three meetings held per year.

Meetings are attended by the Chief Financial Officer and Chief Operating Officer, Chief Executive Officer, internal auditors and external auditors by invitation.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Three meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
David Keens (Chairman)	3/3	100%
Jill Easterbrook	3/3	100%
Jeni Mundy	3/3	100%

Our progress in 2019:
- Focus on key areas of judgement, including joint venture accounting for Dealer Auction.
- Review the impact of changes to accounting policies for IFRS 9, IFRS 15 and IFRS 16.
- Review of effectiveness of internal audit function, internal controls and risk management framework.
- Evaluate effectiveness and independence of external audit.

In 2020 we will:
- Agree with KPMG any changes for their 2020 audit.

Dear shareholders,

I am pleased to introduce the Audit Committee report for 2019.

The Committee is comprised entirely of independent Non-Executive Directors. I fulfil the requirement for a Committee member to have recent and relevant financial experience, and all members (and therefore the Committee as a whole) have competence in consumer and digital businesses.

The Board has adopted defined Terms of Reference for the Committee to assist the Board in discharging many of its responsibilities. This includes monitoring the integrity of the Group's financial reporting; the effectiveness of the internal control and risk management framework; the internal audit function; and the independence and effectiveness of the external auditors.

The Committee met three times during the year, arranged around our external reporting and external and internal audit cycle. Our external auditors, KPMG and internal auditors, Deloitte regularly attend meetings, as does the CFO/COO and other members of management attend by invitation.

During the year, the Company adopted new accounting standards IFRS 9, IFRS 15 and IFRS 16. The Committee reviewed the impact of these changes and other significant accounting matters with an appropriate level of challenge and debate. The Committee has reviewed the content in the Annual Report and we believe that this clearly explains progress against our strategic objectives and is fair, balanced and understandable.

The Committee plays a key role in ensuring that we continue to have a robust internal control and risk management process. Our internal audit function is outsourced to Deloitte LLP, who continue to provide us with specialist expertise in delivering a risk-based rolling review programme.

At the 2018 AGM, shareholders approved the Board's recommendation to re-appoint KPMG LLP as our external auditors. The Committee has carried out a review of the effectiveness and independence of KPMG and has recommended to the Board that they are re-appointed at the 2019 AGM.

David Keens
Chairman of the Audit Committee
6 June 2019

Financial reporting

The primary role of the Committee in relation to financial reporting is to review and monitor the integrity of the financial statements, including annual and half-year reports, result announcements, dividend proposals and any other formal announcement relating to the Group's financial performance.

The Committee assessed the quality and appropriateness of the accounting principles and policies adopted, and whether management had made appropriate underlying estimates and judgements. In doing so, the Committee reviewed management reports in respect of the main financial reporting issues and judgements made, together with reports prepared by the external auditor on the 2019 half-year statement and 2019 Annual Report.

The Committee, with assistance from management and KPMG, identified areas of financial statement risk and judgement as described below.

Description of focus area	Audit Committee action
Revenue recognition	
Revenue recognition for the Group's revenue streams is not complex. However, this remained an area of focus for KPMG due to the large volume of transactions and as revenue is the most material figure in the financial statements. KPMG carried out a review of our revenue recognition policies; performed detailed analytical procedures; tested completeness and existence of revenue by matching sales information from sales systems to the financial systems and to cash receipts; reviewed customer contracts; tested revenue cut-off and assessment of deferred and accrued revenue; and carried out other computer-assisted audit techniques. KPMG also reviewed the impact of IFRS 15 which was adopted from 1 April 2018 (see below).	The Committee was satisfied with the explanations provided and conclusions reached.
Adoption of new accounting standards	
The Group has adopted IFRS 9 (Financial Instruments), IFRS 15 (Revenue) and IFRS 16 (Leases) with effect from 1 April 2018. The adoption of these new standards involves the use of judgements and assumptions and requires significant changes to disclosures.	The Committee has reviewed the key assumptions and impact of the adoption of the new accounting standards and is satisfied that these are appropriate. The Committee has also reviewed the disclosures, and has received reports from KPMG which include technical review of the new disclosures, and is satisfied that these are in accordance with accounting standards.
Share-based payments	
The Company has a number of share-based payment arrangements, accounted for under IFRS 2, including a new Single Incentive Plan. These require the use of valuation models and certain assumptions in determining their fair value at grant and in the recognition of charges and, as such, this is an area of judgement for management.	The Committee reviewed the assumptions made by management, particularly in relation to profit forecasts that determine the proportion of shares granted under the PSP, DABP and new Single Incentive Plan. The Committee reviewed the comments within KPMG's report into the calculation of the charge and satisfied itself that the share-based payment accounting is appropriate and in accordance with accounting standards.
Joint venture accounting	
The Group has entered into a joint venture agreement with Cox Automotive UK during the year. This was a material transaction; however the accounting treatment is not deemed to be complex or involve a high degree of management judgement.	The Committee has reviewed the accounting treatment and disclosure for the new joint venture and is satisfied that this is appropriate and in accordance with accounting standards.
Going concern and viability statement	
The Directors must satisfy themselves as to the Group's viability and confirm that they have a reasonable expectation that it will continue to operate and meet its liabilities as they fall due. The period over which the Directors have determined it is appropriate to assess the prospects of the Group has been defined as three years. In addition, the Directors must consider if the going concern assumption is appropriate.	The Committee reviewed management's schedules supporting the going concern assessment and viability statements. These included the Group's medium-term plan and cash flow forecasts for the period to March 2022. The Committee discussed with management the appropriateness of the three-year period, and discussed the correlation with the Group's principal risks and uncertainties as disclosed on pages 30-33. The feasibility of mitigating actions and the potential speed of implementation to achieve any flexibility required were discussed. The Committee evaluated the conclusions over going concern and viability and the proposed disclosures in the financial statements and satisfied itself that the financial statements appropriately reflect the conclusions.

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2019 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with an early draft of the Annual Report, and provided feedback on areas where further clarity or information was required in order to provide a complete picture of the Group's performance. The final draft was then presented to the Audit Committee for review before being recommended for approval by the Board. When forming its opinion, the Committee reflected on discussions held during the year and reports received from the external auditor and considered the following main areas:

Is the report fair?	– Is a complete picture presented and has any sensitive material been omitted that should have been included? – Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? – Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	– Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? – Do you get the same messages when reading the front end and the back end independently? – Is there an appropriate balance between statutory and adjusted measures and are any adjustments explained clearly with appropriate prominence? – Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? – How do these compare with the risks that KPMG are planning to include in their report?
Is the report understandable?	– Is there a clear and cohesive framework for the Annual Report? – Are the important messages highlighted and appropriately themed throughout the document? – Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2019 Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The Committee's responsibilities include a review of the risk management systems and internal controls to ensure that they remain effective and that any identified weaknesses are properly dealt with. The Committee:

- reviews annually the effectiveness of the Group's internal control framework;
- receives reports from the Group's outsourced internal audit function and ensures recommendations are implemented where appropriate; and
- reviews reports from the external auditors on any issues identified in the course of their work, including any internal control reports received on control weaknesses, and ensures that there is an appropriate response from management.

The Group has internal controls and risk management systems in place in relation to its financial reporting processes and preparation of consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with IFRS. The internal control systems include the elements described below.

Element	Approach and basis for assurance
Risk management	Whilst risk management is a matter for the Board as a whole, the day-to-day management of the Group's key risks resides with the Operational Leadership Team ('OLT') and is documented in a risk register. A review and update of the risk register is undertaken twice a year and reviewed by the Board. The management of identified risks is delegated to the OLT, and regular updates are given to executive management at quarterly steering group meetings.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, balance sheet, cash flow statement and detailed analysis. The month-end pack also includes KPIs and these are reviewed each month by the OLT and the Board. Results are compared against the Plan or Reforecast and narrative provided by management to explain significant variances.
Budgeting and reforecasting	An annual Plan is produced and monthly results are reported against this. A half-year Reforecast is produced. The Plan and the Reforecast are prepared using a bottom up approach, informed by a high-level assessment of market and economic conditions. Reviews are performed by the OLT and the Board whilst the Plan is also compared to the top down Medium Term Plan ('MTP') as a sense check. The Plan is approved by the OLT and the Board, and the Reforecast is approved by the OLT and reported to the Board.
Delegation of authority and approval limits	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's Terms of Reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers, payroll and discounts/refunds. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Internal audit

Deloitte has been appointed as the Group's outsourced internal audit function. They are accountable to the Audit Committee and use a risk-based approach to provide independent assurance over the adequacy and effectiveness of the control environment. The internal audit work plan for 2019 was approved by the Audit Committee and covers a broad range of core financial and operational processes and controls, focusing on specific risk areas, including:

– Tax governance
– Cyber resilience and application security
– GDPR operating effectiveness
– Review of FCA regulated activity

Management actions that are recommended following the audits are tracked to completion and reviewed by the Committee to ensure that identified risks are mitigated appropriately.

The Committee met with representatives from Deloitte without management present and with management without representatives of Deloitte present. There were no issues of significance raised during these meetings.

Whistleblowing

A whistleblowing policy has been adopted which includes access to a whistleblowing telephone service run by an independent organisation, allowing employees to raise concerns on an entirely confidential basis. The Committee receives regular reports on the use of the service, any significant reports that have been received, the investigations carried out and any actions arising as a result.

External auditors

One of the Committee's roles is to oversee the relationship with the external auditor, KPMG, and to evaluate the effectiveness of the service provided and their ongoing independence. The Committee has carried out a review based on discussion of audit scope and plans, materiality assessments, review of auditors' reports and feedback from management on the effectiveness of the audit process, and has concluded that the external auditor remains effective and independent.

During the year the Committee reviewed KPMG's findings of the external auditor in respect of their review of the half-yearly report for the six-month period ending 30 September 2018, and in respect of the audit of the financial statements for the year ended 31 March 2019. The Committee met with representatives from KPMG without management present and with management without representatives of KPMG present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none.

The Committee has reviewed, and is satisfied with, the independence of KPMG as the external auditor.

Non-audit services provided by the external auditor

The external auditor is primarily engaged to carry out statutory audit work. There may be other services where the external auditor is considered to be the most suitable supplier by reference to their skills and experience. It is the Group's practice that it will seek quotes from several firms, which may include KPMG, before engagements for non-audit projects are awarded. Contracts are awarded based on individual merits. A policy is in place for the provision of non-audit services by the external auditor, to ensure that the provision of such services does not impair the external auditor's independence or objectivity, in accordance with the EU Audit Reform.

Non-audit service	Policy
Audit-related services directly related to the audit For example, the review of interim financial statements, compliance certificates and reports to regulators.	Considered to be approved by the Committee up to a level of £100,000 for each individual engagement, and to a maximum aggregate in any financial year of the higher of £200,000 and 70% of the average audit fees paid to the audit firm in the last three consecutive years. Any engagement of the external auditor to provide permitted services over these limits is subject to the specific approval in advance by the Audit Committee.
Acceptable non-audit services Including, but not limited to: work related to mergers, acquisitions, disposals, joint ventures or circulars; benchmarking services; and corporate governance advice.	
Prohibited services In line with the EU Audit Reform, services where the auditor's objectivity and independence may be compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation – for example, tax services, accounting services, internal audit services, valuation services and financial systems consultancy.	Prohibited, with the exception of certain services which are subject to derogation if certain conditions are met, in accordance with the EU Audit Reform.

Refer to **plc.autotrader.co.uk/investors** for full details of the policy. During the year, KPMG charged the Group £34,396 for audit-related assurance services.

The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 – statement of compliance

As a competitive tender was carried out in 2016, and KPMG LLP were first appointed as statutory auditors in the financial year to March 2017, we have complied with the requirement that the external audit contract is tendered within the 10 years prescribed by EU and UK legislation and the Code's recommendation. The Company confirms that it complied with the provisions of the Competition and Markets Authority's Order for the financial year under review.

David Keens
Chairman of the Audit Committee
6 June 2019

Annual statement
by the Chairman of the Remuneration Committee

Jill Easterbrook
Chairman of the Remuneration Committee

Composed of three independent Non-Executive Directors.

The Company Chairman, Chief Executive Officer, the Chief Financial Officer and Chief Operating Officer and other relevant individuals are invited to attend the meetings – no person is present during any discussion relating to their own remuneration.

The Company Secretary acts as secretary to the Committee.

For more information on the Committee's Terms of Reference visit **plc.autotrader.co.uk/investors**

Six meetings were held during the year:

	Meetings attended/ total meetings held	Percentage of meetings attended
Jill Easterbrook (Chairman)	6/6	100%
David Keens	6/6	100%
Jeni Mundy	6/6	100%

In addition, Ed Williams was in attendance at all six meetings by invitation.

Key highlights for 2019:

– Shareholder approval received for our revised Directors' Remuneration Policy at the 2018 AGM and pay was implemented in line with this policy during the year.

– The Committee reviewed developments in UK corporate governance and shareholder guidance and considered its approach to the 2018 Code.

– The Committee considered and agreed remuneration arrangements for the CEO in respect of his retirement and other changes to the Board announced on 29 April 2019.

In 2020 we will:

– Continue to monitor Remuneration Policy to ensure it is aligned with strategy and the creation of suitable long-term value creation and that it is appropriate in the context of evolving shareholder guidance and corporate governance.

Dear shareholders,

I am pleased to present, on behalf of the Board, the Report of the Remuneration Committee (the 'Committee') for the year ended 31 March 2019.

Board changes

On 29 April 2019 we announced that Trevor Mather had notified the Board of his intention to retire as CEO and that he will step down from his role and as a Director on 31 March 2020. At the same time we announced that Nathan Coe has been promoted to CEO-designate and that Catherine Faiers will join the Board in the role of Chief Operating Officer "COO" from 1 May 2019. Details of their remuneration arrangements are provided below and in the remainder of this report.

Remuneration Policy and approach for 2020

During 2018 the Committee undertook a review of our Directors' Remuneration Policy. No changes were made to the remuneration framework as it was considered that it had been successful in driving performance and that it continued to be appropriate for the Executive Directors. The Committee, however, made some modifications to the structure and assessment of performance measures for the PSP to better align performance measures with our strategy as well as to simplify and increase the transparency of the approach to assessing performance and setting targets. I am pleased that our revised Policy was approved by 95% of shareholders at the 2018 AGM. Thank you to our shareholders for the time you took to consult with us in the development of this Policy.

The Remuneration Committee continues to believe the Policy is appropriate and our approach to Executive Directors remuneration is unchanged for 2020. The maximum opportunity will continue to be 150% of base salary for the CEO and the CFO & CEO-designate. The COO's maximum bonus opportunity will be 130% of base salary. Annual bonuses will continue to be based 75% on Operating profit and 25% on strategic objectives. For 2020 the strategic measures will be based on stock on site, and adoption of our new car proposition. The new car measure has been introduced for 2020 reflecting our strategic focus on generating value through this market offering.

PSP awards will be granted in June 2019 and these will continue to be based 75% on Operating profit growth and 25% on total Group revenue growth. The CFO & CEO-designate will receive an award of 200% of salary and the COO will receive an award of 150% of salary. In light of his announced retirement the CEO will not receive a PSP award in June 2019.

Salaries for the CEO and CFO & CEO-designate were increased by c.2% with effect from 1 April 2019 in line with the general increase received for other senior employees across the Group. Pension and benefits are unchanged for 2019. The COO's salary was set at £350,000 from the date of her appointment to the Board (1 May 2019).

The CFO & CEO-designate's remuneration arrangements remain unchanged at present but will be reviewed in advance of him being appointed to the role of CEO with effect from 1 April 2020.

Performance and reward in 2019

2019 has been another good year, with revenue growth of 8% and Operating profit growth of 10%. We have also continued to make good progress against our purpose to lead the future of UK's digital automotive marketplace and have delivered excellent returns for shareholders through dividends and share buybacks.

Further details can be found on pages 24 to 29 of the Strategic report.

Annual bonus
The annual bonus for 2019 was based 75% on Operating profit and 25% on strategic targets (average live car stock and average full page advert views). As outlined on page 70, the total bonus for 2018/19 was therefore 76.75% of maximum, resulting in payments of £641,401 for the CEO and £425,963 for the CFO & CEO-designate. Half of this bonus will be deferred into shares for a two-year period.

Performance Share Plan ('PSP')
PSP awards granted in June 2016 will vest in June 2019 based on performance over the three years to 31 March 2019. The award was based 75% on Cumulative Underlying operating profit performance and 25% on Total Shareholder Return ('TSR') relative to the FTSE 250 (excluding investment trusts). As detailed on page 70, actual performance resulted in a payout of 41.7% of the maximum 75% in respect of Cumulative Underlying operating profit performance, and 9.5% of the maximum 25% in respect of TSR, giving an overall total performance of 51.2%. The net value of vested awards is subject to a two-year holding period.

The Committee carefully considered the level of payout and concluded that annual bonus plan payouts and the level of PSP award vesting appropriately reflected the underlying performance of the Company and the strategic progress and therefore it was not necessary to exercise discretion to adjust payouts.

UK Corporate Governance Code and amended disclosure requirements
During the year, the Committee has monitored developments in the 2018 UK Corporate Governance Code and emerging guidance from investors. The Committee has decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code. Any Executive Director who leaves from 1 April 2019 will be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure. Further details are set out on page 67. Our Remuneration Policy already complies with the other expanded requirements of the 2018 Code – our pension provision for Executive Directors is aligned with our broader employee population, we operate a post-vesting holding period for the PSP and malus and clawback provisions apply.

In line with best practice we have also disclosed our CEO pay ratio a year in advance of being required to under the regulations. Our median all employee to CEO pay ratio is 42:1, which the Committee considers is within a reasonable range taking into account the structure and nature of our business.

The Committee will undertake a review of the practices in place in the coming year to ensure that they are aligned with the new Code and reporting regulations.

In light of the new Code, the Committee has also updated its Terms of Reference to formalise many of the Committee's existing practices to align with the expanded requirements of the Code. The updated Terms of Reference can be found **plc.autotrader.co.uk/investors**.

Retirement arrangements for Trevor Mather
Trevor will continue to receive his normal base salary, pension and benefits until his retirement and he will remain eligible for an annual bonus in respect of FY20. The Committee has determined that Trevor will be treated as a 'good leaver' in respect of outstanding share incentives. Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years post leaving when he retires from the Board on 31 March 2020. Further details are provided on page 72.

I look forward to receiving your support on the Directors' remuneration report at the 2019 AGM where I shall be available to answer any specific questions that you may have.

Jill Easterbrook
Chairman of the Remuneration Committee
6 June 2019

Annual remuneration report

This report has been prepared in accordance with the Companies Act 2006, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) and the UKLA's Listing Rules. This report is subject to an advisory shareholder vote at the AGM on 19 September 2019.

Summary of Directors' Remuneration Policy (Policy) and implementation for 2020

Our Policy was put to shareholders for approval at the AGM on 20 September 2018 and applies to payments made from this date. The following provides a summary of the Policy along with details of how the Policy will be implemented during 2020. For full details of the Policy approved by shareholders please refer to the 2018 Annual Report and Accounts which can be found at **plc.autotrader.co.uk/investors**.

Element	Overview of operation	Maximum opportunity	Performance conditions	Implementation for 2020
Salary	Salaries are normally reviewed annually with changes effective from 1 April.	No maximum salary level or salary increase; however, any base salary increases will normally be in line with the percentage increases awarded to other employees of the Group.	N/A	The Executive Directors' salaries were increased by c.2% from 1 April 2019 to: – CEO – £568,000 (2018/19: £557,134) – CFO & CEO-designate – £377,000 (2018/19: £370,000) The increase for the CEO and CFO & CEO-designate is in line with the general increase received for other senior employees across the Group, and lower than the average increase in salary across the wider employee population of around 3.75% (reflecting both general market, promotions and individual rewards for performance). The COO's salary was set at £350,000 from the date of her appointment to the Board (1 May 2019). The CEO-designate's remuneration arrangements will be reviewed in advance of him being appointed to the role of CEO with effect from 1 April 2020 to ensure they appropriately reflect the size and scope of the role.
Benefits	Benefits include private medical cover, life assurance and income protection insurance.	The value of benefits is not capped as it is determined by the cost to the Company, which may vary.	N/A	No changes.
Pension	Directors are eligible to receive employer contributions to the Company's defined contribution pension plan, a salary supplement in lieu of pension benefits (or combination of the above).	Maximum contribution in line with the contribution of other employees in the Group, currently 5% of salary.	N/A	No changes. Our pension policy is in line with the wider workforce and therefore we already comply with the 2018 Code in this area.
Annual bonus	Based on the achievement of performance over the financial year. Half of the bonus is paid in cash with half deferred into shares for two years under the Deferred Annual Bonus Plan ('DABP') subject to continued employment only. Dividend equivalents accrue on deferred shares. Recovery and withholding provisions apply, as described below.	Maximum of 150% of salary.	Performance measures for the year ended 31 March 2020 are as follows: – 75% based on Operating profit – 25% based on strategic measures Strategic measures are based on stock (average live car stock) and new cars (live retailers paying for our new car package) (12.5% weighting each). See below for further details on performance measures. The targets are considered to be commercially sensitive, but the Committee intends to disclose them in the next Annual Report provided they are no longer considered to be commercially sensitive.	For 2020 the Committee has replaced the audience (average full pay adverts views) measure with a new car measure. The Committee considered it was appropriate to introduce a new car measure reflecting our strategic focus on generating value through this market offering. While a focus on audience remains fundamental to everything we do at Auto Trader, given the challenges of consistently measuring performance year on year the Committee considered that it was no longer appropriate that full page advert views is included as a performance measure in the annual bonus.

