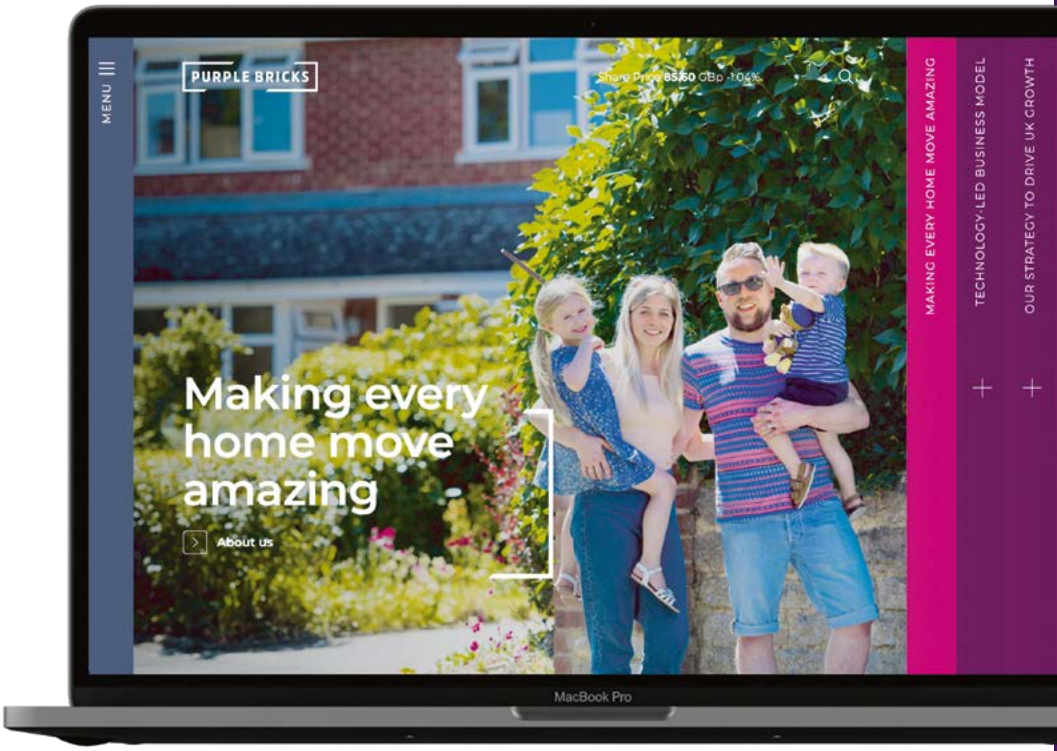
Purplebricks Group plc
Annual Report 2021

Brand + Technology + Experience

Making every home move amazing

The **largest** and **best performing** estate agent brand in the UK



We've launched our new corporate website at purplebricksplc.com

Financial highlights

Group revenue

£90.9m

FY20: £80.5m

Gross margin

63.5%

FY20: 64.1%

Operating profit

£8.2m

FY20: loss of £5.7m

Adjusted EBITDA[1]

£12.0m

FY20: £2.9m

Cash at end of year

£74.0m

FY20: £31.0m

The revenue and profit measures above represent the continuing operations of the Group, being the UK business following the sale of the Canadian business in July 2020. FY20 comparatives have been restated accordingly.

1. The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures.

   For full definitions and reconciliations of APMs, please refer to note 5 of the financial statements.

   Adjusted EBITDA is defined as operating profit, adding back depreciation, amortisation, share-based payment credits and charges, exceptional items and the results of associates and joint ventures.

At a glance

Purplebricks at a glance

Our purpose

Purplebricks is the UK's leading tech-led estate agent. Combining a clear **brand** with great **technology** and a fantastic customer **experience**, we make every home move amazing.

Our mission

Achieve **10%** market share by being the **go-to place** to buy, sell or let your home.

Our values

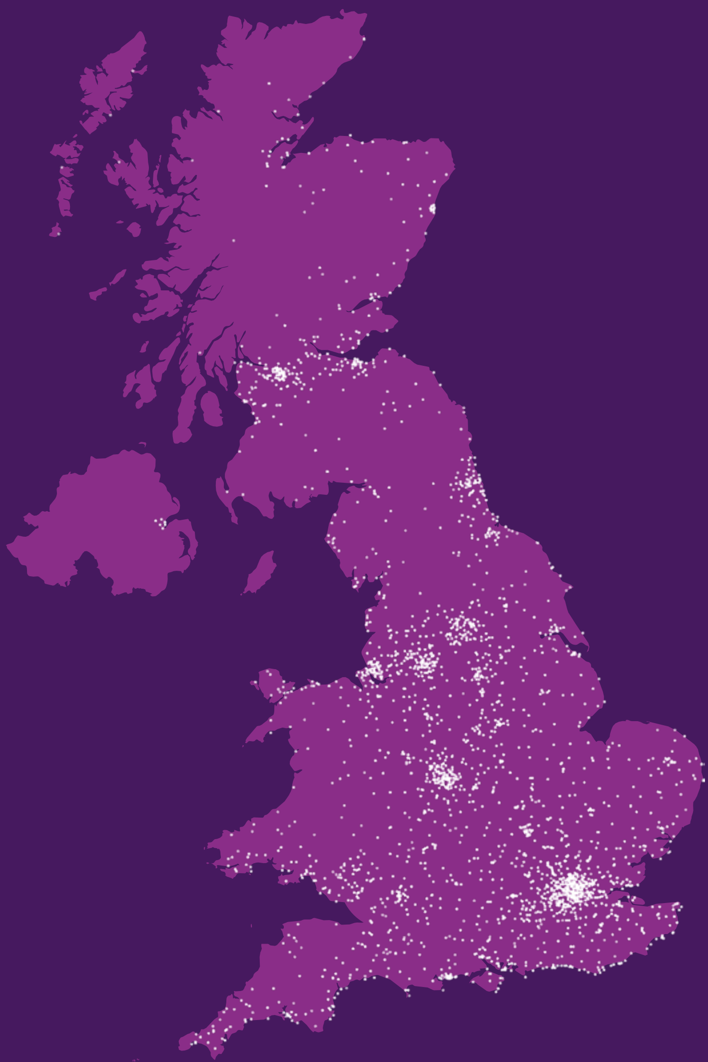
1. EMBRACE THE MOVE(MENT)

2. FEARLESSLY PROGRESSIVE

3. WE PLAY TOGETHER AND WIN TOGETHER

One of the largest estate agent brands in the UK

Map of Purplebricks FY21 SSTC*



Value of houses sold

£11bn

(FY20: £9.3bn of UK Property)

Market share of houses sold

4.6%

(FY20: 5.1%)

UK instructions[1]

58,043

(FY20: 50,948)

1. Please see page 25 for updated definition.

* SSTC – sold subject to contract.

Our key strengths

We are the leading UK technology-led estate agent, in a market ready for disruption, with many growth opportunities from a focused strategy and the financial strength to execute successfully.