<table>
<tr><th>Element</th><th>Overview of operation</th><th>Maximum opportunity</th><th>Performance conditions</th><th>Implementation for 2020</th></tr>
<tr>
<td>Performance Share Plan ('PSP')</td>
<td>Awards vest after three years subject to performance conditions and continued employment.

Awards are normally in the form of nil-cost options.

Executive Directors are required to retain vested shares for at least two years from the point of vesting.

A dividend equivalent accrues on awards.

Recovery and withholding provisions apply, as described below.

A dividend equivalent provision applies, as described below.</td>
<td>Normal circumstances: maximum of 200% of salary.

Exceptional circumstances: maximum of 300% of salary.

The CFO & CEO-designate will receive an award of 200% of salary in June 2019. The COO will receive an award of 150% of salary.

In light of his announced retirement the CEO will not receive a PSP award in 2019.</td>
<td>For 2020, performance measures and targets will be as follows:
<table>
<tr><th></th><th>Threshold (25% vesting)</th><th>Stretch (100% vesting)</th></tr>
<tr><td>Operating profit (75% weighting)</td><td>6.5% p.a.</td><td>11% p.a.</td></tr>
<tr><td>Total Group revenue (25% weighting)</td><td>5% p.a.</td><td>8% p.a.</td></tr>
</table>
Vesting is on a straight-line basis between threshold and stretch.

Performance will be assessed based on the compound annual growth rate for the three years ending 31 March 2022.

See below for further details on performance measures.</td>
<td>There will be no changes to the structure of the award; the targets have been raised to reflect the impact of the joint venture.</td>
</tr>
<tr>
<td>All-employee Share Plans – SIP & SAYE</td>
<td>The Company operates two all-employee tax-advantaged plans, namely a Save As You Earn ('SAYE') and a Share Incentive Plan ('SIP') for the benefit of Group employees.

Executive Directors will be eligible to participate on the same basis as other employees.</td>
<td>Maximum permitted based on HMRC limits from time to time.</td>
<td>N/A</td>
<td>No changes.</td>
</tr>
<tr>
<td>Share ownership guidelines</td>
<td>Executive Directors are expected to build and maintain a holding of shares in the Company. This is expected to be built through retaining a minimum of 50% of the net of tax vested PSP and DABP shares, until the guideline level is met.</td>
<td>The minimum share ownership guideline is 200% of salary for current Executive Directors.</td>
<td>N/A</td>
<td>The Committee has decided to introduce a post-employment shareholding guideline in line with best practice and the requirements of the 2018 Code.

Any Executive Director who leaves from 1 April 2019 will normally be expected to retain an interest in shares with a value of 200% of salary (or their actual shareholding if lower) for a period of two years following departure.

This guideline will apply to any shares acquired from incentive plans from 1 April 2019 and may include the net value of outstanding DABP awards and PSP awards subject only to a holding period.

The Committee will have discretion to operate the policy flexibly and may waive part or all of the requirement where considered appropriate, for example in compassionate circumstances.

Trevor Mather has undertaken to retain shares equivalent to 200% of his salary for a minimum of two years post leaving when he retires from the Board on 31 March 2020.</td>
</tr>
</table>

Additional information

Recovery and withholding provisions

Recovery and withholding provisions apply to variable pay, to enable the Company to recover amounts paid under the annual bonus and PSP in the event of the following negative events occurring within three years of the payment of a cash bonus, the grant date of an award under the DABP or the vesting date of PSP awards:

- a material misstatement of or restatement to the audited financial statements or other data;
- an error in calculation leading to over-payment of bonus; or
- individual gross misconduct.

Should such an event be suspected, there will be a further two years in which the Committee may investigate the event. The amount to be recovered would generally be the excess payment over the amount which would otherwise be paid, and recovery may be satisfied in a variety of ways, including through the reduction of outstanding deferred awards, reduction of the net bonus or PSP vesting and seeking a cash repayment.

Selection of performance measures

Annual bonus

Operating profit is a key performance indicator of the business and the Board believes continuing to deliver Operating profit performance will generate long-term value for shareholders. For the Operating profit measure, for achievement of the threshold target, 20% of this part of the bonus opportunity becomes payable with the maximum becoming payable for outperforming the 2019 business plan.

The Committee believes that it is important to incentivise executives to deliver key strategic objectives to ensure that the business is well positioned to deliver profit growth and shareholder value in future. The strategic targets selected for 2020 of stock (average live car stock) and new cars (live retailers paying for the new car package) are aligned with our Group KPIs and are the key metrics that underpin our core business. The strategic objectives are equally weighted, accounting for 12.5% of the bonus each. A financial underpin will apply to the strategic targets, such that no bonus will be payable unless a threshold level of Operating profit is exceeded.

The Committee sets targets taking into account internal and external expectations of performance and organic growth of the business. The Committee believes that these targets are appropriately stretching.

PSP

Revenue growth is a key performance indicator of the business and the Committee believes that incentivising management to continue to grow revenue performance through our three business lines – Trade, Consumer Services and Manufacturer and Agency – will support long-term profit growth and shareholder value creation. To ensure revenue performance is aligned with long-term value creation the vesting for the revenue portion of the award is to an 'underpin' whereby the Operating profit measure must be at least at threshold levels of performance for any portion of the total Group revenue element to pay out.

Continuing to drive Operating profit is a key strategic objective of the business. Though EPS is widely used by other companies, we believe that the method by which the Company returns cash to shareholders should not affect executive compensation, and therefore for Auto Trader the Committee believes that Operating profit is a more appropriate performance measure.

The Committee set Operating profit and total Group revenue growth targets taking into account internal and external expectations of performance and organic growth of the business. The Committee believes that these targets are appropriately stretching.

Differences in Remuneration Policy between Executive Directors and other employees

Whilst the Policy described above applies specifically to the Company's Executive Directors, the Policy principles are designed with due regard to employees across the Group.

- Pay increases for Executive Directors are in line with the general increase received for other senior employees across the Group, and lower than the average increase in salary across the wider employee population of around 3.75% (reflecting both general market, promotions and individual rewards for performance).
- Pension contributions for Executive Directors are also in line with the wider workforce.The Executive Directors have the same access to benefits as all other members of the workforce.

However, there are some differences.

- 'At risk, performance-linked pay' is restricted to the most senior employees in the Company, as it is this group that is most influential in driving corporate performance.
- The Committee is committed to promoting a culture of widespread share ownership across all levels of the organisation. At senior levels this will predominantly be achieved through participation in performance-based incentive plans, whilst across the rest of the workforce it will be supported via all-employee share plans.

Service contracts and policy for payments on loss of office

The service contracts for the Executive Directors are terminable by either the Company or the Executive Director on 12 months' notice and make provision for early termination by way of payment of a cash sum equal to 12 months' salary and pension. The Company may continue to provide benefits until the end of the notice period or may make a payment to the value of 12 months' contractual benefits.

Payment in lieu of notice can be paid either as a lump sum or in equal monthly instalments over the notice period and will normally be subject to mitigation. The Committee will consider the particular circumstances of each leaver and retains flexibility as to at what point, and the extent to which, payments are reduced.

The Executive Directors are subject to annual re-election at the AGM. Service contracts are available for inspection at the Company's registered office. The CEO's service contract date is 6 March 2015 and the CFO & CEO-designate's service contract date is 1 April 2016. The COO's service contract date is 1 May 2019.

Remuneration Policy for the Chairman and Non-Executive Directors

Element	Overview of operation	Implementation for 2020
Fees	Both the Chairman and the Non-Executive Directors are paid annual fees and do not participate in any of the Company's incentive arrangements, or receive any pension provision or other benefits. The Chairman receives a single fee covering all of his duties. The Non-Executive Directors receive a basic Board fee, with additional fees payable for chairing the Audit and Remuneration Committees and for performing the Senior Independent Director role.	Fees were reviewed and increased by c.2% with effect from 1 April 2019. Base fees – Chairman – £184,013 (2019: £180,405) – Non-Executive Directors – £56,827 (2019: £55,713) Additional fees – SID – £9,742 (2019: £9,551) – Audit Committee Chairman – £9,742 (2019: £9,551) – Remuneration Committee Chairman – £9,742 (2019: £9,551) There is no additional fee payable to the Chairman of the Nomination Committee. The Company Chairman is currently Chair of the Nomination Committee.

Letters of appointment

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. Appointment is terminable on six months' written notice. The appointment letters for the Non-Executive Directors provide that no compensation is payable upon termination of employment. The letters of appointment are available for inspection at the Company's registered office. Details of the appointment terms of the Non-Executive Directors are as follows:

	Start of current term	Expiry of current term
Ed Williams	6 March 2018	5 March 2021
David Keens	1 May 2018	30 April 2021
Jill Easterbrook	1 July 2018	30 June 2021
Jeni Mundy	1 March 2019	28 February 2022

Single figure of remuneration for the year ended 31 March 2019 (Audited)

The table below shows the aggregate emoluments earned by the Directors of the Company in the year ended 31 March 2019.

£'000	Salary and fees	Benefits	Annual bonus	Long-term Incentives[1]	Pension	Total
Executive						
Trevor Mather	557	1	641	683	28	1,910
Nathan Coe	370	1	426	292	19	1,109
Non-Executive						
Ed Williams	180	–	–	–	–	180
David Keens	75	–	–	–	–	75
Jill Easterbrook	65	–	–	–	–	65
Jeni Mundy	56	–	–	–	–	56

1 51.2% of PSP awards granted in 2016 will vest in June 2019. For the purpose of the single figure the vested shares have been valued based on the three-month average share price to 31 March 2019 of 467.88p. Dividend equivalents to the value of £23,778 for Trevor Mather and £10,176 for Nathan Coe have also been included. 17% of the vested value is due to share price growth of 20% since the date of award.

The following table shows the aggregate emoluments earned in the year ended 31 March 2018.

£'000	Salary and fees	Benefits	Annual bonus	Long-term incentives[2]	Pension	Total
Executive						
Trevor Mather	546	1	412	1,943	27	2,929
Nathan Coe	350	1	229	833	18	1,431
Non-Executive						
Ed Williams	176	–	–	–	–	176
David Keens	73	–	–	–	–	73
Jill Easterbrook	64	–	–	–	–	64
Jeni Mundy	55	–	–	–	–	55

2 100% of PSP awards granted in 2015 vested in June 2018 for performance over the three-year period to 31 March 2018. In last year's report, for the purpose of the single figure the vested shares were valued based on the three-month average share price to 31 March 2018 of 359.58p giving a value of £1,644k for Trevor Mather and £705k for Nathan Coe including dividend equivalents. The amounts disclosed in the table have been revalued based on the share price on the date of vesting of 424.90p.

Additional information to support the single figure

Benefits

Benefits include: private healthcare, life assurance and income protection insurance.

Pension

Employer's pension contributions of 5% of salary were paid in respect of Executive Directors in line with those received for the wider UK employee population.

Annual bonus for the year ended 31 March 2019

The performance measures, targets and actual outcomes for the annual bonus for the year ended 31 March 2019 are shown in the following table:

Performance measures		Weighting	Threshold	Target	Stretch	Actual performance	Payout (as a % of maximum)
Financial	Operating profit	75%	£228m	£233m	£248m	£243.7m	64.2% of the 75%
Strategic targets	Stock – average live car stock	12.5%	438,000	441,000	456,000	462,000	12.5% of the 12.5%
	Audience – average full page advert views	12.5%	246m	248m	253m	<246m	0% of the 12.5%
Total		**100%**					**76.75% of the 100%**

Payout for performance between threshold and stretch is calculated on a pro-rata basis. The payout at threshold is 20% of maximum, and the payout at target is 50% of maximum.

Whilst average full page advert views showed a modest decline, our strong audience position was maintained during the year in comparison to the market as a whole.

This level of performance resulted in a bonus payout of £641,401 for Trevor Mather (CEO) and of £425,963 for Nathan Coe (CFO & COO). Half of the bonus earned will be payable in shares, deferred for two years under the DABP in line with the Policy.

The Committee considered the underlying financial performance during the year as well as the progress achieved against strategic objectives and considered the level of annual bonus payout to be appropriate.

Performance Share Plan vesting for year ended 31 March 2019

The PSP award granted in 2016 and will vest in June 2019 based on performance to 31 March 2019. The performance conditions this award was based on, the targets and performance delivered are set out in the table below:

Measure	Weighting	Threshold (25% vesting)	Stretch (100% vesting)	Actual performance	Payout (as a percentage of maximum)
Cumulative Underlying operating profit	75%	£660m	Equal to or above £710m	£680.4m	41.7% of the 75%
TSR compared to the FTSE 250 Index (excluding investment trusts)[1]	25%	Equal to Index TSR	Equal to Index TSR plus 25% or above	Index TSR plus 4%	9.5% of the 25%
Total vesting					**51.2% of the 100%**

1 TSR performance is calculated based on a three-month average to the beginning and end of the performance period.

For performance between the threshold and stretch targets, vesting is calculated on a pro-rata basis.

Executive Directors will be required to retain vested shares delivered under this PSP for at least two years from the point of vesting, subject to the terms of the PSP holding period.

The Committee considered the underlying financial performance over the past three years as well as the progress achieved against strategic objectives and considered the level of annual bonus payout to be appropriate.

Scheme interests awarded during the year (Audited)

Awards granted in the year under the DABP and PSP are shown below.

Executive Director	Number of shares awarded	Face/maximum value of awards at grant date[2]
DABP awards[1]		
Trevor Mather	46,004	£205,914
Nathan Coe	25,548	£114,353

Awards are granted as nil-cost options.

1 DABP awards were granted in respect of the annual bonus for the year to 31 March 2018. The awards will normally be eligible to vest two years from grant (17 August 2020) based on continuous employment.
2 Face/maximum value was calculated based on the closing share price on the day before grant date (17 August 2018) of £4.476.

Executive Director	Number of shares awarded	Multiple of salary	Face/maximum value of awards at grant date[4]	% award vesting at threshold (% maximum)	Performance period[2]
PSP awards[3]					
Trevor Mather	248,942	200%	£1,114,264	25%	1 April 2018 to 31 March 2021
Nathan Coe	165,326	200%	£738,999		

Awards are granted as nil-cost options.

3 PSP awards will normally be eligible to vest three years from grant (17 August 2021) based on performance over the three years to 31 March 2021 and continuous employment.
4 Face/maximum value was calculated based on the closing share price on the day before grant date (17 August 2018) of £4.476.

The performance conditions applying to the 2018 PSP awards shown in the table above are set out below. Each element will be assessed independently.

Measure	Weighting	Basis	Threshold (25% vesting)	Stretch (100% vesting)
Operating profit	75%	Operating profit compound annual growth rate for the three years ended 31 March 2021	6% p.a.	Equal to or above 10% p.a.
Total Group revenue	25%	Total Group revenue compound annual growth rate for the three years ended 31 March 2021	5% p.a.	Equal to or above 8% p.a.

For performance between the threshold and stretch targets, vesting will be calculated on a pro-rata basis. There is no vesting below threshold performance.

Executive Directors will ordinarily be required to retain their net of tax number of vested shares delivered under the PSP for at least two years from the point of vesting.

Directors' shareholding and share interests (Audited)

Executive Directors are required to maintain shareholding in the Company equivalent in value to 200% of salary. If an Executive Director does not meet the guideline, they will be expected to retain at least half of the net shares vesting under the Company's discretionary share-based employee incentive schemes until the guideline is met. Both Executive Directors currently hold well in excess of this limit. Non-Executive Directors do not have shareholding guidelines.

The table below sets out the number of shares held or potentially held by Directors (including their connected persons where relevant) as at 31 March 2019.

Director	Beneficially owned shares[1]	Number of awards held under the PSP conditional on performance	Number of vested but unexercised nil cost options	Number of awards held under the DABP conditional on continued employment	Target shareholding guideline (as a % of salary)	Percentage of salary held in shares as at 31 March 2019[2]
Executive Directors						
Trevor Mather	11,594,704	797,572	446,808	98,066	200%	11,274%
Nathan Coe	2,910,340	414,668	191,489	51,331	200%	4,373%
Non-Executive Directors						
Ed Williams	6,875,444	–		–	N/A	N/A
David Keens	25,000	–		–	N/A	N/A
Jill Easterbrook	-	–		–	N/A	N/A
Jeni Mundy	–	–		–	N/A	N/A

1 Includes shares owned by connected persons and shares vesting under the PSP subject to a holding period. Only beneficially owned shares count towards the shareholding guideline.
2 Based on the Director's salary and the mid-market price at close of business on 31 March 2019 of 521.6p.

Trevor Mather

Scheme	No. of shares/ options at 31 March 2018	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2019	Date of grant	Date from which exercisable	Expiry date
PSP[1]	446,808	–	–	–	446,808	19/6/2015	19/6/2018	19/6/2025
PSP[2]	275,321	–	–	–	275,321	17/6/2016	17/6/2019	17/6/2026
PSP[3]	273,309	–	–	–	273,309	16/6/2017	16/6/2020	16/6/2027
PSP[4]	–	248,942	–	–	248,942	17/8/2018	17/8/2021	17/8/2028
DABP	101,221	2,236[5]	–	103,457	-	17/6/2016	17/6/2018	17/6/2026
DABP	52,062	–	–	–	52,062	16/6/2017	16/6/2019	16/6/2027
DABP	–	46,004	–	–	46,004	17/8/2018	17/8/2021	17/8/2028
Total	**1,148,721**	**317,307**	**–**	**103,457**	**1,342,446**			

Nathan Coe

Scheme	No. of shares/ options at 31 March 2018	Shares/options granted in the year	Shares/options lapsed in the year	Options exercised in the year	No. of shares/ options at 31 March 2019	Date of grant	Date from which exercisable	Expiry date
PSP[1]	191,489	–	–	–	191,489	19/6/2015	19/6/2018	19/6/2025
PSP[2]	117,994	–	–	–	117,994	17/6/2016	17/6/2019	17/6/2026
PSP[3]	131,348	–	–	–	131,348	16/6/2017	16/6/2020	16/6/2027
PSP[4]	–	165,326	–	–	165,326	17/8/2018	17/8/2021	17/8/2028
DABP	50,128	1,107	–	51,235	-	17/6/2016	17/6/2018	17/6/2026
DABP	25,783	–	–	–	25,783	16/6/2017	16/6/2019	16/6/2027
DABP	–	25,548	–	–	25,548	17/8/2018	17/8/2021	17/8/2028
Total	**516,742**	**191,981**	**–**	**51,235**	**657,488**			

1 100% of the PSP award granted in 2015 vested in June 2018 based on Cumulative Underlying operating profit and relative TSR performance compared to the FTSE 250 (excluding investment trusts) to 31 March 2018.
2 51.2% of the PSP award granted in 2016 will vest in June 2019 based on Cumulative Underlying operating profit and relative TSR performance compared to the FTSE 250 (excluding investment trusts) to 31 March 2019.
3 2017 PSP awards are subject 75% to Cumulative Underlying operating profit and 25% to relative TSR performance compared to the FTSE 250 (excluding investment trusts) over the three-year period to 31 March 2020. For the Cumulative Underlying operating profit portion, 25% will vest if Cumulative Underlying operating profit is £690m or greater. 100% will vest if Cumulative Underlying operating profit is £750m or above. For performance between these points, vesting will be calculated on a pro-rata basis. For the Relative TSR portion, 25% will vest if Auto Trader's TSR performance is equal to the FTSE 250 Index (excluding investment trusts). 100% will vest if Auto Trader's TSR performance exceeds the FTSE 250 Index (excluding investment trusts) by 25% or more. For performance between these points, vesting will be calculated on a pro-rata basis.
4 Performance measures for the 2018 PSP awards are set out on page 67.
5 Dividend equivalents have been added on vesting.

Payments to former Directors (Audited)

There were no payments made to former Directors during the year.

Retirement arrangements for Trevor Mather

Trevor Mather will step down as CEO and from the Board on 31 March 2020. Trevor will continue to receive his normal base salary, pension and benefits until his retirement on 31 March 2020. He will not receive any payment in lieu of notice under his contract as he will work substantially all of his notice.

On the recommendation of the Remuneration Committee, the Board has determined that Trevor will be treated as a "good leaver" in respect of the Annual Bonus, the Company's Performance Share Plan (PSP) and the Deferred Annual Bonus Plan (DABP).

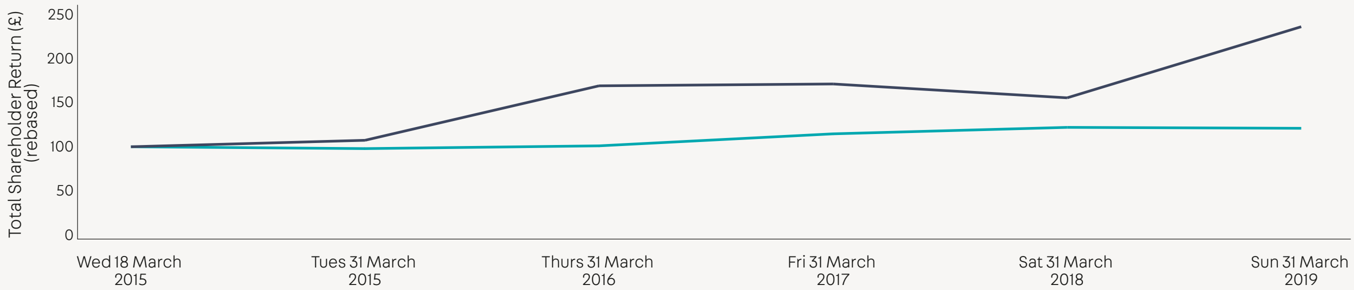
In accordance with the scheme rules, outstanding PSP awards will vest to the extent that targets are met. They will be pro-rated for time elapsed since grant and will vest on the normal vesting dates. By mutual agreement, Trevor has asked to waive any entitlement to receive further awards under the PSP and will not therefore receive a PSP award in June 2019. Outstanding DABP awards will vest in full on the normal vesting dates.

Trevor will eligible to receive an Annual Bonus in relation to the financial year ending on 31 March 2020, payable to the extent that targets set out in the bonus plan are met and paid on the date when paid to other members of the bonus scheme. He will not be required to convert part of the 2020 bonus into shares in the Company, as specified in the scheme. However, Trevor has voluntarily undertaken to retain shares equivalent to 200% of his salary, for a minimum of two years post leaving, in line with the newly adopted post employment shareholding guidelines.

Performance graph and CEO remuneration table

The graph below illustrates the Company's TSR performance relative to the FTSE 250 Index (excluding investment trusts) of which the Company is a constituent, from the start of conditional share dealing on 18 March 2015. The graph shows the performance of a hypothetical £100 invested and its performance over that period.

Total Shareholder Return



Source: Datastream (Thomson Reuters).

CEO remuneration

The table below sets out the CEO's single figure of total remuneration together with the percentage of maximum annual bonus awarded over the same period.

	2019	2018	2017	2016	2015[1]
CEO total remuneration (£'000)	1,910	2,929	980	1,339	20
Annual bonus (% of maximum)	76.75	50.3%	51.8%	100%	N/A[2]
PSP vesting (% of maximum)	51.2%	100%	N/A[3]	N/A[3]	N/A[3]

1 From the date of Admission in March 2015.
2 Private company when bonus plan implemented in 2015.
3 No awards were eligible to vest in respect of long-term performance ending in 2015, 2016 or 2017.

Percentage increase in the remuneration of the CEO

The table below shows the average increase in each component between the CEO and the average employee in the Company from 2018 to 2019.

	Change in remuneration levels	
Component	CEO	Average employee
Salary	+2%	3.3%
Benefits[1]	-7%	-6%
Bonus[2]	56%	n/a%

1 The average value of benefits has decreased due to a reduction in the cost of private medical insurance.
2 There are no employees participating in the Annual Bonus scheme other than the CEO and COO & CFO as all other employee variable pay schemes are now settled in shares.

CEO pay ratio

In line with best practice we have also disclosed our CEO pay ratio a year in advance of being required to under the regulations. The table below shows the ratio between the CEO's total single figure calculated as set out above on page 69 and the median, lower and upper quartile total remuneration for our UK based workforce. Our median all employee to CEO pay ratio is 42:1 which the Committee considers is within a reasonable range taking into account the structure and nature of our business.

A significant proportion of the CEO's pay is in the form of variable pay through the annual bonus and the PSP. CEO pay will therefore vary year on year based on Company and share price performance. The CEO to all-employee pay ratio will therefore also fluctuate taking this into account.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	A	59.4:1	42.0:1	30.3:1

Notes:
- Method A has been used to determine the relevant employees on the basis that this approach is in line with the approach used to calculate the single total figure for the CEO and therefore is the most robust.
- The salary for the P25 employee was £30,000 and total remuneration was £32,180. The salary for the P50 employee was £38,340 and total remuneration was £45,440. The salary for the P75 employee was £53,570 and total remuneration was £62,940.
- The P25, P50 and P75 employees were determined as at 31 March 2019 based on full-time equivalent remuneration. Only employees who were employed as at the end of the financial year were included; salaries were annualised, taking account of mid-year increases. The total remuneration includes salary, allowances, taxable benefits, pension contributions and share-based payments. Taxable benefits are based on the previous tax year (2018) with estimates used for those employees who joined part way through the year. Options under the SAYE scheme are included as at the date of grant, based on the difference between the market value at grant date and the exercise price. Options under discretionary plans (PSP and Single Incentive Plan) are based on the date that the performance conditions were achieved, and valued using the three-month average share price to 31 March 2019 of 467.88p.

Relative importance of the spend on pay

The following table shows the Group's actual spend on pay for all employees compared to distributions to shareholders. The average number of employees has also been included for context. Revenue and Operating profit have also been disclosed as these are two key measures of Group performance.

	2019 £m	Restated 2018 £m	% change
Employee costs (see note 7 to the consolidated financial statements)	56.0	54.5	3%
Average number of employees (see note 6 to the consolidated financial statements)	802	822	3%
Revenue (see Consolidated income statement)	355.1	330.1	8%
Operating profit	243.7	221.3	10%
Dividends paid and proposed and share buybacks (see notes 26 and 27 to the consolidated financial statements)	156.4	152.8[1]	2%

1 2018 comparatives have been restated to reflect the adoption of IFRS 9, IFRS 15 and IFRS 16, and to include share buybacks.

Funding of equity awards

Share awards may be funded by a combination of newly issued shares, treasury shares and shares purchased in the market. Where shares are newly issued or from treasury, the Company complies with Investment Association dilution guidelines on their issue. The current dilution usage of all share plans is c. 0.74% of shares in issue.

Where shares are purchased in the market, these will be held by a trust, in which case the voting rights relating to the shares are exercisable by the Trustees in accordance with their fiduciary duties. At 31 March 2019 the Trust held 565,555 shares in respect of the Share Incentive Plan.

External directorships

Auto Trader recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden a Director's experience and knowledge which can benefit Auto Trader. The Company Chairman would approve any such directorships in advance to ensure that there was no conflict of interest. Trevor Mather was appointed as a director on the board of Matches Fashion Limited, a fashion retail business, on 9 September 2018. From the period from appointment until 31 March 2019, fees of £35k were payable to Trevor for this appointment, and which he was entitled to retain. The Board approved the appointment and confirmed that it was satisfied that there was no conflict of interest arising.

Membership of the Committee

Jill Easterbrook is the Committee Chairman, and its other members are David Keens and Jeni Mundy. Refer to pages 47 and 64 for further details of the membership of the Committee, the Terms of Reference, the meetings held and activities during the year.

External advisors

During the year the Committee received advice from Deloitte who were appointed in October 2017 following a competitive tender process. Deloitte are founding members of the Remuneration Consultants Code of Conduct and adhere to this Code in their dealings with the Committee. The Committee is satisfied that the advice provided by Deloitte is objective and independent. The Committee is comfortable that the Deloitte engagement partner and team that provide remuneration advice to the Committee do not have connections with the Company that may impair their independence. The Committee reviewed the potential for conflicts of interest and judged that there were appropriate safeguards against such conflicts.

Fees are charged on a time and materials basis. During the year Deloitte was paid £23,200 for advice provided to the Committee. Deloitte provided additional services to the Company in relation to internal audit and tax services.

Statement of shareholder voting

Shareholder voting in relation to recent AGM resolutions is as follows:

	Votes for	% of votes cast for	Votes against	% of votes cast against	Abstentions
2018 AGM: Remuneration Policy (binding)	746,257,288	94.93%	39,870,834	5.07%	152,057
2018 AGM: Annual Report on Remuneration (advisory)	758,354,603	96.47%	27,773,520	3.53%	152,057

Approval

This Directors' remuneration report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Easterbrook
Chairman of the Remuneration Committee
6 June 2019

The Directors have pleasure in submitting their Report and the audited financial statements of Auto Trader Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 31 March 2019.

Statutory information

Information required to be part of the Directors' report can be found elsewhere in this document, as indicated in the table below, and is incorporated into this Report by reference:

Section of Annual Report	Page reference
Employee involvement	Strategic report; Corporate social responsibility (page 36)
Employees with disabilities	Strategic report; Corporate social responsibility (page 38)
Financial instruments	Note 2 to the consolidated financial statements
Future developments of the business	Strategic report (pages 15 to 17)
Greenhouse gas emissions	Strategic report; Corporate social responsibility (page 41)
Non-financial reporting	Strategic report: Corporate social responsibility (pages 35 to 45)

Information required by LR 9.8

Information required to be included in the Annual Report by LR 9.8 can be found in this document as indicated in the table below:

Section of Annual Report	Page reference
Allotment of shares during the year	Note 25 to the consolidated financial statements
Directors' interests	Remuneration report (page 71)
Significant shareholders	Directors' report (page 77)
Going concern	Principal risks and uncertainties (page 34)
Long-term incentive schemes	Directors' remuneration report (pages 66 to 74)
Powers for the Company to buy back its shares	Directors' report (page 76)
Significant contracts	Directors' report (page 76)
Significant related party agreements	Directors' report (page 77)
Statement of corporate governance	Corporate governance statement (pages 50 to 74)

Management report

This Directors' report, on pages 75 to 78, together with the Strategic report on pages 1 to 45, form the Management Report for the purposes of DTR 4.1.5R.

Strategic report

The Strategic report, which can be found on pages 1 to 45, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate governance statement, the Report of the Nomination Committee, the Report of the Audit Committee and the Directors' remuneration report on pages 50 to 74, all of which form part of this Directors' report and are incorporated into it by reference.

2019 Annual General Meeting

The Annual General Meeting ('AGM') will be held at 10.00 am on 19 September 2019 at the Company's registered office at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the whole of the financial year ending 31 March 2019, and to the date of approving this report unless otherwise stated:

- Ed Williams
- Trevor Mather
- Nathan Coe
- David Keens
- Jill Easterbrook
- Jeni Mundy
- Catherine Faiers (appointed 1 May 2019)

All Directors will stand for election or re-election at the 2019 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

At each AGM each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an AGM in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 83 to 136.

The Company declared an interim dividend on 8 November 2018 of 2.1 pence per share which was paid on 25 January 2019.

The Directors recommend payment of a final dividend of 4.6 pence per share (2018: 4.0 pence per share) to be paid on 27 September 2019 to shareholders on the register of members at 30 August 2019, subject to approval at the 2019 AGM.

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming AGM.

Authority to allot shares

Under the 2006 Act, the Directors may only allot shares if authorised to do so by shareholders in a general meeting. The authority conferred on the Directors at the 2018 AGM under section 551 of the 2006 Act expires on the date of the forthcoming AGM, and ordinary resolution 13 seeks a new authority to allow the Directors to allot ordinary shares up to a maximum nominal amount of £6,195,082 (619,508,165 shares, representing approximately two thirds of the Company's existing share capital at 6 June 2019), of which 309,707,622 shares (representing approximately one third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue. The Directors have no present intention of exercising this authority which will expire at the conclusion of the AGM in 2019 or 19 December 2019 if earlier.

Authority to purchase own shares

The Company's share buyback programme continued during the year. By resolutions passed at the 2018 AGM the Company was authorised to make market purchases of up to 94,802,631 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 20,229,881 ordinary shares of £0.01 each were purchased in the year to 31 March 2019, being 2.15% of the shares in issue at the time the authority was granted. The average price paid per share was 461.48p with a total consideration paid (inclusive of all costs) of £94.0 million. 1,266,000 shares were purchased for treasury, and the remaining 18,963,881 shares were purchased to be immediately cancelled. The Directors will seek authority from shareholders at the forthcoming AGM for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares (excluding shares held in treasury) either to be cancelled or retained as treasury shares.

Share capital and control

The Company's issued share capital comprises ordinary shares of £0.01 each which are listed on the London Stock Exchange (LSE: AUTO.L). The ISIN of the shares is GB00BVYVFW23.

The issued share capital of the Company as at 31 March 2019 and 6 June 2019 comprises 933,197,563 of £0.01 each. 3,996,041 shares were held in treasury at 31 March 2019. Further information regarding the Company's issued share capital and details of the movements in issued share capital during the year are provided in note 25 to the Group's financial statements. All the information detailed in note 25 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 29 to the Group financial statements.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of the Listing Rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Auto Trader Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the Scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by him, unless all amounts presently payable by him in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restrictions on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts

The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the Revolving Credit Facility agreement, which contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Interests in voting rights

At the year end the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, of the following significant interests in the issued ordinary share capital of the Company:

	At 31 March 2019		At 6 June 2019	
Shareholder	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each	Number of ordinary shares/voting rights notified	Percentage of voting rights over ordinary shares of £0.01 each
BlackRock Inc.	93,700,025	10.01%	93,700,025	10.01%
Kayne Anderson Rudnick Investment Management LLC	76,198,852	8.03%	76,198,852	8.03%
Baillie Gifford & Co.	47,482,549	5.01%	47,482,549	5.01%

Transactions with related parties

As described in note 28, during the year, the Group transacted with Burns Sheehan Limited, a third party in which a Director holds a shareholding. This company is deemed to be a related party. Costs incurred were in respect of recruitment consultancy services which amounted to £1,250 (2018: £35k). There were no amounts outstanding at the year end. All transactions were completed at an arm's length basis.

Compensation paid to Directors and Key Management is as disclosed in note 8 to the Group financial statements.

Research and development

Innovation, specifically in software, is a critical element of Auto Trader's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area. Since 30 September 2013, the Group has changed its approach to technology development such that the Group now develops its core infrastructure through small-scale, maintenance-like incremental improvements, and as a result the amount of capitalised development costs has decreased as less expenditure meets the requirements of IAS 38 Intangible assets.

Indemnities and insurance

The Company maintains appropriate insurance to cover Directors' and officers' liability for itself and its subsidiaries and such insurance was in force for the whole of the financial year ending 31 March 2019. The Company also indemnifies the Directors under a qualifying indemnity for the purposes of section 236 of the Companies Act 2006: in the case of the Non-Executive Directors in their respective letters of appointment and in the case of the Executive Directors in a separate deed of indemnity. Such indemnities contain provisions that are permitted by the Director Liability provisions of the Companies Act and the Company's Articles.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Corporate social responsibility section on page 41 and forms part of this Report by reference.

Political donations

There were no political donations made during the year or the previous year.

Post balance sheet events

On 5 June 2019, the Group extended the term for £316.5m of the Syndicated revolving credit facility for one year. The facility will now terminate in two tranches: £316.5m will mature in June 2024; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

External branches

The Group had no active registered external branches during the reporting period.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk, are given in note 31 to the consolidated financial statements.

Disclosure of information to auditors

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRSs as adopted by the EU') and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the annual financial report

We confirm, to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Approval of Annual Report

The Strategic report and the Corporate governance report were approved by the Board on 6 June 2019.

Approved by the Board and signed on its behalf.

Claire Baty
Company Secretary
6 June 2019

Independent auditors' report to the members of Auto Trader Group plc only

1. Our opinion is unmodified

We have audited the financial statements of Auto Trader Group plc for the year ended 31 March 2019 which comprise the Group Consolidated Balance Sheet and Parent Company Balance Sheet, the Group Consolidated Income Statement and Group Statement of Comprehensive Income, the Group Consolidated Statement of Cash Flows, the Group and Parent Company's Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were first appointed as auditor by the shareholders on 22 September 2016. The period of total uninterrupted engagement is for the three financial years ended 31 March 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group financial statements as a whole	£9.6m (2018: £8.0m) 4.0% (2018: 3.7%) of Group profit before tax	
Coverage	100% (2018: 100%) of Group profit before tax	
Risks of material misstatement		**vs 2018**
Recurring risks	Revenue recognition	◀▶
	Recoverability of Parent Company's investment in subsidiary	◀▶

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Revenue recognition (£355.1 million; 2018: £330.1 million) Refer to page 60 (Audit Committee Report), page 90 (accounting policy) and page 102 (financial disclosures)	**Data processing** Revenue primarily consists of fees for advertising on the Group's website. There are a large volume of transactions, a wide variety of packages available and retailers have the ability to bespoke the combination of products they receive over time. On the basis that the packages available within the SingleView revenue stream are updated manually by Auto Trader personnel over time, we consider a significant risk exists in relation to revenue recognition both in respect of fraud and error.	Our procedures included: - **Data comparisons:** Using computer assisted audit techniques to match sales information from the billing system to the accounting records; - **Tests of details:** Using computer assisted audit techniques to match entire population of billings to cash received during the year and trade debtors outstanding at the year end. Selecting a sample of trade debtors and assessing their recoverability with reference to post year end cash receipts; - **Expectation vs outcome:** For customers with bespoke contracts, obtaining these contracts and forming an expectation of the revenue to be recognised in the period, comparing this to the actual; - **Tests of details:** Selecting a sample of transactions recorded within a month before and after the period end and assessing whether revenue has been recognised in the correct period with reference to supporting invoices and cash receipts; - **Tests of details:** Assessing the appropriateness of accrued income at the year end with reference to post year end billings and cash receipts. Assessing the appropriateness of deferred income at the year end with reference to the prior year and our knowledge of the billing pattern of each revenue stream; - **Tests of details:** Performing a review of credit notes raised in the year and post year end to assess the adequacy of the credit note provision and that revenue is not overstated; and - **Analytic sampling:** Obtaining all journals posted to revenue and, using computer assisted audit techniques, analysing these to identify those with unusual attributes or those with corresponding postings to unexpected accounts. Agreeing any journals identified back to relevant supporting documentation. **Our results:** - We found the amount of revenue recognised to be acceptable (2018: acceptable).

	The risk	Our response
Recoverability of parent company's investment in subsidiary (£1,216.0 million ; 2018: £1,212.9 million) Refer to page 60 (Audit Committee Report), page 132 (accounting policy) and page 135 (financial disclosures).	**Low risk, high value:** The carrying amount of the parent company's investment in subsidiary represents 95% (2018: 73%) of the company's total assets. Its recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to its materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	Our procedures included: – **Comparing valuations:** comparing the carrying amount of the investment to the market capitalisation of the Group, as all of the Group's trading operations are contained within the subsidiary and its subgroup. **Our results :** – We found the Parent Company's assessment of the recoverability of the investment in subsidiary to be acceptable (2018 result: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £9.6m (2018: £8.0m), determined with reference to a benchmark of Group profit before tax of £242.2m (2018: £210.7m), of which it represents 4.0% (2018: 3.8%).

The materiality of the Parent Company financial statements as a whole was set at £5.0m (2018: £5.0m), determined with reference to a benchmark of Parent Company net assets, of which it represents 0.4% (2018: 0.4%).