1. BRAND STRENGTH

- Largest, best known tech-led estate agent with 97% brand awareness
- Most positively reviewed estate agent in the UK
- Opportunities to extend brand consideration

Brand strength
Read more on p.4

2. TECH-LED DISRUPTER

- Launched as the first online estate agent
- Introducing technology to take friction out of the customer journey
- Strong digital credentials across Executive Leadership
- Clear evidence consumers are starting to shift towards apps and tech-based alternatives

Tech-led disrupter
Read more on p.6

3. UNIQUE BUSINESS MODEL, DISRUPTIVE PRICING

- Dual-sided business model, connecting customers with self-employed agents
- New pricing approach disrupted the traditional % commission fee model
- Fixed fee up-front model achieved significant traction quickly
- 600 locally based, experienced local property experts
- We drive productivity and integrate with partners to create cross-selling opportunities at the right stage of the move process

Unique business model, disruptive pricing
Read more on p.12

4. FAVOURABLE MARKET DYNAMICS

- Covid-19 and lifestyle changes driving strong market activity
- Stamp duty extension helping near-term demand
- Government support for first-time buyers will support lower price property transactions
- Market set to return to growth following a long period of low transaction volumes

Favourable market dynamics
Read more on p.14

5. NEW FOCUSED STRATEGY

- House Strategy focused on opportunities to grow share in UK market
- Clearly articulated strategy and execution plan, with team in place to deliver
- Medium-term targets set to track strategic progress:
  i. 10% market share
  ii. £1,750 –£1,800 average revenue per instructions
  iii. 25% –30% EBITDA margin

Robust financial position
Read more on p.24

6. IMPROVING FINANCIALS

- Profitable UK operations, with improving EBITDA margin
- Cash-generative business
- No debt, £74m cash balance
- Targeting 25%–30% EBITDA margin over the medium term

Financial strategy
Read more on p.24

Making every home move amazing

Brand strength

- Brand awareness at 97%
- Brand consideration at 36%
- The most recalled brand partner of Team GB
- Opportunity for further growth of brand consideration

97%

brand awareness

A nationally famous brand

Purplebricks has continued to grow national fame, perceived as an "innovative, modern brand with a lot of momentum". At the centre of this has been our partnership as the Official Estate Agent of Team GB in the build-up to the delayed "Tokyo 2020" Olympic Games. Our campaign around the sponsorship launched with a high profile, national TV campaign, helping the brand become the most recognised partner of Team GB (ahead of the likes of Aldi and Adidas).

With the Olympics now rescheduled for summer 2021, we are continuing to deepen our association with Team GB through our fully integrated "Home Support" campaign.

Driving local relevance

Under the leadership of our new CMO, ex-Just Eat marketer Ben Carter, our strategic approach has focused on increasing local relevance, whilst re-establishing our famous national brand. During 2020, Purplebricks increasingly utilised digital media to deliver hyper-local brand campaigns. Channels such as digital radio enabled the creation of bespoke campaigns for specific locations, whilst targeted YouTube campaigns delivered a measurable lift in consideration by targeting customers with specific and relevant messages. The focus on localisation will continue this year, through an increased regional marketing presence, targeted media spend and personalised creative messaging.

Great people and industry-leading technology

Making every home move amazing continued

Tech-led disrupter

Purplebricks is adding digital intelligence to the house buying process to deliver transparency and trust to the transaction. We're building a rich, unified communications platform to connect sellers and buyers to our property experts. Our platform and app puts house sellers fully in control of the process.

Technology+

Technology continues to drive everything we do for customers.

319,000

downloads of the Purplebricks app

Purplebricks is leveraging the very latest in digital innovation and we have developed our offering around 3D tours. We know willingness to do virtual viewings, especially as an initial step, has increased significantly: our research found that 69% of homebuyers are now happy to do virtual viewings. We're also layering the very best market data alongside our own proprietary data to give sellers the most accurate valuation for the current market.

Our mobile Purplebricks app was downloaded 319,000 times compared to just over 100,000 in the previous financial year – a 183% increase. The app was also opened more than 11 million times. Almost 1.5 million messages were sent between buyers, sellers and our local agents and around 36,000 offers were accepted in the app over the last year.

We're also ensuring our local experts are using the very best technology – equipping them with a custom mobile app. Valuations will be smart and data driven and use cutting-edge visual content marketing.

4.5-star App Store rating

Making every home move amazing continued

A better experience

The power of Purplebricks lies in giving customers the best of both worlds: the full support of our knowledgeable local experts combined with complete control of their sale via our digital platform.

Team GB athlete Harry Gibson has recently sold with Purplebricks

The easy to use app and overall simplicity of the process made the whole thing far more enjoyable than I had ever imagined. I loved that the entire service can be accessed and used through their app and website. You could change the time of viewings easily, and could message the prospective viewers directly. I also liked how you can receive and respond to offers through the app. We did consult our agent at every stage of our sale, and he was very prompt to reply and offer his advice. The process was far more transparent than going through a traditional agent.

69%

of homebuyers are happy to do virtual viewings

Usually accessed via our app, our technology gives customers total transparency: they can manage their calendar and viewing requests, message their buyer, see how their property is performing, negotiate offers and instantly agree a sale.

This combination of tech and local expertise provides a strong customer experience – and this was recognised in January 2021 when we were awarded Feefo's Platinum Trusted Service Award (due to achieving a customer rating of over 4.5 out of 5 for three years running).

Virtual viewings

Last year, we also saw a significant increase in the amount of people using our app to sell and buy their homes, highlighting how more people are willing to embrace technology as part of their home moving process.

One in six

people are willing to make an offer after a virtual viewing

65%

of buyers have viewed a property virtually in the last 12 months

Over half

of home buyers are willing to embrace technology in the search for their new home

Chairman's statement

Strong performance in a challenging year

"The business has performed ahead of our expectations, despite the Covid-19 headwinds and the challenges felt by the industry.

Paul Pindar
Chairman

The new financial year started with the country still in lockdown, and our number one priority at Purplebricks was to ensure that we navigated our way through Covid-19 as securely as we could. That meant not only safeguarding the financial wellbeing of the Company through the pandemic, but also the wellbeing of our customers and our people across the organisation.

I am very proud of the resilience and adaptability shown by our teams, as they demonstrated we could still deliver a fantastic experience for customers, even when faced with unprecedented rules and restrictions to our normal ways of working. In fact, our technology-led proposition enabled us to act quickly as a business – providing great service to our customers, even when many of our high street competitors remained closed.

Strong set of results

Against this challenging backdrop, we achieved a strong set of results in FY21. Group revenue from continuing operations was up 13% to £90.9m (FY20: £80.5m), with an operating profit of £8.2m (FY20: loss of £5.7m). As a result of the strong trading results and the sale of the Canadian business we have built a substantial cash balance of £74.0m at the year end.

In 2020, we accepted government support through the furlough scheme, which helped Purplebricks to support our people during the early stages of the pandemic. However, having demonstrated the strength of the business this year, the Board was pleased to reimburse all of the £1.0m furlough support received and we now look to the future with confidence.

Purplebricks 2.0

The financial stability of the Group has provided immense confidence as we embark on something I like to call "Purplebricks 2.0", as we evolve into a more mature organisation, with the right ingredients in the mix to really scale up our business. One of those ingredients is having the right management team in the right positions leading the business. I feel we have strengthened the business and ended the year with a very well-balanced leadership team. The leadership team is a key part of the foundations we need to drive Purplebricks forward towards a 10% market share in the UK.

We are taking the right actions towards this, including the introduction of a new pricing and proposition offering, supported by additional investment in our marketing.

Board priorities and changes

The Board is committed to managing the Group's ambitions against risks, and to running the business in a responsible way – ensuring that we have a positive effect wherever we operate. We are focused on what we can do to make Purplebricks a strong, successful company that we can all be proud of.

As mentioned in last year's report, Dr Stephanie Caspar joined the Board in July 2020 as the Axel Springer Board representative, and Andy Botha joined Purplebricks in May 2020, having previously been CFO at ZPG plc, taking on the role of Chief Financial Officer. I was also delighted to welcome Elona Mortimer-Zhika to the Board as a new Non-Executive Director and Chair of the Audit Committee in September 2020. Elona brings us tremendous experience of leading businesses through growth and transformation, as Chief Executive Officer of IRIS Software Group.