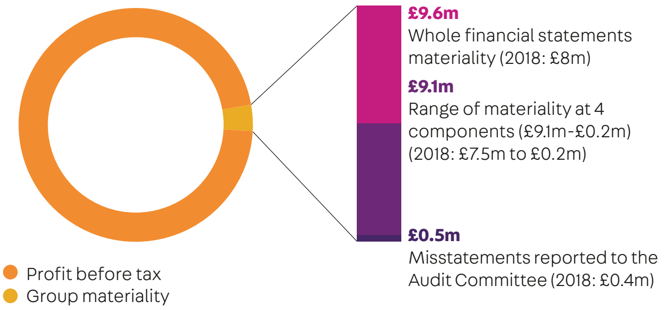
We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.5m (2018: £0.4m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 4 (2018: 4) reporting components, we subjected 4 (2018: 4) to full scope audits for Group purposes, all of which were performed by the Group audit team.

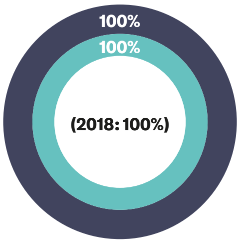
The components within the scope of our work accounted for the percentages illustrated below.

Profit before tax
£242.2m (2018: £210.7m)

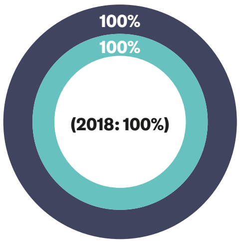
Group materiality
£9.6m (2018: £8m)



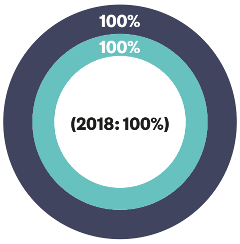
Group revenue
%



Group profit before tax
%



Group total assets
%



Full scope for Group audit purposes 2019
Full scope for Group audit purposes 2018

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model, and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.

We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least 12 months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 77 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability statement page 34 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 77, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditors' report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience , through discussion with the Directors (as required by auditing standards), and discussed with the Directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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 and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
6 June 2019

Consolidated income statement

For the year ended 31 March 2019

	Note	2019 £m	(Restated)[1] 2018 £m
Revenue	5	**355.1**	330.1
Administrative expenses		**(112.3)**	(108.8)
Share of profit from joint ventures	16	**0.9**	–
Operating profit	6	**243.7**	221.3
Finance costs	9	**(10.2)**	(10.6)
Profit on the sale of subsidiary	10	**8.7**	–
Profit before taxation		**242.2**	210.7
Taxation	11	**(44.5)**	(39.6)
Profit for the year attributable to equity holders of the parent		**197.7**	171.1
Basic earnings per share	12		
From profit for the year (pence per share)		**21.00**	17.74
Diluted earnings per share	12		
From profit for the year (pence per share)		**20.94**	17.68

1 The Group has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' from 1 April 2018. The year ended 31 March 2018 has been restated for IFRS 16 which was implemented using the fully retrospective method. For further information on the impact of the change in accounting policies, see note 2 of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 £m	(Restated)[1] 2018 £m
Profit for the year		**197.7**	171.1
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(0.1)**	0.2
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	24	**0.2**	–
Other comprehensive income for the year, net of tax		**0.1**	0.2
Total comprehensive income for the year attributable to equity holders of the parent		**197.8**	171.3

1 The Group has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' from 1 April 2018. The year ended 31 March 2018 has been restated for IFRS 16 which was implemented using the fully retrospective method. For further information on the impact of the change in accounting policies, see note 2 of these consolidated financial statements.

Consolidated balance sheet

At 31 March 2019

	Note	2019 £m	(Restated)[1] 2018 £m
Assets			
Non-current assets			
Intangible assets	13	**317.5**	329.8
Property, plant and equipment	14	**16.7**	19.7
Deferred taxation assets	23	**6.2**	5.3
Net investments in joint ventures	16	**49.0**	–
		389.4	354.8
Current assets			
Trade and other receivables	18	**56.1**	54.9
Cash and cash equivalents	19	**5.9**	4.3
		62.0	59.2
Total assets		**451.4**	414.0
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	25	**9.3**	9.5
Retained earnings		**1,095.8**	1,042.7
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Own shares held	26	**(16.5)**	(16.9)
Capital redemption reserve		**0.7**	0.5
Other reserves		**30.5**	30.6
Total equity		**59.0**	5.6
Liabilities			
Non-current liabilities			
Borrowings	21	**310.3**	340.8
Deferred taxation liabilities	23	**0.5**	0.7
Retirement benefit obligations	24	**–**	–
Provisions for other liabilities and charges	22	**1.0**	–
Lease liabilities	15	**14.3**	16.0
		326.1	357.5
Current liabilities			
Trade and other payables	20	**41.8**	28.5
Current income tax liabilities		**22.4**	19.9
Lease liabilities	15	**1.8**	2.2
Provisions for other liabilities and charges	22	**0.3**	0.3
		66.3	50.9
Total liabilities		**392.4**	408.4
Total equity and liabilities		**451.4**	414.0

1 The Group has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' from 1 April 2018. The year ended 31 March 2018 has been restated for IFRS 16 which was implemented using the fully retrospective method. For further information on the impact of the change in accounting policies, see note 2 of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 6 June 2019 and authorised for issue.

Nathan Coe
Chief Financial Officer and Chief Executive Officer-designate
Auto Trader Group plc

Registered number 09439967

Consolidated statement of changes in equity

For the year ended 31 March 2019

	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 2017 as previously reported		**9.8**	**1,015.9**	**(16.9)**	**(1,060.8)**	**0.2**	**30.4**	**(21.4)**
Impact in change of accounting policy		–	1.2	–	–	–	–	1.2
Restated balance at 31 March 2017		**9.8**	**1,017.1**	**(16.9)**	**(1,060.8)**	**0.2**	**30.4**	**(20.2)**
Profit for the year (restated)		–	171.1	–	–	–	–	171.1
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	0.2	0.2
Total comprehensive income, net of tax		–	171.1	–	–	–	0.2	171.3
Transactions with owners								
Employee share schemes – value of employee services	29	–	3.3	–	–	–	–	3.3
Deferred tax on share-based payments	23	–	0.1	–	–	–	–	0.1
Cancellation of shares	25	(0.3)	(96.7)	–	–	0.3	–	(96.7)
Dividends paid	27	–	(52.2)	–	–	–	–	(52.2)
Total transactions with owners, recognised directly in equity		(0.3)	(145.5)	–	–	0.3	–	(145.5)
Balance at March 2018 (restated)[1]		**9.5**	**1,042.7**	**(16.9)**	**(1,060.8)**	**0.5**	**30.6**	**5.6**
Profit for the year		–	197.7	–	–	–	–	197.7
Other comprehensive income:								
Currency translation differences		–	–	–	–	–	(0.1)	(0.1)
Remeasurements of post-employment benefit obligations	24	–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	197.9	–	–	–	(0.1)	197.8
Transactions with owners								
Employee share schemes – value of employee services	29	–	4.7	–	–	–	–	4.7
Exercise of employee share schemes		–	(3.7)	5.6	–	–	–	1.9
Transfer of shares from ESOT	26	–	(0.6)	0.6	–	–	–	–
Tax impact of employee share schemes		–	0.6	–	–	–	–	0.6
Cancellation of shares	25	(0.2)	(88.2)	–	–	0.2	–	(88.2)
Acquisition of treasury shares	26	–	–	(5.8)	–	–	–	(5.8)
Dividends paid	27	–	(57.6)	–	–	–	–	(57.6)
Total transactions with owners, recognised directly in equity		(0.2)	(144.8)	0.4	–	0.2	–	(144.4)
Balance at March 2019		**9.3**	**1,095.8**	**(16.5)**	**(1,060.8)**	**0.7**	**30.5**	**59.0**

1 The Group has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' from 1 April 2018. The year ended 31 March 2018 has been restated for IFRS 16 which was implemented using the fully retrospective method. For further information on the impact of the change in accounting policies, see note 2 of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2019

	Note	2019 £m	(Restated)[1] 2018 £m
Cash flows from operating activities			
Cash generated from operations	28	**258.5**	228.4
Income taxes paid		**(42.2)**	(39.4)
Net cash generated from operating activities		**216.3**	189.0
Cash flows from investing activities			
Purchases of intangible assets – financial systems		**(0.3)**	(0.3)
Purchases of intangible assets – other		**(0.3)**	(0.3)
Purchases of property, plant and equipment		**(1.7)**	(2.3)
Payment for acquisition of shares in joint ventures	16	**(19.7)**	–
Payment for acquisition of subsidiary, net of cash acquired	30	**–**	(11.9)
Net cash used in investing activities		**(22.0)**	(14.8)
Cash flows from financing activities			
Dividends paid to Company's shareholders	27	**(57.6)**	(52.2)
Repayment of Syndicated Term Loan	21	**(343.0)**	(20.0)
Drawdown of Syndicated revolving credit facility	21	**447.1**	–
Repayment of Syndicated revolving credit facility	21	**(134.1)**	–
Payment of refinancing fees	21	**(3.3)**	–
Payment of interest on borrowings	32	**(6.6)**	(6.7)
Payment of lease liabilities		**(3.1)**	(2.3)
Purchase of own shares for cancellation	25	**(87.7)**	(96.2)
Purchase of own shares for treasury	26	**(5.8)**	–
Payment of fees on repurchase of own shares	25	**(0.5)**	(0.5)
Proceeds from exercise of share-based incentives		**1.9**	–
Net cash used in financing activities		**(192.7)**	(177.9)
Net decrease in cash and cash equivalents		**1.6**	(3.7)
Cash and cash equivalents at beginning of year	19	**4.3**	8.0
Cash and cash equivalents at end of year	19	**5.9**	4.3

1 The Group has adopted IFRS 9 'Financial Instruments', IFRS 15 'Revenue from Contracts with Customers', and IFRS 16 'Leases' from 1 April 2018. The year ended 31 March 2018 has been restated for IFRS 16 which was implemented using the fully retrospective method. For further information on the impact of the change in accounting policies, see note 2 of these consolidated financial statements

Notes to the consolidated financial statements
continued

1. General information

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Company as at and for the year ended 31 March 2019 comprise the Company and its interest in subsidiaries (together referred to as the Group).

The consolidated financial statements of the Group as at and for the year ended 31 March 2019 are available upon request to the Company Secretary from the Company's registered office at 4th floor, 1 Tony Wilson Place, Manchester, M15 4FN or are available on the corporate website at plc.autotrader.co.uk.

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.

This is the first set of the Group's full financial statements where IFRS 9, IFRS 15 and IFRS 16 have been applied. Changes to significant accounting policies are described in note 2.

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

Basis of consolidation
Subsidiaries are all entities over which the Group has control. Control exists when the Group has existing rights that give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions and balances between Group companies are eliminated on consolidation.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Where significant influence is not demonstrated but the shareholding is between 20% and 50% the Group would account for its interest as an investment. All investments are initially recognised at cost and the carrying value is reviewed for impairment.

During the year the Group disposed of a subsidiary (Auto Trader Auto Stock Ltd) as part consideration for the interest in the joint venture (Dealer Auction (Holdings) Ltd). As part of this transaction, the Group has elected to apply the IAS 28 approach. Under this approach, the gain or loss is eliminated to the extent of the retained interest in the former subsidiary.

Going concern
Throughout the year ended 31 March 2019 the Group has continued to generate significant cash and has an overall positive net asset position. The Group had cash balances of £5.9m at 31 March 2019 (2018: £4.3m). During the year £151.1m (2018: £148.4m) of cash was returned to shareholders via dividends and discretionary share buybacks.

During the year the Group entered into a five-year Syndicated revolving credit facility and repaid the former Syndicated Term Loan. The facility has total commitments of £400.0m and a termination date of June 2023. At 31 March 2019 the Group had £313.0m of the facility drawn (2018: £343.0m under Syndicated Term Loan).

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.

1. General information continued

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

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

The accounting estimates believed to require the most difficult, subjective or complex judgements are as follows:

- carrying values of goodwill; and
- share-based payments.

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated within note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates (note 13).

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 29).

2. Significant accounting policies

Changes in significant accounting policies
(a) New and amended standards adopted by the Group
The following new standards, and amendments to standards, have been adopted by the Group for the first time for the financial year beginning on 1 April 2018:

- IFRS 9, Financial Instruments;
- IFRS 15, Revenue from Contracts with Customers;
- IFRS 16, Leases;
- Classification and Measurement of Share-Based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements to IFRS Standards 2014-2016 Cycle; and
- Interpretation 22, Foreign Currency Transactions and Advance Consideration.

The impacts of adopting IFRS 9, IFRS 15 and IFRS 16 have been detailed in section (c) below. The adoption of the remaining standards have had no material effect on the Group's consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2019 reporting periods and have not been early adopted by the Group:

- IFRIC 23, Uncertainty over income tax treatments was issued in June 2017. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The Group has not adopted IFRIC 23 before its mandatory date which is for financial years commencing on or after 1 January 2019. This standard is not expected to have a significant effect on the Group's financial statements.

(c) Impact of adoption of IFRS 9, 15 and 16 on the Group's consolidated financial statements

IFRS 15 Revenue from contracts with customers
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. The Group has adopted IFRS 15 using the retrospective method and therefore the effect of applying IFRS 15 to the comparative period has been considered.

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

2. Significant accounting policies continued

Accounting policy for revenue

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

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

(i) Trade revenue

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

Retailer revenue

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

Retailers have the option to enhance their presence on the platform through additional products, each of which has a distinct performance obligation. For products that provide enhanced exposure across the life of the product, control is passed to the customer over time. Revenue is only recognised at a point in time for additional advertising products where the customer does not receive the benefit until they choose to apply the product. Additional advertising products are principally billed on a monthly subscription basis in line with their core advertising package, however certain products are billed on an individual charge basis.

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

Contract modifications occur on a regular basis as customers change their stock levels or add or remove additional advertising products from their contracts. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. A receivable is recognised only when the Group's right to consideration is only conditional on the passage of time.

Home Trader revenue

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

Logistics revenue

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

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

(ii) Consumer Services revenue

Consumer Services comprises fees from private sellers for vehicle advertisements on the Group's websites, and third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance. Private customers pay a fee in advance to advertise a vehicle on the Group's platform for a specified period of time. Control is obtained by customers across the life of the contract as their stock is continually listed. Contracts for these services are entered into for a period of between two and six weeks. Revenue is generated from third-party partners who utilise the Group's platforms to advertise their products under a variety of contractual arrangements, with each service being a separate performance obligation. Control is obtained by customers at a point in time when the service is provided.

(iii) Manufacturer and Agency revenue

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

IFRS 16 Leases

IFRS 16 Leases was issued in January 2016, and was endorsed by the EU in 2017. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. The Group has elected to early adopt IFRS 16, with a date of initial application of 1 April 2018, using the fully retrospective approach. Comparative information has therefore been restated.

The adoption of IFRS 16 had a material impact on the Group's financial statements with the recognition of new right of use assets and lease liabilities on the Group's Consolidated balance sheet. The nature of expenses related to those leases has also changed as the straight-line operating lease expense has been replaced with a depreciation charge for right of use assets and interest expense on lease liabilities.

Accounting policy for leases

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

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease prepayments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The weighted average incremental borrowing rate used to measure the lease liability at initial application was 4.9%.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group presents right of use assets in property, plant and equipment and leased liabilities in lease liabilities in the balance sheet.

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

Adopting this standard using the retrospective approach resulted in a £0.7m credit to Operating profit for the year ended 31 March 2019 (2018: £0.7m credit to Operating profit).

IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and simplifies the classification of financial assets for measurement purposes. Comparative information has not been restated and continues to be reported under IAS 39.

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

Accounting policy for financial instruments

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

A financial asset is measured at amortised cost if it meets both of the following conditions: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under IFRS 9, trade receivables, without a significant financing component, are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any impairment loss.

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

2. Significant accounting policies continued

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group assesses whether a financial asset is in default on a case by case basis when it becomes probable that the customer is unlikely to pay its credit obligations. The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For all customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables as at 1 April 2018.

	Loss rate %	Gross	Loss	Net
Current	0.5%	22.0	0.1	21.9
Past due 1–30 days	0.8%	2.9	–	2.9
Past due 31–60 days	2.5%	0.5	–	0.5
Past due 61–90 days	35.0%	–	–	–
More than 91 days past due	97.1%	3.4	3.3	0.1
		28.8	3.4	25.4

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

Accounting policy for financial instruments in 2018
The Group classifies its financial assets in the categories of loans and receivables and at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset is impaired only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that this event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent period, the amount of the impairment loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is credited to the income statement.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less 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.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Impact of adoption of IFRS 9, 15 and 16 on the financial statements
The following statements summarise the impacts of adopting IFRS 16 on the Group's Consolidated statement of comprehensive Income, Consolidated balance sheet and its Consolidated statement of cash flows as at and for the year ended 31 March 2019 and the comparative year. The adoption of IFRS 9 and IFRS 15 have had no material effect on the Group's Consolidated statement of comprehensive income, Consolidated balance sheet and its Consolidated statement of cash flows.

Impact on the Consolidated statement of comprehensive income

	Note	2019 £m Under previous policy £m	2019 £m IFRS 16 adjustments £m	2019 £m 2019 Reported £m	2018 £m As previously reported £m	2018 £m IFRS 16 adjustments £m	2018 £m 2018 Restated £m
Revenue	5	**355.1**	**–**	**355.1**	330.1	–	330.1
Administrative expenses		**(113.0)**	**0.7**	**(112.3)**	(109.5)	0.7	(108.8)
Share of profit from joint ventures	16	**0.9**	**–**	**0.9**	–	–	–
Operating profit	6	**243.0**	**0.7**	**243.7**	220.6	0.7	221.3
Finance costs	9	**(9.3)**	**(0.9)**	**(10.2)**	(9.8)	(0.8)	(10.6)
Profit on disposal of subsidiary, net of tax	10	**8.7**	**–**	**8.7**	–	–	–
Profit before taxation		**242.4**	**(0.2)**	**242.2**	210.8	(0.1)	210.7
Taxation	11	**(44.5)**	**–**	**(44.5)**	(39.5)	(0.1)	(39.6)
Profit for the year		**197.9**	**(0.2)**	**197.7**	171.3	(0.2)	171.1
Other comprehensive income for the year, net of tax		**0.1**	**–**	**0.1**	0.2	–	0.2
Total comprehensive income for the year attributable to equity holders of the parent		**198.0**	**(0.2)**	**197.8**	171.5	(0.2)	171.3
Basic earnings per share	12	**21.02**	**(0.02)**	**21.00**	17.76	(0.02)	17.74
Diluted earnings per share	12	**20.96**	**(0.02)**	**20.94**	17.70	(0.02)	17.68

2. Significant accounting policies continued

Impact on the Consolidated balance sheet

	Note	2019 £m Under previous policy £m	2019 £m IFRS 16 adjustments £m	2019 £m 2019 Reported £m	2018 £m As previously reported £m	2018 £m IFRS 16 adjustments £m	2018 £m 2018 Restated £m
Assets							
Non-current assets							
Intangible assets	13	**317.5**	**–**	**317.5**	329.8	–	329.8
Property, plant and equipment	14	**4.8**	**11.9**	**16.7**	6.0	13.7	19.7
Deferred taxation assets	23	**5.9**	**0.3**	**6.2**	5.1	0.2	5.3
Net investments in joint ventures	16	**49.0**	**–**	**49.0**	–	–	–
		377.2	**12.2**	**389.4**	340.9	13.9	354.8
Current assets							
Trade and other receivables	18	**56.7**	**(0.6)**	**56.1**	55.5	(0.6)	54.9
Cash and cash equivalents	19	**5.9**	**–**	**5.9**	4.3	–	4.3
		62.6	**(0.6)**	**62.0**	59.8	(0.6)	59.2
Total assets		**439.8**	**11.6**	**451.4**	400.7	13.3	414.0
Equity and liabilities							
Equity attributable to equity holders of the parent							
Share capital	25	**9.3**	**–**	**9.3**	9.5	–	9.5
Retained earnings		**1,094.9**	**0.9**	**1,095.8**	1,041.7	1.0	1,042.7
Capital reorganisation reserve		**(1,060.8)**	**–**	**(1,060.8)**	(1,060.8)	–	(1,060.8)
Own shares held	26	**(16.5)**	**–**	**(16.5)**	(16.9)	–	(16.9)
Capital redemption reserve		**0.7**	**–**	**0.7**	0.5	–	0.5
Other reserves		**30.5**	**–**	**30.5**	30.6	–	30.6
Total equity		**58.1**	**0.9**	**59.0**	4.6	1.0	5.6
Liabilities							
Non-current liabilities							
Borrowings	21	**310.3**	**–**	**310.3**	340.8	–	340.8
Deferred taxation liabilities	23	**0.5**	**–**	**0.5**	0.7	–	0.7
Retirement benefit obligations	24	**–**	**–**	**–**	–	–	–
Provisions for other liabilities and charges	22	**1.1**	**(0.1)**	**1.0**	1.1	(1.1)	–
Lease liabilities	15	**–**	**14.3**	**14.3**	–	16.0	16.0
		311.9	**14.2**	**326.1**	342.6	14.9	357.5
Current liabilities							
Trade and other payables	20	**47.1**	**(5.3)**	**41.8**	33.3	(4.8)	28.5
Current income tax liabilities		**22.4**	**–**	**22.4**	19.9	–	19.9
Lease liabilities	15	**–**	**1.8**	**1.8**	–	2.2	2.2
Provisions for other liabilities and charges	22	**0.3**	**–**	**0.3**	0.3	–	0.3
		69.8	**(3.5)**	**66.3**	53.5	(2.6)	50.9
Total liabilities		**381.7**	**10.7**	**392.4**	396.1	12.3	408.4
Total equity and liabilities		**439.8**	**11.6**	**451.4**	400.7	13.3	414.0

Impact on the Consolidated statement of cash flows

	Note	2019 £m			2018 £m		
		Under previous policy £m	IFRS 16 adjustments £m	2019 Reported £m	As previously reported £m	IFRS 16 adjustments £m	2018 Restated £m
Profit for the year		**242.4**	**(0.2)**	**242.2**	210.8	(0.1)	210.7
Adjustments for:							
Depreciation	14	**2.9**	**2.0**	**4.9**	3.0	1.9	4.9
Amortisation	13	**4.0**	**–**	**4.0**	4.1	–	4.1
Share-based payments charge (excluding associated NI)		**4.7**	**–**	**4.7**	3.3	–	3.3
Share of profit in joint ventures	16	**(0.9)**	**–**	**(0.9)**	–	–	–
Profit on sale of fixed assets		**0.1**	**–**	**0.1**	–	–	–
Difference between pension charge and cash contributions		**0.3**	**–**	**0.3**	–	–	–
Finance costs	9	**9.3**	**0.9**	**10.2**	9.8	0.8	10.6
Profit on disposal of subsidiary	10	**(8.7)**	**–**	**(8.7)**	–	–	–
Changes in working capital (excluding the effects of exchange differences on consolidation):							
Trade and other receivables		**(1.5)**	**–**	**(1.5)**	(3.5)	0.6	(2.9)
Trade and other payables		**1.8**	**0.4**	**2.2**	(1.5)	(0.8)	(2.3)
Provisions		**1.0**	**–**	**1.0**	0.1	(0.1)	–
Cash generated from operations	28	**255.4**	**3.1**	**258.5**	226.1	2.3	228.4
Tax paid		**(42.2)**	**–**	**(42.2)**	(39.4)	–	(39.4)
Net cash generated from operating activities		**213.2**	**3.1**	**216.3**	186.7	2.3	189.0
Cash flows from investing activities							
Purchases of intangible assets – financial systems		**(0.3)**	**–**	**(0.3)**	(0.3)	–	(0.3)
Purchases of intangible assets – other		**(0.3)**	**–**	**(0.3)**	(0.3)	–	(0.3)
Purchases of property, plant and equipment		**(1.7)**	**–**	**(1.7)**	(2.3)	–	(2.3)
Payment for acquisition of shares in joint ventures	16	**(19.7)**	**–**	**(19.7)**	–	–	–
Payment for acquisition of subsidiary, net of cash acquired	30	**–**	**–**	**–**	(11.9)	–	(11.9)
Net cash used in investing activities		**(22.0)**	**–**	**(22.0)**	(14.8)	–	(14.8)
Cash flows from financing activities							
Dividends paid to Company's shareholders	27	**(57.6)**	**–**	**(57.6)**	(52.2)	–	(52.2)
Repayment of Syndicated Term Loan	21	**(343.0)**	**–**	**(343.0)**	(20.0)	–	(20.0)
Drawdown of Syndicated revolving credit facility	21	**447.1**	**–**	**447.1**	–	–	–
Repayment of Syndicated revolving credit facility	21	**(134.1)**	**–**	**(134.1)**	–	–	–
Payment of refinancing fees	21	**(3.3)**	**–**	**(3.3)**	–	–	–
Payment of interest on borrowings	32	**(6.6)**	**–**	**(6.6)**	(6.7)	–	(6.7)
Payment of lease liabilities		**–**	**(3.1)**	**(3.1)**	–	(2.3)	(2.3)
Purchase of own shares for cancellation		**(87.7)**	**–**	**(87.7)**	(96.2)	–	(96.2)
Purchase of own shares for treasury		**(5.8)**	**–**	**(5.8)**	–	–	–
Payment of fees on repurchase of own shares		**(0.5)**	**–**	**(0.5)**	(0.5)	–	(0.5)
Proceeds from exercise of share-based payments		**1.9**	**–**	**1.9**	–	–	–
Net cash used in financing activities		**(189.6)**	**(3.1)**	**(192.7)**	(175.6)	(2.3)	(177.9)
Net decrease in cash and cash equivalents		**1.6**	**–**	**1.6**	(3.7)	–	(3.7)
Cash and cash equivalents at beginning of year	19	**4.3**	**–**	**4.3**	8.0	–	8.0
Cash and cash equivalents at end of year	19	**5.9**	**–**	**5.9**	4.3	–	4.3

Notes to the consolidated financial statements
continued

2. Significant accounting policies continued

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 March 2018.

Intangible assets

a) Goodwill

Goodwill represents the excess cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement and are not reversed. The gain or loss on the disposal of an entity includes the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b) Trademarks, trade names, technology, non-compete agreements and customer relationships

Separately acquired trademarks, trade names, technology and customer relationships are recognised at historical cost. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives of between one and 15 years. Trademarks, trade names, technology, non-compete agreements and customer relationships acquired in a business combination are recognised at fair value at the acquisition date and subsequently amortised.

c) Software

Acquired computer software is capitalised at cost, including any costs to bring it into use, and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of three to five years.

d) Software and website development costs and financial systems

Development costs that are directly attributable to the design and testing of identifiable and unique software products, websites and systems controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product or website so that it will be available for use;
- management intends to complete the software product or website and use or sell it;
- there is an ability to use or sell the software product or website;
- it can be demonstrated how the software product or website will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product or website are available; and
- the expenditure attributable to the software product or website during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product, website or system include employee and contractor costs. Other development expenditures that do not meet these criteria, as well as ongoing maintenance and costs associated with routine upgrades and enhancements, are recognised as an expense as incurred. Development costs for software, websites and systems are carried at cost less accumulated amortisation and are amortised over their useful lives (not exceeding five years) at the point in which they come into use.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises the purchase price of the asset and expenditure directly attributable to the acquisition of the item.

Freehold land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost less their estimated residual values over the estimated useful lives as follows:

Land, buildings and leasehold improvements:

– Leasehold land and buildings	life of lease
– Leasehold improvements	life of lease
– Plant and equipment	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of assets is reviewed for impairment if events or changes in circumstances suggest that the carrying value may not be recoverable. Assets will be written down to their recoverable amount if lower than the carrying value, and any impairment is charged to the income statement.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within administrative expenses.

Impairment of non-financial assets
Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then to reduce the carrying amount of other assets in the unit (or group of units) on a pro-rata basis.

Interests in joint ventures
Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. Auto Trader Group plc has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses, movements in other comprehensive income and dividends received.

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.

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.

Finance and issue costs associated with the borrowings are charged to the income statement using the effective interest rate method from the date of issue over the estimated life of the borrowings to which the costs relate.

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions
A provision is recognised when a present legal or constructive obligation exists at the balance sheet date as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of that obligation can be made. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Contingent liabilities are not recognised but are disclosed unless an outflow of resources is remote. Contingent assets are not recognised but are disclosed where an inflow of economic benefits is probable.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Operational Leadership Team that makes strategic decisions (note 4).

2. Significant accounting policies continued

Employee benefits
The Group operates several pension schemes and 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.

a) Defined contribution scheme
The assets of the defined contribution scheme are held separately from those of the Group in independently administered funds. The costs in respect of this scheme are charged to the income statement as incurred.

b) Defined benefit scheme
The Group operates one defined benefit pension scheme that is closed to new members. The asset or liability recognised in the balance sheet in respect of the defined benefit scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of the scheme's assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating those of the related pension liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Any scheme surplus (to the extent it can be recovered) or deficit is recognised in full on the balance sheet.

c) Share-based payments
Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period. Fair value of the awards are measured using Black-Scholes and Monte Carlo pricing models. The credit side of the entry is recorded in equity. Cash-settled awards are revalued at each reporting date with the fair value of the award charged to the profit and loss account over the vesting period and the credit side of the entry recognised as a liability.

Research and development
Research and development expenditure is charged against profits in the year in which it is incurred, unless it meets the criteria for capitalisation set out in IAS 38, Intangible Assets.

Operating profit
Operating profit is the profit of the Group (including the Group's share of profit from joint ventures) before finance income, finance costs, profit on disposal of subsidiaries which do not meet the definition of a discontinued operation, and taxation.

Finance income and costs
Finance income is earned on bank deposits and finance costs are incurred on bank borrowings. Both are recognised in the income statement in the period in which they are incurred.

Taxation
The tax expense for the period comprises current and deferred taxation. Tax is recognised in the income statement, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current taxation is provided at amounts expected to be paid (or recovered) calculated using the rates of tax and laws that have been enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred taxation is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred taxation assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxation assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve. Where the Group purchases its own equity share capital to hold in Treasury, the consideration paid for the shares is shown as own shares held within equity.

Shares held by the Employee Share Option Trust
The Employee Share Option Trust ('ESOT') provides for the issue of shares to Group employees principally under share option schemes. The Group has control of the ESOT and therefore consolidates the ESOT in the Group financial statements. Accordingly, shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity.

Share premium
The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

Capital reorganisation reserve
The capital reorganisation reserve arose on consolidation as a result of the share-for-share exchange on 24 March 2015. It represents the difference between the nominal value of shares issued by Auto Trader Group plc in this transaction and the share capital and reserves of Auto Trader Holding Limited.

Capital redemption reserve
The capital redemption reserve arises from the purchase and subsequent cancellation of the Group's own equity share capital.

Other reserves
Other reserves comprise the currency translation reserve on the consolidation of entities whose functional currency is other than sterling.

Earnings per share
The Group presents basic and diluted earnings per share ('EPS') for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders in the case of final dividends, or the date at which they are paid in the case of interim dividends.

Foreign currency translation
a) Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in sterling (£), which is the Group's presentation currency, and rounded to the nearest hundred thousand (£0.1m) except when otherwise indicated.

b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within administrative expenses.

c) Group companies
The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency other than sterling are translated into sterling as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet; and
- income and expenses for each income statement are translated at average exchange rates.

On the disposal of a foreign operation, the cumulative exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3. Risk and capital management

Overview
In the course of its business the Group is exposed to market risk, credit risk and liquidity risk from its use of financial instruments. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Group's overall risk management strategy is to minimise potential adverse effects on the financial performance and net assets of the Group. These policies are set and reviewed by senior finance management and all significant financing transactions are authorised by the Board of Directors.

Market risk
i. Foreign exchange risk
The Group has no significant foreign exchange risk as 99% of the Group's revenue and 97% of costs are sterling-denominated. As the amounts are not significant, no sensitivity analysis has been presented.

The Group operates in Ireland. Foreign currency-denominated net assets of overseas operations are not hedged as they represent a relatively small proportion of the Group's net assets. The Group operates a dividend policy, ensuring any surplus cash is remitted to the UK and translated into sterling, thereby minimising the impact of exchange rate volatility.

ii. Interest rate risk
The Group's interest rate risk arises from long-term borrowings under the Syndicated revolving credit facility with floating rates of interest linked to LIBOR. The Group monitors interest rates on an ongoing basis but does not currently hedge interest rate risk. The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase or decrease post-tax profit for the year by £1.0 million is 39 basis points (2018: 36 basis points).

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or banking institution fails to meet its contractual obligations.

i. Trade receivables
Credit risk relating to trade receivables is managed centrally and the credit risk for new customers is analysed before standard payment terms and conditions are offered. Policies and procedures exist to ensure that existing customers have an appropriate credit history and a significant number of balances are prepaid or collected via direct debit. More than 82.0% (2018: 80.0%) of the Group's Retailer customers pay via monthly direct debit, minimising the risk of non-payment.

Sales to private customers are primarily settled using major debit or credit cards which reduces the risk in this area.

The Group establishes an expected credit loss that represents its estimate of losses in respect of trade and other receivables. Further details of these are given in note 31. Overall, the Group considers that it is not exposed to a significant amount of either customer credit or bad debt risk, due to the diversified and fragmented nature of the customer base.

ii. Cash and cash equivalents
As at 31 March 2019, the Group held cash and cash equivalents of £5.9m (2018: £4.3m). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated between P-1 and P-2 based on Moody's ratings. The Group's treasury policy is to monitor cash, and when applicable deposit balances, on a daily basis and to manage counterparty risk and to ensure efficient management of the Group's Syndicated revolving credit facility.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Cash flow forecasting is performed centrally by the Group treasury manager. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs. The Group's revenue model is largely subscription-based, which results in a regular level of cash conversion allowing it to service working capital requirements.

During the year the Group entered into a five-year, £400.0m Syndicated revolving credit facility with a termination date of June 2023. The facility allows the Group access to cash at one working day's notice. At 31 March 2019, £313.0m was drawn under the Syndicated revolving credit facility.

On occasion, surplus cash held by operating entities over and above the balance required for working capital management is invested centrally in interest-bearing current accounts and money market deposits with appropriate maturities or sufficient liquidity as required by the above-mentioned forecasts.

Capital management
The Group considers capital to be net debt plus total equity. Net debt is calculated as total bank debt and lease financing, less unamortised debt fees and cash and cash equivalents as shown in note 32. Total equity is as shown in the Consolidated balance sheet.

The calculation of total capital is shown in the table below:

	2019 £m	(Restated) 2018 £m
Total net debt	321.0	355.2
Total equity	59.0	5.6
Total capital	380.0	360.8

Following the application of IFRS 16, total capital for the year ended 31 March 2018 has been restated (note 2).

The objectives for managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders and to maintain an efficient capital structure to optimise the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

As at 31 March 2019, the Group had borrowings of £313.0m (2018: £343.0m) through its Syndicated revolving credit facility (2018: Syndicated Term Loan). Interest is payable on this facility at a rate of LIBOR plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of Auto Trader Group plc and its subsidiaries, which is calculated and reviewed on a biannual basis. The Group remains in compliance with its banking covenants.

4. Segmental information

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

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

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the one operating segment. To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue at a disaggregated level as detailed within note 5. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

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

	2019 £m	(Restated) 2018 £m
Total segment Revenue	**355.1**	330.1
Total segment Operating profit	**243.7**	221.3
Finance costs – net	**(10.2)**	(10.6)
Profit on the sale of subsidiary	**8.7**	–
Profit before tax	**242.2**	210.7

Following the application of IFRS 16, profit before tax for the year ended 31 March 2018 has been restated (note 2).

4. Segmental information continued

Geographic information

The Group is domiciled in the UK and the following tables detail external revenue by location of customers, trade receivables and non-current assets (excluding deferred tax) by geographic area:

Revenue	2019 £m	2018 £m
UK	**349.9**	324.9
Ireland	**5.2**	5.2
Total revenue	**355.1**	330.1

Trade receivables	2019 £m	2018 £m
UK	**24.5**	24.9
Ireland	**0.4**	0.5
Total net trade receivables	**24.9**	25.4

Non-current assets (excluding deferred tax)	2019 £m	(Restated) 2018 £m
UK	**376.6**	342.6
Ireland	**6.6**	6.9
Total non-current assets (excluding deferred tax)	**383.2**	349.5

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.

5. Revenue

The Group's operations and main revenue streams are those described in these annual financial statements. The Group's revenue is derived from contracts with customers. The nature and effect of initially applying IFRS 15 on the Group's financial statements is disclosed in note 2.

Disaggregation of revenue

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

Revenue	2019 £m	2018 £m
Retailer	**293.0**	268.7
Home Traders	**10.2**	11.4
Other	**1.4**	1.1
Trade	**304.6**	281.2
Consumer Services	**28.0**	29.8
Manufacturer and Agency	**22.5**	19.1
Total revenue	**355.1**	330.1

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019 £m	2018 £m
Receivables, which are included in trade and other receivables	**27.0**	28.8
Accrued income	**28.0**	26.7
Deferred income	**(13.2)**	(1.8)

Accrued income relates to the Group's rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to receivables when invoiced.

Deferred income relates to advanced consideration received for which revenue is recognised as or when services are provided. Included within deferred income is £11.2m (2018: £nil) relating to consideration received from Auto Trader Auto Stock Limited (which forms part of the Group's joint venture) for the provision of data services (note 16). Revenue relating to this service is recognised on a straight-line basis over a period of 20 years.

6. Operating profit

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group:

	Note	2019 £m	(Restated) 2018 £m
Staff costs	7	**(56.0)**	(54.5)
Contractor costs		**(0.4)**	(0.4)
Depreciation of property, plant and equipment	14	**(4.9)**	(4.9)
Amortisation of intangible assets	13	**(4.0)**	(4.1)
Profit on sale of property, plant and equipment		**0.1**	–

Following the application of IFRS 16, depreciation of property, plant and equipment has been restated for the year ended 31 March 2018 (note 2).

Services provided by the Company's auditors
During the year, the Group (including overseas subsidiaries) obtained the following services from the operating company's auditors:

	2019 £m	2018 £m
Fees payable for the audit of the Company and consolidated financial statements	**0.1**	0.1
Fees payable for other services:		
– the audit of the subsidiary undertakings pursuant to legislation	**0.2**	0.1
Total	**0.3**	0.2

7. Employee numbers and costs

The average monthly number of employees (including Executive Directors but excluding third-party contractors) employed by the Group was as follows:

	2019 Number	2018 Number
Customer operations	**370**	380
Product and technology	**317**	312
Corporate	**115**	130
Total	**802**	822

The aggregate payroll costs of these persons were as follows:

	2019 £m	2018 £m
Wages and salaries	**43.2**	44.1
Social security costs	**4.7**	4.8
Defined contribution pension costs (note 24)	**2.2**	1.9
	50.1	50.8
Share-based payments and associated NI (note 29)	**5.9**	3.7
Total	**56.0**	54.5

Wages and salaries include £17.3m (2018: £18.1m) relating to the product and technology teams; these teams spend a significant proportion of their time on research and development activities, including innovation of our product proposition and enhancements to the Group's platforms.

8. Directors and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' remuneration report on pages 64 to 74:

Key Management compensation

During the year to 31 March 2019, Key Management comprised the members of the OLT and the Non-Executive Directors (2018: OLT and the Non-Executive Directors). The remuneration of all Key Management (including Directors) was as follows:

	2019 £m	2018 £m
Short-term employee benefits	**5.3**	4.9
Share-based payments	**3.5**	2.6
Termination benefits	–	0.1
Pension contributions	**0.2**	0.2
Total	**9.0**	7.8

9. Finance costs

	2019 £m	(Restated) 2018 £m
On bank loans and overdrafts	**6.5**	6.8
Amortisation of debt issue costs	**2.8**	3.0
Interest unwind on lease liabilities	**0.9**	0.8
Total	**10.2**	10.6

Following the application of IFRS 16, finance costs for the year ended 31 March 2018 have been restated (note 2).

Amortisation of debt issue costs includes £0.6m relating to costs incurred for the Syndicated revolving credit facility and £2.2m relating to costs incurred for the former Senior Facilities Agreement. Debt issue costs incurred on the former Senior Facilities Agreement were accelerated in the year with an additional £2.0m recognised in the Consolidated income statement (2018: additional charge of £1.1m).