Maintaining our governance standards

The Board remains committed to achieving high standards in our governance infrastructure, and we are consistently increasing our levels of professionalism. The Company continues to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") and is committed to complying with the QCA Code or providing a clear explanation of any areas where we do not.

Distribution policy

Our distribution policy is a regular subject for discussion at the Board, especially considering the healthy cash balance we have built up over the course of the last year. We continue to look cautiously for merger and acquisition opportunities that would add value to the Group. However, we may still introduce initiatives that would absorb more working capital in the future, so a more prudent approach may be justified. With so many organic growth opportunities available to us, the Board has agreed that it remains too early to return capital to investors.

The year ahead

As a team, we are planning to do much more with the business – such as investing more in marketing to drive growth, investing at pace in our technology offering and taking other tangible measures that will move us towards our target of 10% market share. I like to be involved in businesses where you are in control of your own destiny. For some businesses over this past year, that has not been the case. One of the reasons I am optimistic is that at Purplebricks we have that opportunity and can shape our own future. We are confident that the supply constraints we are currently seeing in the market will be short-lived, and market volumes will return to meet the high levels of demand we are seeing across all segments. We will continue to focus most of our time and attention on rolling out our revised pricing strategy and supporting agents in the field to make sure we continue to give the best customer service.

As the strategy rolls out, we have the opportunity to build Purplebricks to become the UK market's leading tech-led estate agency, known for being excellent at selling houses and customer service. As we build towards our target of a 10% market share, with the scalable cost base that we have, we will have a business that will also be extremely profitable. It is about doing a few things well, being clear about our priorities and executing them.

The business has performed ahead of our expectations, despite the Covid-19 headwinds and the challenges felt by the industry. It is to the great credit of Vic Darvey, his leadership team, and all of our people that we have hit these positive numbers. I'd like to take this opportunity to express my personal thanks to everyone who has played their part in an extraordinarily challenging year.

Paul Pindar
Chairman
5 July 2021

Business model

Creating value by making every home move amazing

Our dual-sided marketplace creates value by connecting our customers with our self-employed local property experts.

Our resources

PEOPLE
We seek a mix of capabilities with an appropriate balance of real estate and digital talent

BRAND
With high levels of brand awareness, our focus is on converting that brand awareness into usage

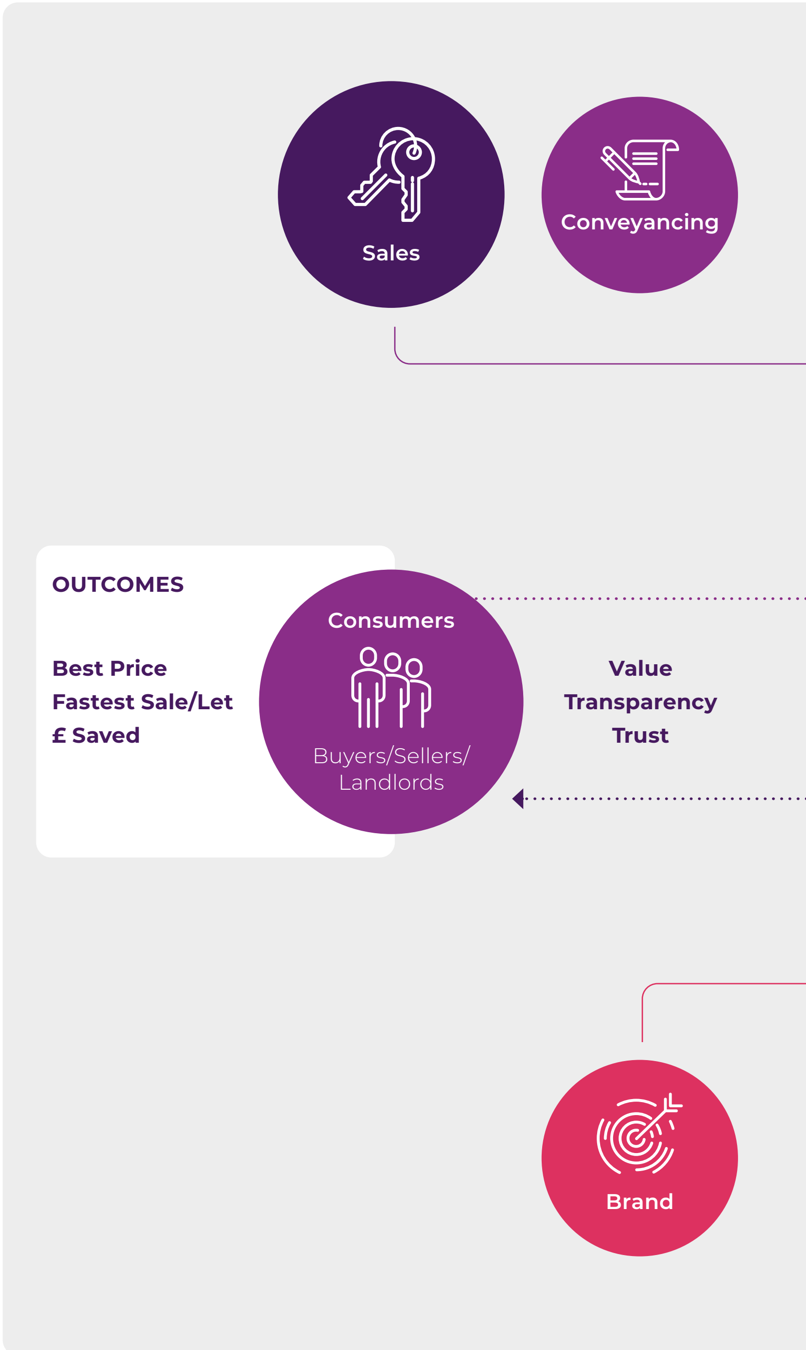
TECHNOLOGY
Our digital capabilities enable us to convert consumer interest and enhance the customer journey