10. Disposal of a subsidiary

On 31 December 2018, the Group disposed of a subsidiary undertaking, Auto Trader Auto Stock Limited, as part of the consideration for shares in Dealer Auction (Holdings) Limited, a newly formed joint venture (note 16).

Auto Trader Auto Stock Limited was a subsidiary incorporated on 3 August 2018 by another Group subsidiary, Auto Trader Limited. The trade and assets of Auto Trader Limited's 'Smart Buying' product line, its retailer-to-retailer marketplace, were transferred to Auto Trader Auto Stock Limited on 1 November 2018.

Revenue generated from the Smart Buying product in the nine-month period to 31 December 2018 was £1.3m (year ended 31 March 2018: £2.0m). The disposal of the Smart Buying product line does not represent a discontinued operation under IFRS 5 as the product was not either a separate major line of business or geographical area of operations.

A profit on disposal has been recognised in the Group's Consolidated income statement:

	£m
Proceeds from disposals	**28.4**
Intangible assets – Goodwill	**(8.4)**
Intangible assets – Licence agreement	**(11.3)**
Profit on sale of subsidiary	**8.7**

11. Taxation

	2019 £m	(Restated) 2018 £m
Current taxation		
UK corporation taxation	**44.9**	40.7
Foreign taxation	**0.2**	0.2
Adjustments in respect of prior years	**(0.1)**	(0.9)
Total current taxation	**45.0**	40.0
Deferred taxation		
Origination and reversal of temporary differences	**(0.6)**	(0.2)
Adjustments in respect of prior years	**0.1**	(0.2)
Total deferred taxation	**(0.5)**	(0.4)
Total taxation charge	**44.5**	39.6

The taxation charge for the year is lower than (2018: the same as) the effective rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £m	(Restated) 2018 £m
Profit before taxation	**242.2**	210.7
Tax on profit on ordinary activities at the standard UK corporation tax rate of 19% (2018: 19%)	**46.0**	40.0
Expenses not deductible for taxation purposes	**0.3**	0.8
Income not taxable	**(1.7)**	–
Adjustments in respect of foreign tax rates	**(0.1)**	(0.1)
Adjustments in respect of prior years	**–**	(1.1)
Total taxation charge	**44.5**	39.6

Taxation on items taken directly to equity was a credit of £0.6m (2018: £0.1m) relating to tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2018: 19%). Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. 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 2019 (2018: 17%).

12. 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 2019			
Basic EPS	**941,506,424**	**197.7**	**21.00**
Diluted EPS	**944,254,998**	**197.7**	**20.94**
Year ended 31 March 2018 (restated)			
Basic EPS	964,516,212	171.1	17.74
Diluted EPS	967,912,689	171.1	17.68

12. Earnings per share continued

Following the application of IFRS 16, total earnings for the year ended 31 March 2018 has been restated (note 2).

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 2019	Weighted average number of shares
Issued ordinary shares at 31 March 2018	**952,161,444**
Weighted effect of ordinary shares purchased for cancellation	**(6,001,643)**
Weighted effect of ordinary shares held in treasury	**(4,009,411)**
Weighted effect of shares held by the ESOT	**(643,966)**
Weighted average number of shares for basic EPS	**941,506,424**
Dilutive impact of share options outstanding	**2,748,574**
Weighted average number of shares for diluted EPS	**944,254,998**

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

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

13. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Other £m	Total £m
Cost					
At 31 March 2017	434.1	54.6	12.3	13.3	**514.3**
Acquired through a business combination	8.5	0.4	–	3.8	**12.7**
Additions	–	0.3	0.3	–	**0.6**
Exchange differences	0.2	–	–	–	**0.2**
At 31 March 2018	442.8	55.3	12.6	17.1	**527.8**
Additions	–	0.3	0.3	–	**0.6**
Disposals	(12.4)	(42.4)	–	(1.3)	**(56.1)**
Exchange differences	(0.1)	–	–	–	**(0.1)**
At 31 March 2019	**430.3**	**13.2**	**12.9**	**15.8**	**472.2**
Accumulated amortisation and impairments					
At 31 March 2017	120.8	53.8	6.5	12.8	**193.9**
Amortisation charge	–	0.6	2.4	1.1	**4.1**
At 31 March 2018	120.8	54.4	8.9	13.9	**198.0**
Amortisation charge	–	0.6	2.4	1.0	**4.0**
Disposals	(3.9)	(42.2)	–	(1.3)	**(47.4)**
Exchange differences	0.1	–	–	–	**0.1**
At 31 March 2019	**117.0**	**12.8**	**11.3**	**13.6**	**154.7**
Net book value at 31 March 2019	**313.3**	**0.4**	**1.6**	**2.2**	**317.5**
Net book value at 31 March 2018	**322.0**	**0.9**	**3.7**	**3.2**	**329.8**
Net book value at 31 March 2017	**313.3**	**0.8**	**5.8**	**0.5**	**320.4**

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

For the year to 31 March 2019, the amortisation charge of £4.0m (2018: £4.1m) has been charged to administrative expenses in the income statement. At 31 March 2019, £0.1m (2018: £0.1m) of software and website development costs represented assets under construction. Amortisation of these assets will commence when they are brought into use.

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

Impairment test for goodwill

Goodwill is allocated to the appropriate cash-generating unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific goodwill. The recoverable amount of the CGU is determined from value-in-use calculations that use cash flow projections from the latest three-year plan. The carrying value of CGUs is the sum of goodwill, property, plant and equipment and intangibles and is as follows:

	2019 £m	(Restated) 2018 £m
Digital	**327.6**	342.6
Webzone	**6.6**	6.9
Total	**334.2**	349.5

Income and costs within the budget are derived on a detailed 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Key assumptions include revenue growth rates, associated levels of marketing support and directly associated overheads. All assumptions are based on past performance and management's expectation of market development. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated into perpetuity which is consistent with industry reports. Other than as included in the financial budgets, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 8.5% (2018: 8.0%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account the risk-free rate of return, the market risk premium and beta factor reflecting the average beta for the Group and comparator companies which are used in deriving the cost of equity.

The same discount rate has been applied to both CGUs as the principal risks and uncertainties associated with the Group, as highlighted on pages 30 to 33, would also impact each CGU in a similar manner. The Board acknowledges that there are additional factors that could impact the risk profile of each CGU, which have been considered by way of sensitivity analysis performed as part of the annual impairment tests.

Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

The key assumptions used for value-in-use calculations are as follows:

	2019	2018
Annual growth rate (after plan period)	**3.0%**	3.0%
Risk free rate of return	**3.0%**	3.0%
Market risk premium	**5.0%**	4.9%
Beta factor	**0.83**	0.79
Cost of debt	**3.3%**	3.3%

Having completed the 2019 impairment review, no impairment has been recognised in relation to the CGUs (2018: no impairment). Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. There are no changes to the key assumptions of growth rate or discount rate that are considered by the Directors to be reasonably possible, which give rise to an impairment of goodwill relating to the CGUs.

14. Property, plant and equipment

	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Cost				
At 31 March 2017 (restated)	18.3	20.5	1.1	**39.9**
Additions	–	2.3	–	**2.3**
Disposals	–	(6.0)	–	**(6.0)**
At 31 March 2018 (restated)	18.3	16.8	1.1	**36.2**
Additions	0.8	0.9	0.2	**1.9**
Disposals	(1.3)	(3.7)	(0.1)	**(5.1)**
At 31 March 2019	**17.8**	**14.0**	**1.2**	**33.0**
Accumulated depreciation				
At 31 March 2017 (restated)	1.4	16.2	–	**17.6**
Charge for the year	1.7	2.7	0.5	**4.9**
Disposals	–	(6.0)	–	**(6.0)**
At 31 March 2018 (restated)	3.1	12.9	0.5	**16.5**
Charge for the year	2.5	1.9	0.5	**4.9**
Disposals	(1.3)	(3.7)	(0.1)	**(5.1)**
At 31 March 2019	**4.3**	**11.1**	**0.9**	**16.3**
Net book value at 31 March 2019	**13.5**	**2.9**	**0.3**	**16.7**
Net book value at 31 March 2018 (restated)	**15.2**	**3.9**	**0.6**	**19.7**
Net book value at 31 March 2017 (restated)	**16.9**	**4.3**	**1.1**	**22.3**

Included within property, plant and equipment are £11.9m (2018: £13.7m) of assets recognised as leases under IFRS 16. Further details of these leases are disclosed in note 15. The depreciation expense of £4.9m for the year to 31 March 2019 (2018 restated: £4.9m) has been recorded in administrative expenses.

During the year, £5.1m (2018: £6.0m) worth of property, plant and equipment with £nil net book values were disposed of.

15. Leases

The Group leases assets including land and buildings and motor vehicles that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

	2019 £m	(Restated) 2018 £m
Net book value property, plant and equipment owned	**4.8**	6.0
Net book value right of use assets	**11.9**	13.7
	16.7	19.7

Net book value of right of use assets	Land, buildings and leasehold improvements £m	Office equipment £m	Motor vehicles £m	Total £m
Balance at 1 April 2017 (restated)	14.4	0.1	1.1	15.6
Depreciation charge	(1.4)	–	(0.5)	(1.9)
Balance at 31 March 2018 (restated)	13.0	0.1	0.6	13.7
Additions	–	–	0.2	0.2
Depreciation charge	(1.5)	–	(0.5)	(2.0)
At 31 March 2019	**11.5**	**0.1**	**0.3**	**11.9**

Lease liabilities in the balance sheet at 31 March	2019 £m	(Restated) 2018 £m
Current	**1.8**	2.2
Non-current	**14.3**	16.0
Total	**16.1**	18.2

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented within note 31.

Amounts charged in the income statement	2019 £m	(Restated) 2018 £m
Depreciation charge of right-of-use assets	**2.0**	1.9
Interest on lease liabilities	**0.9**	0.8
Total amounts charged in the income statement	**2.9**	2.7

Cash outflow	2019 £m	(Restated) 2018 £m
Total cash outflow for leases	**3.1**	2.3

16. Net investments in joint ventures

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

On 31 December 2018, the Group acquired 49% of the ordinary share capital of Dealer Auction (Holdings) Limited for consideration of £48.1m. Consideration consisted of:

	£m
Cash consideration	19.7
100% of the share capital of Auto Trader Auto Stock Limited (note 10)	28.4
Total consideration	**48.1**

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

	Equity investment in joint ventures £m	Group's share of net assets £m	Net investments in joint ventures £m
Carrying value			
At 1 April 2017 and 31 March 2018	–	–	–
Investment in joint venture	48.1	–	48.1
Share of result for the year taken to the income statement	–	0.9	0.9
As at 31 March 2019	**48.1**	**0.9**	**49.0**

Set out below is the summarised financial information for the consolidated Dealer Auction ventures, including Dealer Auction (Holdings) Limited, Dealer Auction Limited, Auto Trader Auto Stock Limited and Dealer Auction Services Limited, which are accounted for using the equity method:

	2019 £m
Non-current assets	**98.9**
Current assets	
Cash and cash equivalents	**0.2**
Other current assets	**6.9**
Total assets	**106.0**
Liabilities	
Current liabilities	**5.5**
Total liabilities	**5.5**
Net assets	**100.5**

	2019 £m
Revenues	**3.5**
Profit for the year	**1.8**
Total comprehensive income	**1.8**

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

A list of the investments in joint ventures, including the name, country of incorporation and proportion of ownership interest, is given in note 35.

17. Other investments

Shares in other undertakings

	£m
Investment in IAUTOS Company Limited	
At 31 March 2019 and 31 March 2018	–

At April 2018, the Group designated the investment in IAUTOS Company Limited as an equity security at FVOCI as the Group intends to hold the shares for long-term strategic purposes. IAUTOS Company Limited is an intermediate holding company through which trading companies incorporated in the People's Republic of China are held. The fair value of the investment has been valued at £nil since 2014 as the Chinese trading companies are loss-making with forecast future cash outflows.

18. Trade and other receivables

	2019 £m	(Restated) 2018 £m
Trade receivables	**27.0**	28.8
Less: provision for impairment of trade receivables	**(2.1)**	(3.4)
Net trade receivables	**24.9**	25.4
Accrued income	**28.0**	26.7
Prepayments	**2.9**	2.7
Other receivables	**0.3**	0.1
Total	**56.1**	54.9

Following the application of IFRS 16, trade and other receivables have been restated (note 2).

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional and has been invoiced at the reporting date. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Accrued income relates to the Group's rights to consideration for services provided but not invoiced at the reporting date. Accrued income is transferred to receivables when invoiced. Other receivables include £0.1m due from Auto Trader Auto Stock Limited, a related party (note 34).

Exposure credit risk and expected credit losses relating to trade and other receivables are disclosed in note 31.

19. Cash and cash equivalents

Cash at bank and in hand is denominated in the following currencies:

	2019 £m	2018 £m
Sterling	**5.8**	4.1
Euro	**0.1**	0.2
Cash at bank and in hand	**5.9**	4.3

Cash balances with an original maturity of less than three months were held in current accounts during the year and attracted interest at a weighted average rate of 0.3% (2018: 0.3%).

20. Trade and other payables

	2019 £m	(Restated) 2018 £m
Trade payables	**4.3**	3.7
Accruals	**10.5**	9.8
Other taxes and social security	**13.0**	11.8
Deferred income	**13.2**	1.8
Other payables	**0.3**	0.9
Accrued interest payable	**0.5**	0.5
Total	**41.8**	28.5

Following the application of IFRS 16, trade and other payables for the year ended 31 March 2018 have been restated (note 2).

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

21. Borrowings

Non-current	2019 £m	2018 £m
Syndicated RCF gross of unamortised debt issue costs	**313.0**	–
Unamortised debt issue costs on Syndicated RCF	**(2.7)**	–
Former Syndicated Term Loan gross of unamortised debt issue costs	**–**	343.0
Unamortised debt issue costs on former Syndicated Term Loan	**–**	(2.2)
Total	**310.3**	340.8

The Syndicated RCF (2018: Syndicated Term Loan) is repayable as follows:

	2019 £m	2018 £m
One to two years	**–**	343.0
Two to five years	**313.0**	–
Total	**313.0**	343.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility ('Syndicated RCF')
On 6 June 2018, the Company and a subsidiary undertaking, Auto Trader Holding Limited, signed a new Syndicated revolving credit facility (the 'Syndicated RCF') to replace the former Syndicated Term Loan and former revolving credit facility. The Syndicated RCF, which is unsecured, has total commitments of £400.0m and a termination date of June 2023. There is no requirement to settle all or part of the facility before the termination date of June 2023.

The associated debt transaction costs were £3.3m.

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

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

The Syndicated revolving credit facility has financial covenants linked to interest cover and the consolidated leverage ratio of the Group. All financial covenants of the facility have been complied with through the year.

Senior Facilities Agreement ('former Syndicated Term Loan' and 'Former revolving credit facility')
On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement. Interest on the former Syndicated Term Loan was charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. Under the agreement, the lenders had also made available to the Group a £30.0m revolving credit facility.

Cash drawings under the RCF incurred interest at LIBOR plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group. A commitment fee of 35% of the margin applicable to the former revolving credit facility was payable quarterly in arrears on the unutilised amounts of the former revolving credit facility.

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

The former Senior Facilities Agreement had financial covenants linked to the consolidated leverage ratio of the Group. All financial covenants of the facility have been complied with through the year ended 31 March 2019 and 31 March 2018.

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

	2019 £m	2018 £m
One month or less	**313.0**	343.0
Total	**313.0**	343.0

22. Provisions for other liabilities and charges

	Dilapidations provision £m	Holiday pay provision £m	Total £m
At 31 March 2018 (restated)	–	0.3	0.3
Charged to the income statement	1.0	0.3	1.3
Utilised in the year	–	(0.3)	(0.3)
At 31 March 2019	**1.0**	**0.3**	**1.3**

	2019 £m	(Restated) 2018 £m
Current	**0.3**	0.3
Non-current	**1.0**	–
Total	**1.3**	0.3

Following the application of IFRS 16, the dilapidations provision has been restated (note 2).

The holiday pay provision relates to liabilities for holiday pay in relation to the UK and Ireland operations for leave days accrued and not yet taken at the end of the financial year, and is expected to be fully utilised in the year to 31 March 2020.

Notes to the consolidated financial statements
continued

23. Deferred taxation

The movement in deferred taxation assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred taxation assets	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2017 (restated)	0.9	3.8	0.2	**4.9**
Credited to the income statement	0.2	0.1	–	**0.3**
Credited directly to equity	0.1	–	–	**0.1**
At 31 March 2018 (restated)	1.2	3.9	0.2	**5.3**
Credited to the income statement	0.7	(0.2)	0.1	**0.6**
Credited directly to equity	0.3	–	–	**0.3**
At 31 March 2019	**2.2**	**3.7**	**0.3**	**6.2**

Deferred taxation liabilities	Share-based payments £m	Accelerated capital allowances £m	Other temporary differences £m	Total £m
At 31 March 2017 (restated)	–	–	0.2	**0.2**
Acquired in business combination	–	–	0.7	**0.7**
Credited to the income statement	–	–	(0.2)	**(0.2)**
At 31 March 2018 (restated)	–	–	0.7	**0.7**
Credited to the income statement			(0.2)	**(0.2)**
At 31 March 2019	**–**	**–**	**0.5**	**0.5**

Following the application of IFRS 16, deferred tax assets in relation to accelerated capital allowances have been restated (note 2).

The Group has estimated that £1.1m (2018: £0.8m) of the Group's net deferred income tax asset will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

24. Retirement benefit obligations

(i) Defined contribution scheme
Across the UK and Ireland the Group operates a number of defined contribution schemes. In the year to 31 March 2019 the pension contributions to the Group's defined contribution schemes amounted to £2.2m (2018: £1.9m). At 31 March 2019, there were £0.3m (31 March 2018: £0.3m) of pension contributions outstanding relating to the Group's defined contribution schemes.

(ii) Defined benefit scheme
The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). The Scheme is administered by a separate board of Trustees, which is legally separate from the Company. The Trustees are composed of representatives of both the Company and members. The Trustees are required by law to act in the interest of all relevant beneficiaries and are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The Scheme has been closed to future members since 30 April 2006 and there are no remaining active members within the Scheme. No other post-retirement benefits are provided to these employees.

Profile of the scheme
As at 31 March 2019, approximately 60% of the Defined Benefit Obligation (DBO) is attributable to former employees who have yet to reach retirement (2018: 65%) and 40% to current pensioners (2018: 35%). The Scheme duration is an indicator of the weighted-average time until benefit payments are made. For the Scheme as a whole, the duration is approximately 21 years.

Risks associated with the scheme

The Scheme exposes the Company to some risks, the most significant of which are:

Asset volatility	The liabilities are calculated using a discount rate set with reference to corporate bond yields. If assets underperform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (equities, diversified growth fund and global absolute return fund) which, though expected to outperform corporate bonds in the long term, create volatility and risk in the short term. The allocation to growth assets is monitored to ensure it remains appropriate given the Scheme's long-term objectives.
Inflation risk	A proportion of the Scheme's benefit obligations are linked to inflation, and higher inflation leads to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect against extreme inflation). The majority of the assets are either unaffected by or only loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.
Change in bond yields	A decrease in corporate bond yields will increase the value placed on the Scheme's liabilities for accounting purposes, although this will be partially offset by an increase in the value of the Scheme's bond holdings.
Life expectancy	The majority of the Scheme's obligations are to provide benefits for the lifetime of the member, so increases in life expectancy will result in an increase in the liabilities.

Funding requirements

UK legislation requires that pension schemes are funded prudently. The ongoing funding valuation of the Scheme was carried out by a qualified actuary as at 30 April 2018 and showed a deficit of £0.2m. The Company paid deficit contributions of £70,000 for the year ending 31 March 2019 (2018: £70,000), and has committed to contribute £140,000 per annum from 1 April 2019, which is expected to make good this shortfall by 31 March 2020. The next funding valuation is due no later than 30 April 2021, at which progress towards full-funding will be reviewed. The Company also pays expenses and PPF levies incurred by the Scheme.

Assumptions used

The last triennial actuarial valuation of the Scheme was performed by an independent professional actuary at 30 April 2018 using the projected unit method of valuation. For the purposes of IAS 19 (revised) the actuarial valuation as at 30 April 2018 has been updated on an approximate basis to 31 March 2019. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the prior year's disclosures.

The principal financial assumptions used to calculate the liabilities under IAS 19 (revised) are as follows:

	2019 %	2018 %
Discount rate for scheme liabilities	**2.45**	2.60
CPI inflation	**2.35**	2.25
RPI inflation	**3.45**	3.35
Pension increases		
Pre 1988 GMP	–	–
Post 1988 GMP	**2.10**	2.10
Pre 2004 non GMP	**5.00**	5.00
Post 2004	**3.35**	3.25

The financial assumptions reflect the nature and term of the Scheme's liabilities.

The Group has assumed that mortality will be in line with nationally published mortality table S2NA with CMI 2018 projections related to members' years of birth with long-term rate of improvement of 1.5% per annum. These tables translate into an average life expectancy for a pensioner retiring at age 65 as follows:

	2019		2018	
	Men Years	Women Years	Men Years	Women Years
Member aged 65 (current life expectancy)	86.8	88.9	87.3	89.3
Member aged 45 (life expectancy at age 65)	88.5	90.7	89.0	91.1

It is assumed that 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement (2018: 50% of non-retired members of the Scheme will commute the maximum amount of cash at retirement).

24. Retirement benefit obligations continued

Post-employment benefit obligations disclosures

The amounts charged to the Consolidated income statement are set out below:

	2019 £m	2018 £m
Past service cost	**0.4**	–
Total amounts charged to the Consolidated income statement	**0.4**	–

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension (GMP) benefits for the effect of unequal GMPs accrued between 1990 and 1997. The issues determined by the judgment affect many other UK defined benefit pension schemes. We are working with the trustee of our pension scheme, and our actuarial and legal advisors, to understand the extent to which the judgment crystallises additional liabilities for the pension scheme.

The true impact of GMP equalisation on the Scheme will not be known until members' benefits have been rectified, which could take over a year. However, we understand that it is necessary under the relevant accounting standard to make allowance for the estimated impact of GMP equalisation as at the date of the judgment.

The estimated impact of the equalisation of GMP benefits has been recognised in the income statement as a past service cost. This amounted to an increase in liabilities of £0.4m as at 26 October 2018 which has been included in the pension scheme liability at 31 March 2019.

Current service costs and past service costs are charged to the income statement in arriving at Operating profit. Interest income on Scheme assets and the interest cost on Scheme liabilities are included within finance costs.

In addition, the following amounts have been recognised in the Consolidated statement of comprehensive income:

	2019 £m	2018 £m
Return on Scheme assets (in excess of) / below that recognised in net interest	**(0.9)**	–
Actuarial losses / (gains) losses due to changes in assumptions	**0.3**	(1.0)
Actuarial (gains) / losses due to liability experience	**(0.5)**	0.1
Effect of the surplus cap	**0.9**	0.9
Total amounts recognised within Consolidated statement of comprehensive income	**(0.2)**	–

Amounts recognised in the balance sheet are as follows:

	2019 £m	2018 £m
Present value of funded obligations	**20.0**	19.7
Fair value of plan assets	**(22.2)**	(21.0)
Effect of surplus cap	**2.2**	1.3
Net asset recognised in the Consolidated balance sheet	**–**	–

The surplus of £2.2m (2018: £1.3m) has not been recognised as an asset as it is not deemed to be recoverable by the Group.

Movements in the fair value of Scheme assets were as follows:

	2019 £m	2018 £m
Fair value of Scheme assets at the beginning of the year	**21.0**	21.4
Interest income on Scheme assets	**0.5**	0.5
Remeasurement gains on Scheme assets	**1.0**	–
Contributions by the employer	**0.1**	0.1
Net benefits paid	**(0.4)**	(1.0)
Fair value of Scheme assets at the end of the year	**22.2**	21.0

Movements in the fair value of Scheme liabilities were as follows:

	2019 £m	2018 £m
Fair value of Scheme liabilities at the beginning of the year	**19.7**	21.0
Past service cost	**0.4**	–
Interest expense	**0.5**	0.5
Actuarial (gains) / losses on Scheme liabilities arising from changes in assumptions	**0.3**	(0.9)
Actuarial (gains)/losses on Scheme liabilities arising from experience	**(0.5)**	0.1
Net benefits paid	**(0.4)**	(1.0)
Fair value of scheme liabilities at the end of the year	**20.0**	19.7

Movements in post-employment benefit obligations were as follows:

	2019 £m	2018 £m
Opening post-employment benefit obligation	**–**	–
Past service cost	**0.4**	–
Interest	**–**	–
Contributions by the employer	**(0.1)**	(0.1)
Remeasurement and experience gains	**(1.2)**	(0.8)
Effect of surplus cap	**0.9**	0.9
Closing post-retirement benefit obligation	**–**	–

Plan assets are comprised as follows:

	2019		2018	
	£m	%	£m	%
Equities	**12.2**	**55.0**	11.4	54.3
Bonds	**8.9**	**40.0**	8.5	40.5
Real estate	**1.1**	**5.0**	1.1	5.2
Total	**22.2**	**100.0**	21.0	100.0

All plan assets have a quoted market price.

Sensitivity to key assumptions

The table below gives an approximation of the impact on the IAS 19 (revised) pension scheme liabilities to changes in assumptions and experience. Note that all figures are before allowing for any deferred tax. The sensitivity information shown has been prepared using the same method used to adjust the results of the latest funding valuation to the balance sheet date.

Following a 0.25% increase in the discount rate

	Change £m	New value £m
Assets of the Scheme at 31 March 2019	–	22.2
Defined benefit obligation at 31 March 2019	1.0	(19.0)
Surplus at 31 March 2019	1.0	3.2

Following a 0.25% increase in the inflation assumption

	Change £m	New value £m
Assets of the Scheme at 31 March 2019	–	22.2
Defined benefit obligation at 31 March 2019	(0.4)	(20.4)
Surplus at 31 March 2019	(0.4)	1.8

Following a 1 year increase in life expectancy

	Change £m	New value £m
Assets of the Scheme at 31 March 2019	–	22.2
Defined benefit obligation at 31 March 2019	(1.0)	(21.0)
Surplus at 31 March 2019	(1.0)	1.2

25. Share capital

Share capital	2019 Number '000	2019 Amount £m	2018 Number '000	2018 Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**952,161**	**9.5**	978,971	9.8
Purchase and cancellation of own shares	**(18,963)**	**(0.2)**	(26,810)	(0.3)
Total	**933,198**	**9.3**	952,161	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2018 AGM, the Company was authorised to make market purchases of up to 94,802,631 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 20,229,881 ordinary shares of £0.01 were purchased in the year (2018: 26,809,702). The average price paid per share was 461.5p (2018: 358.5p), with a total consideration paid (inclusive of all costs) of £94.0m (2018: £96.7m). 1,266,000 shares were purchased to be held in treasury (2018: nil), with 18,963,881 being cancelled.

Included within shares in issue at 31 March 2019 are 565,555 (2018: 932,761) shares held by the ESOT and 3,996,041 (2018: 4,194,989) shares held in treasury, as detailed in note 26.

26. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2017 and 31 March 2018	(1.4)	(15.5)	(16.9)
Own shares held as at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.6	–	0.6
Repurchase of own shares for treasury	–	(5.8)	(5.8)
Share-based incentives	–	5.6	5.6
Own shares held as at 31 March 2019	**(0.8)**	**(15.7)**	**(16.5)**

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

27. Dividends

Dividends declared and paid by the Company were as follows:

	2019		2018	
	Pence per share	£m	Pence per share	£m
2017 final dividend paid	–	–	3.5	34.0
2018 interim dividend paid	–	–	1.9	18.2
2018 final dividend paid	**4.0**	**37.9**	–	–
2019 interim dividend paid	**2.1**	**19.7**	–	–
	6.1	**57.6**	5.4	52.2

The proposed final dividend for the year ended 31 March 2019 of 4.6p per share, totalling £42.7m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The 2019 interim dividend paid on 25 January 2019 was £19.7m. The 2018 final dividend paid on 28 September 2018 was £37.9m.

The Directors' policy with regard to future dividends is set out in the Strategic report on page 28.

28. Cash generated from operations

	2019 £m	(Restated) 2018 £m
Profit before taxation	**242.2**	210.7
Adjustments for:		
Depreciation	**4.9**	4.9
Amortisation	**4.0**	4.1
Share-based payments charge (excluding associated NI)	**4.7**	3.3
Share of profit from joint ventures	**(0.9)**	–
Profit on sale of property, plant and equipment	**0.1**	–
Difference between pension charge and cash contributions	**0.3**	–
Finance costs	**10.2**	10.6
Profit on disposal of subsidiary	**(8.7)**	–
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(1.5)**	(2.9)
Trade and other payables	**2.2**	(2.3)
Provisions	**1.0**	–
Cash generated from operations	**258.5**	228.4

29. Share-based payments

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

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

The total charge in the year relating to the four schemes was £5.9m (2018: £3.7m) with a Company charge of £2.3m (2018: £1.0m). 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.

29. Share-based payments continued

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Share Incentive Plan ('SIP')	–	0.8	–	–
Sharesave scheme ('SAYE')	**0.3**	0.3	–	–
Performance Share Plan ('PSP')	**2.1**	1.8	**1.3**	0.7
Deferred Annual Bonus and Single Incentive Plan	**2.3**	0.4	**0.4**	0.2
Total share-based payment charge	**4.7**	3.3	**1.7**	0.9
NI and apprenticeship levy on applicable schemes	**1.2**	0.4	**0.6**	0.1
Total charge	**5.9**	3.7	**2.3**	1.0

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

UK SIP

	2019 Number	2018 Number
Outstanding at 1 April	**690,791**	776,045
Dividend shares awarded	**4,518**	9,778
Forfeited	**(9,275)**	(75,986)
Released	**(365,162)**	(19,046)
Outstanding at 31 March	**320,872**	690,791
Vested and outstanding at 31 March	**320,872**	–

The weighted average market value per ordinary share for SIP awards released in 2019 was 386.1p (2018: 372.0p). The SIP shares outstanding at 31 March 2018 have fully vested (2018: had a weighted average remaining vesting period of 0.1 years). Shares released prior to the vesting date relate to those attributable to good leavers as defined by the scheme rules.

Irish SIP

	2019 Number	2018 Number
Outstanding at 1 April	**35,922**	44,431
Dividend shares awarded	–	788
Forfeited	–	(7,950)
Exercised	**(30,506)**	(1,347)
Outstanding at 31 March	**5,416**	35,922
Vested and outstanding at 31 March	**5,416**	–

The weighted average market value per ordinary share for Irish SIP options exercised in 2019 was 350.0p (2018: 387.5p). The SIP shares outstanding at 31 March 2018 have fully vested (2018: had a weighted average remaining vesting period of 0.1 years). Options exercised prior to the vesting date relate to those attributable to good leavers as defined by the scheme rules.

Performance Share Plan
The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operating Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 17 August 2018, the Group awarded 452,695 nil cost options under the PSP scheme. For the 2018 awards, the Group's performance is measured by reference to the growth in Operating profit (75% of the award) and growth in Revenue (25% of the award) over the three-year period April 2018 – March 2021. For previous awards, the Group's performance had been measured by reference to the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE 250 share index.

The fair value of the 2018 award was determined using a Black-Scholes pricing model. The PSP awards granted prior to 2018 have been valued using the Monte Carlo model for the TSR element and the Black-Scholes model for the Operating profit and Underlying operating profit element. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

PSP award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares. The assumptions used in the measurement of the fair value at grant date of the PSP awards are as follows:

Grant date	Condition	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
19 June 2015	TSR dependent	3.06	Nil	30	3.0	0.9	0.0	0.0	2.08
19 June 2015	UOP dependent	3.06	Nil	n/a	3.0	0.9	0.0	0.0	3.06
17 June 2016	TSR dependent	3.89	Nil	29	3.0	0.4	0.4	0.0	2.16
17 June 2016	UOP dependent	3.89	Nil	n/a	3.0	0.4	0.4	0.0	3.89
16 June 2017	TSR dependent	4.00	Nil	31	3.0	0.2	0.0	0.0	2.17
16 June 2017	OP dependent	4.00	Nil	n/a	3.0	0.2	0.0	0.0	4.00
30 August 2017	TSR dependent	3.42	Nil	31	3.0	0.2	0.0	0.0	2.17
30 August 2017	OP dependent	3.42	Nil	n/a	3.0	0.2	0.0	0.0	3.42
17 August 2018	OP dependent	4.48	Nil	n/a	3.0	0.7	1.7	0.0	4.48
17 August 2018	Revenue dependent	4.48	Nil	n/a	3.0	0.7	1.7	0.0	4.48

Expected volatility is estimated by considering historic average share price volatility at the grant date.

The number of options outstanding and exercisable as at 31 March was as follows:

	2019 Number	2018 Number
Outstanding at 1 April	**3,104,563**	2,682,738
Options granted in the year	**452,695**	1,188,149
Dividend shares awarded	**9,749**	–
Options forfeited in the year	**(105,213)**	(766,324)
Options exercised in the year	**(483,316)**	–
Outstanding at 31 March	**2.978,478**	3,104,563
Exercisable at 31 March	**721,269**	–

The weighted average market value per ordinary share for PSP options exercised in 2019 was 445.0p (2018: n/a). The PSP awards outstanding at 31 March 2019 have a weighted average remaining vesting period of 0.8 years (2018: 1.2 years) and a weighted average contractual life of 7.6 years (2018: 8.2 years).

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

Deferred Annual Bonus
The Group operates a Deferred Annual scheme ('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 Black-Scholes method and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

On 16 June 2018, the Group awarded 71,552 nil cost options under the DABP scheme. The assumptions used in the measurement of the fair value at grant date of the DABP awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 June 2016	3.89	Nil	2.0	0.4	0.4	0.0	3.89
16 June 2017	4.00	Nil	2.0	0.2	0.0	0.0	4.00
17 August 2018	4.48	Nil	2.0	0.7	1.7	0.0	4.48

29. Share-based payments continued

The number of options outstanding and exercisable as at 31 March was as follows:

	2019 Number	2018 Number
Outstanding at 1 April	**303,880**	248,263
Options granted in the year	**71,552**	127,691
Dividend shares awarded	**3,343**	1,306
Options forfeited in the year	–	(73,380)
Options exercised in the year	**(229,378)**	–
Outstanding at 31 March	**149,397**	303,880
Exercisable at 31 March	**–**	74,686

The weighted average market value per ordinary share for DABP options exercised in 2019 was 438.1p (2018: n/a). The DABP awards outstanding at 31 March 2018 have a weighted average remaining vesting period of 0.8 years (2018: 1.2 years) and a weighted average contractual life of 8.8 years (2018: 9.2 years). The charge for the year includes an estimate of the awards to be granted after the balance sheet date in respect of achievement of 2019 targets.

Single Incentive Plan Award

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

On 17 August 2018, the Group awarded 974,106 nil cost options under the SIPA scheme. For the 2018 awards, the Group's performance is measured by reference to Operating profit (75% of the award), live car stock advertised on autotrader.co.uk (12.5% of the award) and the average number of full page advert views (12.5% of the award). The fair value of the 2018 award was determined to be £4.48 per option using a Black-Scholes pricing model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

The assumptions used in the measurement of the fair value at grant date of the PSP awards are as follows:

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
17 August 2018	4.48	Nil	n/a	3.0	0.7	1.7	0.0	4.48

Expected volatility is estimated by considering historic average share price volatility at the grant date.

The number of options outstanding and exercisable as at 31 March was as follows:

	2019 Number	2018 Number
Outstanding at 1 April	**–**	–
Options granted in the year	**974,106**	–
Options forfeited in the year	**(51,054)**	–
Outstanding at 31 March	**923,052**	–
Exercisable at 31 March	**–**	–

Sharesave scheme

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

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
25 September 2015	3.28	2.64	30	3.0	1.0	0.0	33	0.96
13 December 2017	3.48	2.59	31	3.0	0.6	1.3	14	1.12
14 December 2018	4.48	3.49	29	3.0	0.7	1.7	16	1.29

Expected volatility is estimated by considering historic average share price volatility at the grant date. The requirement that an employee has to save in order to purchase shares under the Sharesave plan is a non-vesting condition. This feature has been incorporated into the fair value at grant date by applying a discount to the valuation obtained from the Black-Scholes pricing model.

	2019		2018	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at 1 April	**1,530,852**	**2.61**	919,281	2.64
Options granted in the year	**699,528**	**3.49**	728,520	2.59
Options exercised in the year	**(721,748)**	**2.64**	(6,941)	2.64
Options lapsed in the year	**(160,934)**	**2.70**	(110,008)	2.63
Outstanding at 31 March	**1,347,698**	**3.05**	1,530,852	2.61
Exercisable at 31 March	**34,731**	**2.64**	–	–

The weighted average market value per ordinary share for Sharesave options exercised in 2019 was 424.8p (2018: 372.5p). The Sharesave options outstanding at 31 March 2019 have a weighted average remaining vesting period of 2.3 years (2018: 1.7 years) and a weighted average contractual life of 2.8 years (2018: 2.2 years).

30. Business combinations

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 which were recognised within administrative expenses in the Consolidated income statement.

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

	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.

30. Business combinations continued

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made has now closed on this acquisition and the final goodwill calculation is summarised below:

	Fair value £m
Intangible assets recognised on acquisition:	
Customer relationships	3.2
Non-compete agreement	0.6
Website	0.4
Deferred tax liability arising on intangible assets	(0.7)
Intangible assets and related deferred tax	3.5
Current assets	
Trade and other receivables	0.7
Cash and cash equivalents	0.3
Current assets	1.0
Current liabilities	(0.8)
Total net assets acquired	3.7
Goodwill on acquisition	8.5
Total assets acquired	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.

31. Financial instruments

Financial assets

	Note	2019 £m	2018 £m
Net trade receivables	18	**24.9**	25.4
Accrued income	18	**28.0**	26.7
Other receivables	18	**0.3**	0.1
Cash and cash equivalents	19	**5.9**	4.3
Total		**59.1**	56.5

Credit risk
The carrying amount of financial assets, previously recognised as loans and receivables under IAS 39 now classified as amortised cost under IFRS 9, represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2019 was £59.1m (2018: £56.5m).

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Note	2019 £m	2018 £m
UK		**24.5**	24.9
Ireland		**0.4**	0.5
Total		**24.9**	25.4

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2019 £m	2018 £m
Retailers	20.4	21.7
Manufacturer and Agency	3.2	3.0
Other	1.3	0.7
Total	24.9	25.4

The Group's most significant customer accounts for £0.5m (2018: £0.6m) of net trade receivables as at 31 March 2019.

Expected credit loss assessment

Expected credit losses are measured using a provisioning matrix based on the reason the trade receivable is past due. The provision matrix rates are based on actual credit loss experience over the past three years and adjusted, when required, to take into account current macro-economic factors. For certain customers the Group applies experienced credit judgement that is determined to be predictive of the risk of loss to assess the expected credit loss, taking into account external ratings, financial statements and other available information. The following table provides information about the exposure to credit risk and expected credit losses for trade receivables from individual customers as at 31 March 2019.

	Weighted-average loss rate	Gross carrying amount £m	Loss allowance £m	Credit-impaired
Current	0.4%	21.5	(0.1)	No
Past due 1–30 days	0.7%	2.9	–	No
Past due 31–60 days	8.5%	0.4	–	No
Past due 61–90 days	43.7%	0.2	(0.1)	No
More than 91 days past due	97.0%	2.0	(1.9)	No
		27.0	(2.1)	

Comparative information under IAS 39

The ageing of trade receivables at 31 March 2018 under IAS 39 was as follows:

	Gross £m	Impairment £m
Current	22.0	(0.1)
Past due 1–30 days	2.9	–
Past due 31–60 days	0.5	–
Past due 61–90 days	–	–
More than 91 days past due	3.4	(3.3)
	28.8	(3.4)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2018 represent the allowance account for impairment losses under IAS 39:

	Note	2019 £m	2018 £m
At 1 April	18	**3.4**	3.1
Charged during the year		**0.8**	2.0
Utilised during the year		**(2.1)**	(1.7)
At 31 March	18	**2.1**	3.4

The Group has identified specific balances for which it has provided an impairment allowance on a line by line basis across all ledgers, in both years. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the financial asset directly.

31. Financial instruments continued

Cash and cash equivalents

Cash balances are held with the Group's principal bankers, Royal Bank of Scotland, and are used for working capital purposes. The Directors do not consider deposits at this institution to be at risk.