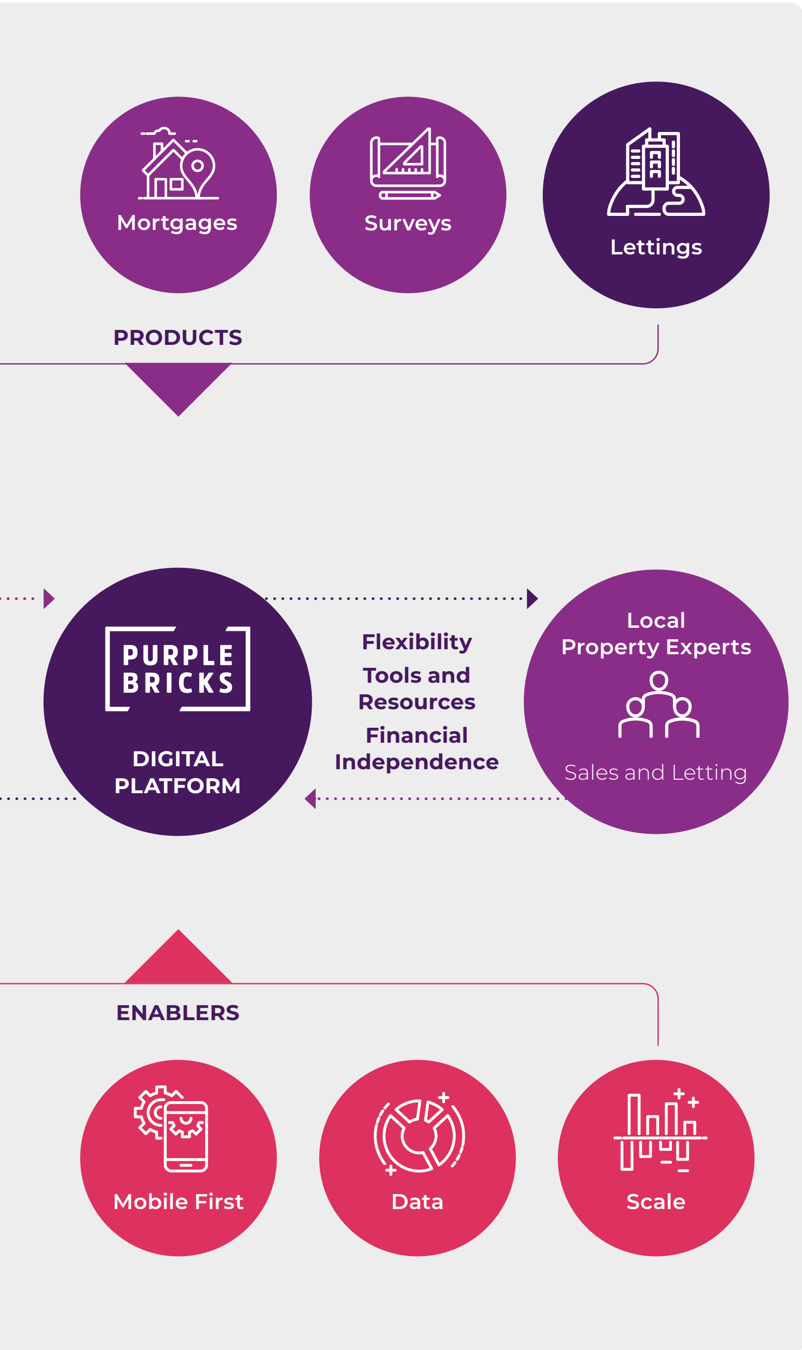
RELATIONSHIPS
Our self-employed agents are responsible for providing services to customers on behalf of the Group

MANAGEMENT
Enhancing our leadership capabilities across the business has been a key focus in FY20

FINANCIAL
We are focused on financial discipline and making considered investments in the Group

Digital platform





Value we create

EMPLOYEES AND AGENTS

We employ over 400 people and work with around 600 self-employed agents across our operations in the UK

1,000

BRAND

Marketing is a central element of the Purplebricks strategy and has helped us build our brand

£18.9m

spent on marketing and advertising

CUSTOMERS AND SUPPLIERS

Providing transparent value-for-money services to customers and paying all suppliers in line with their terms of payment

£96m

commission savings by our customers

INVESTORS

The Group's financial strength allows us to execute our strategy and invest in the business

£74.0m

cash at the year end

STAKEHOLDERS

We are committed to our self-employed agents, supporting our local community and reducing our environmental impacts

A Covid-19 support fund of

£0.4m in FY20 and £0.9m in FY21

was made available for LPEs during the pandemic

Market overview

Capturing opportunities in a rebounding market

Our place in the market

Purplebricks is a tech-led estate agency serving the UK residential property market, selling and letting homes, as well as providing ancillary services, such as conveyancing and mortgage broking services. 93% of the properties we sell are valued under £500k, and we operate in 37 sales territories across the UK, so we are not materially exposed to any one region or the London property market.

Purplebricks is fully focused on the significant opportunities we see for our business model in the UK market. In July 2020 we exited our last overseas market with the disposal of our Canadian businesses. This has freed up management time and resources to ensure we can execute our strategic priorities, through which we aim to achieve our medium-term target of a 10% share of all properties sold in the UK.

UK housing market dynamics

The UK housing market is cyclical in nature, impacted by a combination of macroeconomic factors and government policy, which can materially impact the annual sales volumes. During this financial year we have also had the direct impact of the Covid-19 pandemic on the market, as well as on our business, employees and agents (see our Chief Executive's Statement on pages 16 to 19).

The market has experienced a slowdown in volumes since 2016, weighed down by longer-term cyclical and structural factors, and exacerbated by a period of economic and political uncertainty. This all led to a reluctance by buyers and sellers to engage in the property market. Key market drivers include property prices, consumer confidence, mortgage availability, a variety of disincentives for new buy-to-let investments, and 2016's stamp duty regime changes, all of which have impacted property volumes.

UK residential property sales (000s)

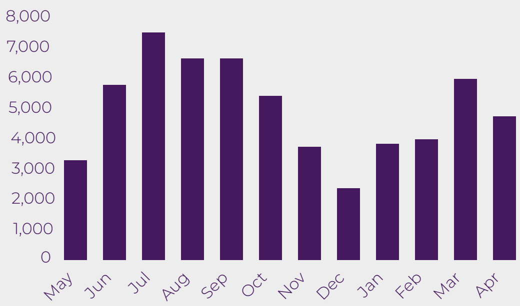
Purplebricks' FY21 performance

1.0 million properties were sold in the calendar year 2020, down 12% from 2019, against the backdrop of the near total shutdown of the market for a period of six weeks from 24 March 2020 as the Covid-19 pandemic hit the UK. Although the housing market reopened on 13 May 2020, strict social distancing rules remained in force for the remainder of our financial year.

This disruption due to Covid-19 had a significant impact on the housing market at the start of our financial year, with new instructions down 46% in May 2020. While the market was essentially shut in the early part of May, as a hybrid agency Purplebricks continued to trade digitally, although at significantly reduced levels. There was a sharp rebound in volumes from July, which continued throughout the first half of our financial year. This was at least partly due to the total suspension of stamp duty on properties below £500k, announced by the Government in July 2020, that provided a strong stimulus to consumer confidence during a period of huge economic uncertainty.

New instructions slowed from December, picking up again in March and April when the UK Government announced the extension of the stamp duty holiday for properties whose sale completes by the end of June 2021. This helped us finish our financial year strongly with instructions (net of refunds, see Financial Review section for amended definition in FY21) of 58,043, an increase of 14% on FY20 (50,948).

FY21 instruction profile



Emerging trends and drivers

During FY21 there have been a number of emerging drivers that have impacted transaction volumes and consumer behaviours. We believe these present both short-term and longer-term opportunities for the Purplebricks tech-led, fixed fee model.

Covid-19: shift to hybrid working

While Covid-19 had a sudden and dramatic impact on market activity when it first emerged, it has also had longer-term structural impacts on consumer behaviour. There has been a shift from city and urban living, with families and couples moving into more rural and suburban areas. Many are looking for larger properties with gardens, and opting for longer commutes, as they expect the shift to hybrid working to become a more permanent feature of the UK job market. This lifestyle choice has been a material factor in demand, leading to a shortage in the supply of larger out of town properties. However, we expect Purplebricks to continue to benefit from this lifestyle shift in the years ahead.

Digitisation

In an industry that has been slow to adopt new technology, Purplebricks has led the way in enabling its consumers to fully transact online, from listing their property to communicating with our agents and potential buyers through our myPurplebricks app. Covid-19 saw a structural shift in customers transacting online across all categories and they are now much more comfortable with the increasing digital transformation of the housing market.

Downloads of our app increased by 183% in the year, while virtual viewings and online 3D tours have become a permanent feature of the market. They allow customers to shortlist their own viewings online, reducing the volume of in-person viewings. We believe our tech-led model will give Purplebricks further advantages compared to our traditional analogue high street competitors as this shift towards digitisation continues.

Government policy

Government policy has a direct impact on our industry, and on the likelihood of a customer choosing to buy or sell a home. Since the change in the stamp duty regime in 2016, we have seen the structural impact of this "property tax" on the market. This effect was particularly apparent this year when the market responded positively to the suspension of stamp duty on properties under £500k. The further stimulus following the stamp duty holiday extension to June (and tapered to September for properties up £250,000) and the introduction of the Mortgage Guarantee Scheme for first-time buyers will help customers, and should support strong market activity well into FY22.

Market share

Market share is a key measure of success of the Purplebricks model. Since FY20 we have been reporting our percentage of houses sold by volume, as measured by TwentyCi, as we believe the success of our model and business is best demonstrated by our conversion rate from instructions to sell, which is one of the highest in the industry.

The UK property market is still largely dominated by traditional high street agents, with online providers accounting for just 8% of total transactions. We strongly believe customers need healthy competition across the whole industry, and that a stronger competitive offering from the online providers will drive growth in the total market share of online providers.

In FY21 we remained the number one estate agent brand in terms of market share of houses sold at 4.6%, marginally down on the prior year of 5.1%.

We have set ourselves a target of achieving total market share of 10% in the medium term, and our House Strategy aims to deliver this target through the expansion of our total addressable market (see Our Strategy on pages 20 to 21).

1. Source: TwentyCi.

Chief Executive's statement

Strong foundations built for further growth

> "I believe that we now have the right management team, right strategy and right tech to continue to grow the business.

Vic Darvey
Chief Executive Officer

More sales #1

Instruct more #1

Convert more #1

Like so many businesses, Purplebricks has faced a number of disruptions in the year due to Covid-19. The market recovered strongly since it opened up in May of last year and our performance has been ahead of market expectations, delivering an 8% increase in instructions in the first half, and a 14% increase in instructions for the year[1]. This demonstrated the strength of our technology-led business model, as we moved quickly to serve customers in the difficult circumstances of the pandemic.

Our model is now more relevant than ever, as customers continue to be more comfortable buying and selling their homes digitally. That's been a big part of our success this year, and is one of the reasons we are emerging from the pandemic in a strong position. We have improved our virtual capabilities, we have adapted quickly to new ways of working, and we have enhanced our technology to make it easier for customers to buy and sell their homes with us.

Strong foundations built for further growth

As a result of continued financial discipline and operational excellence across the business we saw strong growth in Group Adjusted EBITDA, up over 300% vs last year, and a significant improvement in cash generation compared to last year. Our average revenue per instruction (ARPI)[2] continued to increase, at £1,501, up 7% from £1,401 last year, while our overall share of the market is 4.6% of properties sold by volume. We have also maintained our clear brand leadership in the UK, with prompted brand awareness at 97%, its highest ever level.

We have continued to simplify the business, including the disposal of our Canadian business, which has considerably strengthened our cash position and allowed us to focus fully on the growth opportunities in the UK once more.

We have also strengthened our leadership team to ensure we have the right capabilities to deliver our digital transformation programme. We are delighted to have made a series of key appointments – Andy Botha as Chief Financial Officer, Helena Marston as Chief People Officer, Ben Carter as Chief Marketing Officer, and Andy Britcliffe as Chief Digital Officer. We have also promoted new Managing Directors of Sales (North and South) and recruited a new Head of Lettings.

1. Instructions represents instructions net of refunds. This definition has been amended since last year. For further detail see the Financial Review section.
2. Average revenue per instruction (ARPI) equates to total fee income, divided by instructions. This definition has been amended since last year. For further detail see the Financial Review section.

Navigating the business through Covid-19

This great performance has been achieved in the shadow of the Covid-19 pandemic, and it remains a great source of pride that Purplebricks has come through the year stronger than ever. Most importantly, we put the health and wellbeing of our people and our customers first at all times, but we have also successfully pivoted to new ways of working that have ensured we continue to deliver a great service to our customers.

I am very proud of the resilience shown by the Purplebricks team over the last year, as our people demonstrated their agility in adapting and evolving to the ever-changing market dynamics during the pandemic and I was delighted to see this reflected in the Platinum Service Award we received from our review provider Feefo.

Healthy and buoyant property market

Despite a number of disruptions due to lockdown restrictions, which resulted in a stop/start property market, overall we have seen a healthy and buoyant market this year, with demand now outstripping supply at the year end. Consumers have shown they have a real appetite to move home if the conditions are right. There is also clear evidence that they are shifting towards tech-based alternatives and apps and are starting to embrace technology when buying and selling a home in the UK.

The stamp duty holiday (now extended until the end of September, albeit tapered from June) has had a clear impact on the market, fuelling new calls for stamp duty reform. While a great deal of uncertainty remains in the UK due to the Covid-19 economic slowdown, this has not had a major influence on the property market, and long-time concerns around Brexit are largely behind us.

What I think we can say with real confidence is that our tech-led operating model is a clear competitive advantage and has proven we are more agile than a typical high street estate agent. Looking ahead, I expect the mortgage guarantee scheme, coupled with low interest rates, will help maintain the momentum we see in the market, although it is likely that an imbalance between supply and demand will continue for a short period of time.

Covid-19 timeline 2020–2021

16 March	All non-essential travel and contact to end across UK. Purplebricks starts to shut down its offices and ensures all employees are ready to work from home
23 March	First lockdown announced and housing market closes for seven weeks
Early April	Purplebricks furloughs a significant proportion of its workforce. Announced a support fund to help self-employed field team
10 May	First easing of England's lockdown
13 May	UK housing market reopens
1 June	Lockdown measures start to ease. Purplebricks continues to operate remotely, encouraging customers to have virtual valuations and viewings
Mid–end June	Purplebricks brings employees back from furlough as pent-up demand from lockdown leads to very high volumes in the market
8 July	Stamp duty holiday extended until 31/03/21
31 October	Second lockdown in England – housing market remains open
4 January	Third UK lockdown
3 March	Extension of stamp duty holiday and new mortgage guarantee scheme announced
8 March onwards	Restrictions start to lift and government's four-step roadmap begins

Chief Executive's statement continued

Making every home move amazing

I believe that it's our strong sense of purpose that sets Purplebricks apart in the category, and it is very much the driving force in our House Strategy, announced at HY20. We continue to refine our strategy, though our mission remains the same – "to achieve 10% market share by being the go-to place to buy, sell or let your home". To help us get there, the initiatives under our House Strategy continue to be executed at pace:

- Win more customers by evolving our pricing and proposition.
- Create the best home moving experience by redefining the end-to end customer journey.
- Empower our people by enabling them to be their best every day.

Win more customers

Our model remains unrivalled in the marketplace, offering consumers the opportunity to sell their homes for a fair, fixed fee and we have saved our customers hundreds of millions of pounds over the last seven years.

As we look to increase our market share, over the past year we have continued to look at ways to evolve our proposition, exploring new pricing models and introducing new proposition bundles that will help us to expand our target market.

Whilst the model remains very relevant in today's marketplace, the unprecedented dynamics of the past year have highlighted some barriers to greater adoption that we will need to overcome in order to further extend our target audience and achieve our market share ambitions. Following a significant piece of consumer research with Simon Kucher & Partners, we are now very clear what these are:

- Firstly, some customers believe the unconditional fee means that our agents aren't always incentivised in the right way.
- Secondly, some target customers do not fully understand the Purplebricks offering and often see it as a DIY alternative to the high street.
- Lastly, with the absence of a high street presence, there is sometimes a misconception that we lack local expertise.

So what does this mean for Purplebricks? In order to achieve growth, our future pricing and proposition must:

- Ensure that there is a clear sense of accountability beyond the initial listing.
- Drive overall consideration by educating the seller on the full service that Purplebricks offers and the results it achieves vs the high street.
- Simplify our offering to allow ease of comparison vs the simple "one-size-fits-all" approach taken by the high street.
- Promote and emphasise local expertise and the role of the LPE in facilitating the end-to-end process.