Financial liabilities

	2019			2018 (restated)		
	As per balance sheet £m	Future interest cost £m	Total cash flows £m	As per balance sheet £m	Future interest cost £m	Total cash flows £m
Trade and other payables	**15.6**	**–**	**15.6**	14.9	–	14.9
Borrowings (gross of debt issue costs)	**313.0**	**–**	**313.0**	343.0	–	343.0
Leases	**16.1**	**3.6**	**19.7**	18.2	4.6	22.8
Total	**344.7**	**3.6**	**348.3**	376.1	4.6	380.7

Trade and other payables are as disclosed within note 20, excluding other taxation and social security liabilities and deferred income.

IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 21 of these consolidated financial statements, all borrowings are currently drawn under a syndicated debt arrangement and repayments can be made at any time without penalty. As such there is no contractual future interest cost. Interest is payable on borrowings' drawn amounts at a rate of LIBOR prevailing at the time of drawdown plus the applicable margin, which ranges from 1.2% and 2.1%. Interest paid in the year in relation to borrowings amounted to £6.6 million.

The Company had no derivative financial liabilities in either year. It is not expected that the cash flows included in the maturity analysis could occur earlier or at significantly different amounts.

Liquidity risk

The maturity of financial liabilities based on contracted cash flows is shown in the table below. This table has been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows. Floating rate interest payments have been calculated using the relevant interest rates prevailing at the year end, where applicable.

As at 31 March 2019	Trade and other payables £m	Borrowings £m	Leases £m	Total £m
Due within one year	**15.6**	**–**	**2.7**	**18.3**
Due within one to two years	**–**	**–**	**2.7**	**2.7**
Due within two to five years	**–**	**313.0**	**7.5**	**320.5**
Due after more than five years	**–**	**–**	**6.8**	**6.8**
Total	**15.6**	**313.0**	**19.7**	**348.3**

As at 31 March 2018 (restated)	Trade and other payables £m	Borrowings £m	Leases £m	Total £m
Due within one year	14.9	–	3.1	18.0
Due within one to two years	–	343.0	2.7	345.7
Due within two to five years	–	–	7.8	7.8
Due after more than five years	–	–	9.2	9.2
Total	14.9	343.0	22.8	380.7

Fair values

The fair values of all financial instruments in both years are equal to the carrying values.

32. Net debt

Analysis of net debt

Net debt is calculated as total borrowings net of unamortised bank facility fees, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, and new leases entered into during the year.

March 2019	At 1 April 2018 £m	Cash flow £m	Non-cash changes £m	At 31 March 2019 £m
Debt due after more than one year	**340.8**	**(30.0)**	**(0.5)**	**310.3**
Accrued interest	**0.5**	**(6.6)**	**6.6**	**0.5**
Lease liabilities	**18.2**	**(3.1)**	**1.0**	**16.1**
Total debt and lease financing	**359.5**	**(39.7)**	**7.1**	**326.9**
Cash and cash equivalents	**(4.3)**	**(1.6)**	**–**	**(5.9)**
Net debt	**355.2**	**(41.3)**	**7.1**	**321.0**

March 2018 (restated)	At 1 April 2017 £m	Cash flow £m	Non-cash changes £m	At 31 March 2018 £m
Debt due after more than one year	357.8	(20.0)	3.0	340.8
Accrued interest	0.5	(6.7)	6.7	0.5
Lease liabilities	19.7	(2.3)	0.8	18.2
Total debt and lease financing	378.0	(29.0)	10.5	359.5
Cash and cash equivalents	(8.0)	3.7	–	(4.3)
Net debt	370.0	(25.3)	10.5	355.2

Reconciliation of movements in liabilities to cash flows arising from financing activities

	Liabilities		Equity				
	Borrowings and accrued interest	Finance lease liabilities	Share capital	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2018	**341.3**	**18.2**	**9.5**	**1,042.7**	**(16.9)**	**(1,029.7)**	**365.1**
Changes from financing cash flows							
Dividends paid to Company's shareholders	–	–	–	(57.6)	–	–	(57.6)
Repayment of Syndicated Term Loan	(343.0)	–	–	–	–	–	(343.0)
Drawdown of Syndicated revolving credit facility	447.1	–	–	–	–	–	447.1
Repayment of Syndicated revolving credit facility	(134.1)	–	–	–	–	–	(134.1)
Payment of refinancing fees	(3.3)	–	–	–	–	–	(3.3)
Payment of interest on borrowings	(6.6)	–	–	–	–	–	(6.6)
Payment of lease liabilities	–	(3.1)	–	–	–	–	(3.1)
Purchase of own shares for cancellation	–	–	(0.2)	(87.7)	–	0.2	(87.7)
Purchase of own shares for treasury	–	–	–	–	(5.8)	–	(5.8)
Payment of fees on repurchase of own shares	–	–	–	(0.5)	–	–	(0.5)
Proceeds from exercise of share-based incentives	–	–	–	1.9	–	–	1.9
Total changes from financing cash flows	(39.9)	(3.1)	(0.2)	(143.9)	(5.8)	0.2	(192.7)
Other changes - liability related							
Interest expense	9.3	0.9	–	–	–	–	10.2
Other	0.1	–	–	–	–	–	0.1
Total liability related other changes	9.4	0.9	–	–	–	–	10.3
Total equity related other changes	–	–	–	197.0	6.2	(0.1)	203.1
Balance as of 31 March 2019	**310.8**	**16.0**	**9.3**	**1,095.8**	**(16.5)**	**(1,029.6)**	**385.8**

32. Net debt continued

	Liabilities		Equity				
	Borrowings	Finance lease liabilities	Share capital / premium	Retained earnings	Own shares held	Other reserves	Total
Balance as of 1 April 2017	**358.3**	**19.7**	**9.8**	**1,017.1**	**(16.9)**	**(1,030.2)**	**357.8**
Changes from financing cash flows							
Dividends paid to Company's shareholders	–	–	–	(52.2)	–	–	(52.2)
Repayment of Syndicated Term Loan	(20.0)	–	–	–	–	–	(20.0)
Payment of interest on borrowings	(6.7)	–	–	–	–	–	(6.7)
Payment of lease liabilities	–	(2.3)	–	–	–	–	(2.3)
Purchase of own shares for cancellation	–	–	(0.3)	(96.2)	–	0.3	(96.2)
Payment of fees on repurchase of own shares	–	–	–	(0.5)	–	–	(0.5)
Total changes from financing cash flows	(26.7)	(2.3)	(0.3)	(148.9)	–	0.3	(177.9)
Other changes - liability related							
Interest expense	9.8	0.8	–	–	–	–	10.6
Other	(0.1)		–	–	–	–	(0.1)
Total liability related other changes	9.7	0.8	–	–	–	–	10.5
Total equity related other changes	–	–	–	174.5	–	0.2	174.7
Balance as of 31 March 2018	**341.3**	**18.2**	**9.5**	**1,042.7**	**(16.9)**	**(1,029.7)**	**365.1**

33. Contingent liabilities

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

34. Related party transactions

Auto Trader Auto Stock Limited

The following related party transactions were entered into by subsidiary companies during the year under the terms of a joint venture agreement with Cox Automotive UK Limited.

At 31 March 2019 the outstanding other receivable balance from Auto Trader Auto Stock Limited was £0.1m (2018: £nil). The receivable relates to staff costs paid on behalf of Auto Trader Auto Stock Limited.

At 31 March 2019 the outstanding other creditor balance with Auto Trader Auto Stock Limited was £0.2m. The creditor relates to amounts invoiced to customers on behalf of Auto Trader Auto Stock Limited.

All balances will be settled in cash. There were no provisions for doubtful related party receivables at 31 March 2019 (2018: £nil) and no charge to the income statement in respect of doubtful related party receivables (2018: £nil).

During the year a subsidiary company provided data services to Auto Trader Auto Stock Limited under a licence agreement. The value of services provided was £0.1m (2018: £nil). At 31 March 2019, deferred income outstanding in relation to the licence agreement was £11.2m (2018: £nil).

Other related party transactions

During the year, the Group transacted with Burns Sheehan Limited, a third party in which a Director holds a shareholding. This company is deemed to be a related party. Costs incurred were in respect of recruitment consultancy services which amounted to £1,250 (2018: £34,737). There were no amounts outstanding at the year end. All transactions were completed on an arm's length basis.

Key Management personnel compensation has been disclosed in note 8.

35. Subsidiaries and joint ventures

Subsidiaries

At 31 March 2019 the Group's subsidiaries were:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Auto Trader Holding Limited [1]	England and Wales	Financing company	Ordinary	100%	100%
Auto Trader Limited [1]	England and Wales	Online marketplace	Ordinary	–	100%
Trader Licensing Limited [1]	England and Wales	Dormant company	Ordinary	–	100%
Webzone Limited [2]	Republic of Ireland	Online marketplace	Ordinary	–	100%
Motor Trade Delivery Limited [3]	England and Wales	Non-trading	Ordinary	–	100%

1 Registered office address is 4th floor, 1 Tony Wilson Place, Manchester, M15 4FN.
2 Registered office address is Paramount Court, Corrig Road, Sandyford Industrial Estate, Dublin 18, D18 R9C7.
3 Registered office address is Hill House, 1 Little New Street, London, EC4A 3TR.

A guarantee exists in respect of the wholly owned subsidiary that is incorporated in the Republic of Ireland and consolidated within these financial statements. They have availed themselves of an exemption from filing their individual financial statements in accordance with Section 357 of the Companies (Amendment) Act, 2014, Ireland.

All subsidiaries have a year end of 31 March.

Joint ventures

At 31 March 2019 the Group's interests in joint ventures were:

Joint ventures	Country of registration or incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
Dealer Auction (Holdings) Limited [1]	England and Wales	Holding company	Ordinary	–	49%
Dealer Auction Limited [1]	England and Wales	Online marketplace	Ordinary	–	49%
Auto Trader Autostock Limited [1]	England and Wales	Online marketplace	Ordinary	–	49%
Dealer Auction Services Limited [1]	Republic of Ireland	Online marketplace	Ordinary	–	49%

1 Registered office address is Central House, Leeds Road, Rothwell, Leeds, West Yorkshire, England, LS26 0JE.

All joint ventures have a year end of 31 December which is consistent with the year end of the majority shareholder.

36. Post balance sheet event

On 5 June 2019, the Group extended the term for £316.5m of the Syndicated revolving credit facility for one year. The Syndicated revolving credit facility will now terminate in two tranches:

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

There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

Company balance sheet

At 31 March 2019

	Note	2019 £m	2018 £m
Fixed assets			
Investments	3	**1,216.0**	1,212.9
		1,216.0	1,212.9
Current assets			
Debtors	4	**415.9**	440.7
Cash and cash equivalents	5	–	0.2
		415.9	440.9
Creditors: amounts falling due within one year	6	**(411.4)**	(288.4)
Net current assets		**4.5**	152.5
Net assets		**1,220.5**	1,365.4
Capital and reserves			
Called-up share capital	9	**9.3**	9.5
Own shares held	10	**(16.5)**	(16.9)
Capital redemption reserve		**0.7**	0.5
Retained earnings		**1,227.0**	1,372.3
Total equity		**1,220.5**	1,365.4

The financial statements were approved by the Board of Directors on 6 June 2019 and authorised for issue.

Nathan Coe
Chief Financial Officer and Chief Operating Officer-designate
6 June 2019

Auto Trader Group plc Registered number 09439967

Company statement of changes in equity

For the year ended 31 March 2019

	Share capital £m	Own shares held £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at March 2017	9.8	(16.9)	0.2	1,519.1	1,512.2
Loss for the year	–	–	–	(1.4)	(1.4)
Total comprehensive expense, net of tax	–	–	–	(1.4)	(1.4)
Transactions with owners:					
Purchase and cancellation of own shares	(0.3)	–	0.3	(96.7)	(96.7)
Dividends paid	–	–	–	(52.2)	(52.2)
Share-based payments	–	–	–	3.3	3.3
Deferred tax on share-based payments	–	–	–	0.2	0.2
Total transactions with owners recognised directly in equity	(0.3)	–	0.3	(145.4)	(145.4)
Balance at March 2018	9.5	(16.9)	0.5	1,372.3	1,365.4
Loss for the year	–	–	–	(0.2)	(0.2)
Total comprehensive expense, net of tax	–	–	–	(0.2)	(0.2)
Transactions with owners:					
Purchase and cancellation of own shares	(0.2)	–	0.2	(88.2)	(88.2)
Dividends paid	–	–	–	(57.6)	(57.6)
Share-based payments	–	–	–	4.7	4.7
Exercise of employee share schemes	–	5.6	–	(3.7)	1.9
Transfer of shares from ESOT	–	0.6	–	(0.6)	–
Acquisition of treasury shares	–	(5.8)	–	–	(5.8)
Tax on share-based payments	–	–	–	0.3	0.3
Total transactions with owners recognised directly in equity	(0.2)	0.4	0.2	(145.1)	(144.7)
Balance at March 2019	**9.3**	**(16.5)**	**0.7**	**1,227.0**	**1,220.5**

Notes to the Company financial statements

1. Accounting policies

Auto Trader Group plc is a public limited company which is listed on the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The Company was incorporated on 13 February 2015 and adopted FRS 102 from that date.

Statement of compliance and basis of preparation
The Company financial statements of Auto Trader Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historic cost convention, as modified for the revaluation of certain financial assets and liabilities through profit or loss. The current year financial information presented is at and for the year ended 31 March 2019. The comparative financial information presented is at and for the year ended 31 March 2018.

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report.

The Company financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company, and have been rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Auto Trader Group plc. The loss for the financial period dealt with in the financial statements of the parent Company was £0.2m (2018: loss of £1.4m).

As the Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12, the following exemptions have been applied:

- no separate parent Company statement of comprehensive income with related notes has been included;
- no separate parent Company cash flow statement with related notes has been included; and
- Key Management personnel compensation has not been included a second time.

Amounts paid to the Company's auditors in respect of the statutory audit were £58,350 (2018: £56,650). The charge was borne by a subsidiary company and not recharged.

Estimation techniques
The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are:

- share-based payments; and
- carrying value of investments.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 of the Group accounts. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 29 of the consolidated Group financial statements).

Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

The Group considers annually whether the carrying value of investments has suffered any impairment in accordance with the accounting policy stated. The recoverable amounts of investments have been determined based on value-in-use calculations, which require the use of estimates.

Investments in subsidiaries
Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve. Where the Group purchases its own equity share capital to hold in Treasury, the consideration paid for the shares is shown as own shares held within equity.

Shares held by the Employee Share Option Trust
Shares in the Company held by the Employee Share Option Trust ('ESOT') are included in the balance sheet at cost as a deduction from equity.

Taxation
UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred on the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

a) Financial assets
Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price (unless the arrangement constitutes a financing transaction) and are subsequently carried at amortised cost using the effective interest method.

Financial assets which constitute a financing transaction are measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies and preference shares that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Dividend distribution
Dividends to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders in the case of final dividends. In respect of interim dividends, these are recognised once paid.

Notes to the Company financial statements
continued

2. Directors' emoluments

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' remuneration report on pages 64 to 74.

3. Investments in subsidiaries

	2019 £m	2018 £m
At beginning of the period	**1,212.9**	1,210.5
Additions	**3.1**	2.4
At end of the period	**1,216.0**	1,212.9

The additions in the year and prior year relate to equity-settled share-based payments granted to the employees of subsidiary companies.

Subsidiary undertakings are disclosed within note 35 to the consolidated financial statements.

4. Debtors

	2019 £m	2018 £m
Amounts owed by Group undertakings	**414.7**	439.9
Deferred tax asset	**1.2**	0.8
Total	**415.9**	440.7

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

5. Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**–**	0.2

6. Creditors: amounts falling due within one year

	2019 £m	2018 £m
Amounts owed to Group undertakings	**409.7**	287.3
Accruals and deferred income	**1.7**	1.1
Total	**411.4**	288.4

Amounts owed to Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

7. Financial instruments

Financial instruments utilised by the Company during the year ended 31 March 2019 and the year ended 31 March 2018 may be analysed as follows:

Financial assets	2019 £m	2018 £m
Financial assets measured at amortised cost	**414.7**	439.9

Financial liabilities	2019 £m	2018 £m
Financial liabilities measured at amortised cost	**411.4**	288.4

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

8. Dividends

Dividends declared and paid by the Company were as follows:

	2019		2018	
	Pence per share	£m	Pence per share	£m
2017 final dividend paid	–	–	3.5	34.0
2018 interim dividend paid	–	–	1.9	18.2
2018 final dividend paid	**4.0**	**37.9**	–	–
2019 interim dividend paid	**2.1**	**19.7**	–	–
	6.1	**57.6**	5.4	52.2

The proposed final dividend for the year ended 31 March 2019 of 4.6p per share, totalling £42.7m, is subject to approval by shareholders at the Annual General Meeting ('AGM') and hence has not been included as a liability in the financial statements.

The 2019 interim dividend paid on 25 January 2019 was £19.7m. The 2018 final dividend paid on 28 September 2018 was £37.9m.

The Directors' policy with regard to future dividends is set out in the Strategic report on page 29.

9. Called-up share capital

	2019		2018	
Share capital	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**952,161**	**9.5**	978,971	9.8
Purchase and cancellation of own shares	**(18,963)**	**(0.2)**	(26,810)	(0.3)
Total	**933,198**	**9.3**	952,161	9.5

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2018 AGM, the Company was authorised to make market purchases of up to 94,802,631 of its ordinary shares, subject to minimum and maximum price restrictions.

A total of 20,229,881 ordinary shares of £0.01 were purchased in the year (2018: 26,809,702). The average price paid per share was 461.5p (2018: 358.5p), with a total consideration paid (inclusive of all costs) of £94.0m (2018: £96.7m). 1,266,000 shares were purchased to be held in treasury (2018: nil) with 18,963,811 being cancelled.

Included within shares in issue at 31 March 2019 are 565,555 (2018: 932,761) shares held by the ESOT and 3,996,041 (2018: 4,194,989) shares held in treasury, as detailed in note 10.

10. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2017 and 31 March 2018	(1.4)	(15.5)	(16.9)
Own shares held at 1 April 2018	(1.4)	(15.5)	(16.9)
Transfer of shares from ESOT	0.6	–	0.6
Repurchase of own shares for treasury	–	(5.8)	(5.8)
Share-based incentives	–	5.6	5.6
Own shares held as at 31 March 2019	**(0.8)**	**(15.7)**	**(16.5)**

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 2017	948,924	4,203,277	5,152,201
Transfer of shares from ESOT	(16,163)	–	(16,163)
Share-based incentives	–	(8,288)	(8,288)
Own shares held at 31 March 2018	932,761	4,194,989	5,127,750
Own shares held at 1 April 2018	932,761	4,194,989	5,127,750
Transfer of shares from ESOT	(367,206)	–	(367,206)
Repurchase of own shares for treasury	–	1,266,000	1,266,000
Share-based incentives	–	(1,464,948)	(1,464,948)
Own shares held as at 31 March 2019	565,555	3,996,041	4,561,596

11. Related parties

During the year, a management charge of £4.6m (2018: £2.1m) was received from Auto Trader Limited in respect of services rendered.

At the year end, balances outstanding with other Group undertakings were £414.7m and £409.7m respectively for debtors and creditors (2018: £439.9m and £287.3m) as set out in notes 4 and 6.

12. Post balance sheet event

On 5 June 2019, a Group entity extended £316.5m of the Syndicated revolving credit facility by an additional year. The facility will now terminate in two tranches:

- £316.5.0m in June 2024; and
- £83.5m at the original termination date of June 2023.

There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated. The Company will continue to be a guarantor for the facility.

Shareholder information

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Financial calendar 2019–2020

Annual General Meeting	19 September 2019
2020 Half-year results	7 November 2019
2020 Full-year results	4 June 2020

Shareholder enquiries
Our registrars will be pleased to deal with any questions regarding your shareholdings (see contact details in the opposite column). Alternatively, if you have internet access, you can access **www.autotradershares.co.uk** where you can view and manage all aspects of your shareholding securely including electronic communications, account enquiries or amendment to address.

Investor relations website
The investor relations section of our website, **plc.autotrader.co.uk/investors**, provides further information for anyone interested in Auto Trader. In addition to the Annual Report and Financial Statements and share price, Company announcements including the full-year results announcements and associated presentations are also published there.

Cautionary note regarding forward-looking statements
Certain statements made in this Report are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. They appear in a number of places throughout this Report and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. Persons receiving this Report should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Auto Trader Group plc does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Notes

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