To test our customer research findings, we launched two six-week trials in a number of fiercely competitive territories in the North West in May and June 2021. These trials have now concluded successfully and we are very encouraged by their findings.

Key findings – pricing trial

- A Money Back Guarantee had a similar effect on consideration[3] to a fixed fee on completion:
  - Consideration to instruct increased 44% vs current proposition.
- Introducing a Money Back Guarantee significantly increased conversion[4] in the living room:
  - Conversion in the living room increased 18% during the trial, improving across all territories.
- A Money Back Guarantee also increased instructions[5] won:
  - Compared to pre-trial, MBG region daily run-rate instruction growth was 14% higher than non-MBG national average.

Key findings – proposition trial

- Using a two-tier proposition line-up optimises choice and significantly increases consideration[6]:
  - Streamlining and simplifying our proposition delivers an uplift in priced consideration of +11%.
- £999 remains a key price threshold.
- There is an appetite from customers to tailor their own proposition with added ancillary products such as 3D tours, premium listings and energy certificates/and home reports.

In response to these findings, we are launching a Money Back Guarantee and a simplified two-tier proposition, as detailed above, both of which will be rolled out nationally in July. The terms of the Money Back Guarantee apply to properties marketed at the agreed valuation, allowing customers a refund on their full fee if they have not received a proceedable offer within 10% of their valuation. We have a high level of confidence in the data originating from these pricing and proposition trials and are very excited about the growth opportunities these new initiatives will drive over the next few years.

The launch of our new pricing and proposition will be supported by a step change in our marketing investment later in the year. There will be a re-emphasis of our marketing mix to upweight our credentials as a famous local brand and we will be focusing heavily on promoting and emphasising our local expertise and the role of the LPE in facilitating the end-to-end process.

We will do this through the implementation of hyper-local national media with targeted and relevant local messaging. We will increase brand visibility in towns and cities across the country through local partnerships and sponsorships – and more local marketing. We will also champion and equip our agents as true local heroes, emphasising and amplifying their credentials within the local property market.

Create the best home moving experience

In many areas, the pandemic has accelerated trends already present in the market, but by stepping up our investments in technology we have made it easier and safer for customers to do business with us. For example, we've greatly improved our virtual capabilities, enhancing our visual content by using 3D virtual tours and video trailers in our listings. We've redesigned our search and listings functionality, improved the customer portal experience, and redesigned our web and mobile apps to deliver a smarter, faster and simpler experience giving customers richer "in control" features. The app has now achieved an impressive 4.5-star App Store rating, based on more than 37,000 reviews.

We have also begun the task of improving personalisation in our end-to-end customer journey including deployment of a new customer data platform and CRM platform which will help us deliver a much more consistent experience for customers from valuation to move-in.

Integration of a new ecommerce platform will see us drive more innovation and agility around product bundles and ancillaries, making it easier for us to add new products to the existing proposition where relevant.

Digital enhancements over the year have started to significantly improve the agent experience with enhanced diary management, advert creation and automated contact management. In addition to this, we are building a new smart mobile app for our agents to enable on-the-go, instant communication with customers and to optimise the customer lifecycle, keeping them in control.

We have also delivered more automation in other areas of the business, such as the integration of Teclet, to automate the end-to-end lettings process for tenants and landlords, and the implementation of a new solution to improve the automation of anti-money laundering checks using Credas, which offers real-time identity verification using facial recognition.

Empower our people

With the whole world in the grip of a pandemic, supporting our people has extended into whole new areas this year. We stepped up by launching a support fund to help our self-employed Local Property Experts, many of whom were unable to access any government support. Throughout the organisation, we also allowed people to adjust their working arrangements, especially those who were home-schooling.

We have continued to focus on delivering a more consistent and improved performance across all areas in the field with the introduction of a new value proposition to bring to life our culture and values in the living room – the PB Way. We have also now completed an overhaul of our recruitment, training and onboarding processes with over 200 people having gone through our talent assessment and development programme. Alongside that, we have created and launched our first ever online learning platform.

As we continue to evolve our culture, we launched a new initiative, ONE PB, a cross-functional employee group focused on creating a sense of inclusion and belonging at Purplebricks. This is all supported by our new values which were launched this year:

- Embrace the move(ment);
- Fearlessly progressive.; and
- Play together, win together.

Promoting diversity at Purplebricks

Diversity has been a major focus this year, and a key focus for the organisation. We committed to improving the equality of opportunity at Purplebricks by signing the Business in the Community's Race at Work Charter. We followed this by setting two strategic priorities around cognitive and racial diversity, encouraging people to share their own diverse stories.

Looking to the future

Exceptional market conditions and lessons learned from the pandemic have reconfirmed the opportunities in the market and we strongly believe that there are multiple levers for growth within our control.

With technology at the heart of our business, and even more central to people's lives in a post-Covid-19 world, there is a significant opportunity for further innovation with a continued focus on delivering our strategic initiatives at pace.

We'll extend our total addressable market through the introduction of a unique Money Back Guarantee which has tested incredibly well in pricing trials. Over the last five years, we have tried a number of new initiatives to increase conversion in the living room, but none have shown the conversion impact of these trials, so we are very excited about the growth opportunity this new initiative will drive over the next few years.

We will also introduce a simplified two-tier proposition, making it easier for customers to see the strength of our proposition compared to our high street competitors.

To achieve our growth ambitions, we'll need to make sure sellers understand the full service we offer. We'll also need to promote our local expertise through increased local marketing – our customers need to be confident that no one knows their local property market better than us, while our offer still represents good value for money. In addition to this, we will continue to look at ways to evolve our operating model to produce an improved field performance alongside delivering a more consistent customer experience in the living room.

We are in a strong position to take advantage of the opportunities ahead. Our priorities for building our business for the future are clear. We have the market headroom, we have a focused strategy, and we have the leadership team in place to deliver on our plans. That's why I am extremely confident we can meet our ambitious targets in the years to come.

Vic Darvey
Chief Executive Officer
05 July 2021

3. Simon-Kucher & Partners | Market research February 2021 Q: Now imagine the same Purplebricks offer came with a money back guarantee. How likely would you be to sell your home with this Purplebricks offer?
4. Purplebricks | In-market trial North West region | Booked conversion pre-trial: (1 April to 9 May) to trial period (10 May to 20 June).
5. Purplebricks | In-market trial North West region | Daily instructions run-rate: (1 April to 9 May) to trial period (10 May to 20 June).
6. Simon-Kucher & Partners | Market research February 2021 | Based on conjoint analysis (indirect purchase simulation exercise).

Our strategy

To make every home move amazing

Our mission is to achieve a 10% market share over the medium term by being the go-to place to buy, sell or let your home.

Purplebricks is focused on delivering a sustainable business for our customers, employees and shareholders by providing a seamless and trusted home move experience, delivering services, products, tools and information to every customer who wants to buy, sell or let a home and to all Local Property Experts who derive real value from working with us.

1 Win new customers by evolving our pricing and proposition

Our strategic priorities

- Channel diversification
- Pricing and proposition development

What it means

Purplebricks has been very successful in going from start-up to the largest estate agency group in the UK by focusing on the single-minded proposition of a fixed up-front fee. We have begun to create a committed audience of hybrid adopters but, today, 92% of the market are still using traditional agents with a pay on completion commission. While the fixed up-front fixed fee will allow us to grow beyond our current audience, iterating our pricing and moving to a more sophisticated pricing and proposition structure will aim to extend our total addressable market and appeal to new customer segments.

+ See Chief Executive's statement for further details on new pricing policy

Progress in the year

- The Covid-19 pandemic delayed our plans for pricing trials in the first half of the financial year
- We completed deep dive and in-market pricing tests, and pricing trials were launched in selected territories in London and surrounding areas in autumn 2020, once the market had fully reopened
- We delivered the technology platform to facilitate a move to a more flexible pricing structure and to support these trials
- Following a significant piece of consumer research with Simon Kucher & Partners in the second half, we then launched a pricing and a proposition trial after the year end
- The results of these trials were very encouraging and we are now launching a Money Back Guarantee and a simplified two-tier proposition in 2021. Further details on these trials are detailed in the Chief Executive's statement on pages 16 to 19.

2 Create the best home moving experience by redefining the end-to-end customer journey

Our strategic priorities

- Improve search and listings experience
- Reimagine moving experience
- Agent toolkit

What it means

Technology has always been an area of differentiation for Purplebricks, and we will continue to invest in product and technology, to deliver rapid innovation in the end-to-end customer journey and continually make it easier to move home.

We will also continue to increase agent productivity by delivering greater automation and efficiency in the way they support our customers.

Our app platform will deliver further personalisation and greater engagement by enabling us to introduce contextually relevant products and services to our customers.

+ See Chief Executive's statement for further details

Progress in the year

- We have continued to invest in building our engineering depth and capability, driven by a new Chief Digital Officer and Head of Product who joined in September 2020
- We are starting to drive a step change in our customer experience
- Real focus on improving virtual capabilities and enhancing visual content during Covid-19:
  - Introduced interactive 3D tours and video trailers
  - Redesigned our search and listings functionality
  - Reconfigured the app front end to deliver an easier, faster and simpler experience, achieving a 4.5-star approval rating in the App Store
  - App usage has seen strong growth with 183% increase in downloads from the App Store

3 Empower our people by enabling them to be their best every day

Our strategic priorities

- Engaging our people
- Developing our people
- Developing our organisation

What it means

Creating a consistent identity and culture with shared values will provide a strong framework for driving the business forwards, keep us connected as a team and drive the achievement of our medium-term goals.

Improvement in our people, organisational agility, resilience, efficiency and capability will enable our strategy.

The field teams are our strongest connection to our customers, and it is key for us to continually look to find ways to improve the performance of the field to deliver a great customer experience.

Attracting the right leaders, offering better earnings opportunities, recruiting and training the right people and following the right process, using data and technology in the living room to demonstrate our point of differentiation, are the key factors in the achievement of our market share target of 10%.

Progress in the year

- We created a new People and Organisation Strategy, underpinned by a single HR platform
- Starting from zero, we developed a Diversity and Inclusion Strategy, split into three stages, and raised Diversity and Inclusion (D&I) into the boardroom agenda
- We have introduced a new value proposition to bring to life our culture and values in the customer living room – The PB Way
- We have implemented a new target operating model to drive a strong sales culture across our field agents balanced by higher levels of service standards
- We introduced a new talent tool helping Territory Operators to more consistently recruit, train and retain the best agents in the field
- We launched the "Your Key to PB" programme – evolving our journey as a digital business and providing continuous training modules and learning opportunities for everyone in the field

+ See the Sustainability section for further details on the D&I Strategy on pages 35 and 36

4 Build for scale by transforming our platform and processes

Our strategic priorities

- Keeping the business safe
- Building for the future
- Automation for simplification

What it means

We are building scalable foundations across all areas of the business to ensure we can grow faster and safely, without growing pains. We are making strategic decisions and investments in the capabilities we need to scale up the business, and identifying opportunities to innovate and automate key agent and customer processes for improved service and scaled growth.

+ See Chief Executive's statement for further details

Progress in the year

- Delivered automated anti-money laundering (AML) checks for sellers
- Commenced next phase of AML with self-certification through the deployment of facial recognition
- Commenced work on automated anti-money laundering checks for buyers
- Deployed new CRM to support email marketing
- Implemented Teclet, a new platform for automation of processes for property management in lettings
- Invested in a multi-skilled team in customer services, doubling the size of our post-sales support team
- Improved self-service tools and automation across the customer journey
- Continuing to deliver great customer service:
  - Net Promoter Score of +79
  - Awarded Feefo Platinum Trusted Service Award in 2021

Key performance indicators

Measuring our performance

The Group uses key performance indicators to track and assess the financial performance of the business against its strategic targets.

Instructions, total fee income, ARPI and CPI have been redefined this year, see the Financial Review section on pages 24 to 27 for further details.

Instructions[1]

58,043

Definition

The number of instructions won in the year, net of the number of instructions refunded in the year.

Performance

As a result of the buoyant market we saw a 14% increase in the number of instructions to 58,043, picking up significantly once the market re-opened in mid-May 2020.

Link to strategy

ARPI[1]

£1,501

Definition

Total fee income divided by the number of instructions in the period.

Performance

7% increase in average revenue per instruction to £1,501 (FY20: £1,401) primarily driven by last year's price increases being in effect for the full year, alongside a healthy take-up of additional products.

Link to strategy

Total fee income[1]

£87.1m

Definition

Fees receivable for instructions at the point of instruction and conveyancing and mortgage referral fees due in relation to completed transactions.

Performance

Instructions and ARPI together drive total fee income.

Link to strategy

Unique visitors

14.6m

Definition

The number of unique visitors to the website in the year.

Performance

Increase of 11% from 13.1m in FY20, reflects much higher activity in spring 2021 as compared to the Covid-19 affected spring 2020.

Link to strategy

Marketing as % of revenue

21%

Definition

Total marketing costs, including portals, divided by revenue.

Performance

Down 480 ppts due to lower marketing activity in the early part of the year, together with a more targeted approach to investment in UK brand and customer acquisition during the heightened activity in the second half.

Link to strategy

Cost per instruction[1]

£326

Definition

Total marketing costs, including portals, divided by instructions.

Performance

Down from £404 in FY20.

Link to strategy

Revenue

£90.9m

Definition

Statutory revenue including lettings, with instructions revenue spread over the service period, and conveyancing fees at referral.

Performance

Includes the timing effects of movements in deferred revenue, and Lettings revenue (steady year on year at £6.6m).

Link to strategy

Adjusted EBITDA

£12.0m

Definition

Profit or loss from operating activities, adding back depreciation, amortisation and share-based payment charges or credits and exceptional costs. At a Group level this measure also excludes results of joint ventures and associates.

Performance

Reflects an increase in gross margin of £6.1m and cost management through the year.

Link to strategy

Profit/(loss) for the year

£6.8m

Definition

The result of the Group for the year including discontinued operations.

Performance

Strong UK performance and the successful sale of the Canadian business led to a net profit for the first time this year. FY20 loss of £19.2m reflected results from US and Australia.

Link to strategy

Cash

£74.0m

Definition

Cash and cash equivalents at year end.

Performance

Strong UK cash generation and the successful sale of the Canadian business has left us with a strong balance sheet including £74.0m of cash at year end.

Link to strategy

LINK TO STRATEGY

WIN NEW CUSTOMERS

CREATE THE BEST HOME MOVING EXPERIENCE

EMPOWER OUR PEOPLE

BUILD FOR SCALE

FOOTNOTE

1. Refer to updated definition on page 25.
2. Restated – see note 2.2

Financial review

Strong financial and operational performance

Andy Botha
Chief Financial Officer

"The team at Purplebricks has delivered a strong set of financial results in what was a truly remarkable year.

The UK business has performed strongly, despite challenges in the early weeks of the year caused by the housing market shutdown arising from Covid-19 restrictions. Trading recovered quickly, and instructions growth, together with our continued focus on optimising performance and financial discipline, combined to deliver a strong set of results. The UK trading performance, together with the disposal of our Canadian business, has strengthened our cash position, creating a strong balance sheet to support our plans for growth.

Continuing operations

	Group			UK		
FY20 restated – see note 2.2	**2021**	2020	Change	**2021**	2020	Change
Revenue	**90.9**	80.5	13%	**90.9**	80.5	13%
Cost of sales	**(33.2)**	(28.9)	15%	**(33.2)**	(28.9)	15%
Gross profit	**57.7**	51.6	12%	**57.7**	51.6	12%
Gross profit margin	**63.5%**	64.1%	(60)bps	**63.5%**	64.1%	(60)bps
Adjusted operating costs	**(26.5)**	(28.1)	(6)%	**(26.5)**	(26.2)	1%
Marketing costs	**(18.9)**	(20.6)	(8)%	**(18.9)**	(20.6)	(8)%
Net other income and expenditure	**(0.3)**	—	—	**(0.3)**	—	—
Adjusted EBITDA	**12.0**	2.9	314%	**12.0**	4.8	150%
Depreciation and amortisation	**(3.0)**	(3.7)	(19)%	**(2.8)**	(3.5)	(20)%
Adjusted operating profit/(loss)	**9.0**	(0.8)	—	**9.2**	1.3	—
Share-based payment credit/(charge)	**2.3**	(0.5)	—	**2.3**	0.1	—
Exceptional operating costs	**(2.1)**	(1.6)	31%	**(2.1)**	(1.6)	31%
Share of results of associate/joint venture	**(1.0)**	(2.8)	(64)%	**—**	—	—
Operating profit/(loss)	**8.2**	(5.7)	—	**9.4**	(0.2)	—

Key Performance Indicators (KPIs)

Having spent some time getting to know the business in more detail, for FY21 we are taking the opportunity to redefine four of our KPIs in order to present a view of the results of the Group which is more transparent and closely related to current levels of activity, and which will assist users with their understanding of the underlying performance of the business.

Moving forwards, we will use "instructions" to refer to instructions net of refunds pre-publication, that is, those instructions which generate revenue. The definition of "total fee income" was amended this year and includes fees receivable in respect of instructions and ancillary products, rather than only including these amounts at publication. These changes connect the three KPIs together for the first time by allowing "total fee income" to be divided by "instructions" in order to derive average revenue per instruction ("ARPI"). "Cost per instruction" (CPI) is now calculated as marketing costs divided by "instructions". Previously, this metric was calculated as marketing costs divided by instructions won, gross of refunds. The change in definition is to show the effectiveness of marketing spend in leading to revenue-generating instructions.

The tables below set out these changes in more detail, together with FY21 and FY20 amounts for both the new and redefined measures:

KPIs introduced for FY21 and going forward – not previously reported

KPI	Definition	2021	2020	Change
Instructions	Number of instructions won in the year, net of the number of instructions refunded in the year.	**58,043**	50,948	14%
Total fee income	Fees receivable in respect of instructions (as defined above) and mortgage referrals, and conveyancing fees due in respect of completed transactions.	**£87.1m**	£71.4m	22%
ARPI	Total fee income divided by the number of instructions in the year.	**£1,501**	£1,401	7%
CPI	Marketing costs divided by the number of instructions in the year	**£326**	£404	(19)%

KPIs in use at FY20 and previously reported

KPI	Definition	2021	2020	Change
Instructions	Gross number of instructions won in the year.	**60,238**	53,680	12%
Total fee income	Fees receivable for published instructions, lettings and mortgage referrals, and conveyancing fees due in respect of completed transactions.	**£91.5m**	£79.4m	15%
ARPI	Total fee income excluding lettings, divided by the number of published instructions in the year.	**£1,479**	£1,394	6%
CPI	Marketing costs divided by the number of instructions won in the year	**£314**	£383	(18)%

Revenue

As a result of the buoyant market we saw a 14% increase in the number of instructions to 58,043, picking up significantly once the market re-opened in mid-May 2020. Alongside this, we delivered a 7% increase in the average revenue per instruction (ARPI) to £1,501 (FY20: £1,401) (see definition in table above), primarily driven by last year's price increases being in effect for the full year, alongside a healthy take-up of additional products.

Total fee income – the fees receivable in respect of instructions and mortgage referrals, and conveyancing fees due in respect of completed transactions were up 22% year on year at £87.1m (FY20: £71.4m). This measure does not include lettings revenue, which was steady year on year at £6.6m.

Financial review continued

Revenue continued

Overall, and net of an increase in deferred revenue year on year of £2.8m, revenue of £90.9m was up 13% in the year (FY20: £80.5m).

We recognise our instruction revenues over the expected service period during which we provide services to customers. In a market where instructions are increasing, as we saw in FY21, we would expect to defer a greater amount of revenue into future service periods than we are releasing from previous months.

Looking back to this time last year, in the early stages of the impact of Covid-19 on the market, there was higher than usual uncertainty regarding the timing and profile of recovery of the UK housing market at 30 April 2020. As a result, the service period at 30 April 2020 was forecast to be significantly higher than usual.

Based on information available now, we have estimated the future service period in respect of instructions on hand at 30 April 2021 to be approximately 26% shorter than at the prior year end. However, increased activity levels have more than offset the shorter service period, leading overall to a higher deferred income balance at 30 April 2021 than at 30 April 2020.

Gross profit margin

Our gross profit margin was down 60bps at 63.5% (FY20: 64.1%), with gross profit of £57.7m, up 12% (FY20: £51.6m).

The majority of cost of sales is represented by commissions paid to self-employed Local Property Experts (LPEs).

Timing impacts of accrued and deferred income carried into FY21 had a positive impact on FY20 gross margin, with FY21 seeing a return to historical average gross margin levels.

Adjusted operating costs

UK adjusted operating costs (see definition in note 5) increased by 1% to £26.5m (FY20: £26.2m). A key focus for the year was cost optimisation across all operational and support areas, whilst looking to support and retain our teams during the uncertainty of the housing market shut down.

In April, we notified HMRC of our intention to repay all receipts from the UK Government's Coronavirus Job Retention Scheme ("CJRS") in respect of staff on furlough, and therefore not working in the business during the period. This amount was repaid after the year end and the cost of repayment was accrued at 30 April 2021. Overall, CJRS therefore has a net cost impact of £0.3m on FY21, being the repayment of both FY20 and FY21 receipts.

Marketing

Marketing costs reduced by 8% to £18.9m (FY20: £20.6m), reflecting our ability to manage our variable costs quickly, and dial up and down in response to the market. Reduced costs in FY21 also reflect lower activity in the pandemic-affected first half, and reduced costs from the portals during the shutdown, together with a more targeted approach to investment in UK brand and customer acquisition during the heightened activity in the second half.

Marketing cost per instruction (CPI) was £326, significantly down from £404 in FY20, and marketing costs as a percentage of revenue fell 480 bps year on year.

Whilst we do still expect marketing to fall as a % of revenue over time, we would expect the coming period to see further investment in marketing to support growth.

Adjusted EBITDA

Adjusted EBITDA (see definition in note 5) was £12.0m, up 314% (FY20: £2.9m), with UK margins developing to 13.2% from 6% last year. Given the challenges experienced throughout this year, we are pleased with these results which reflect the improvement in gross profit and cost management set out above.

Depreciation and amortisation

Depreciation and amortisation was £3.0m, down from £3.7m in FY20, mainly reflecting the impairment of US and Australia website costs in the prior year.

Share-based payment charges

Share-based payment arrangements gave rise to a credit in the year of £2.3m, compared to a charge of £0.5m in the prior year. FY21 has seen a significant credit arising from the reversal of charges taken in previous years as options held by leavers lapsed on their leaving the business.

Exceptional items

Exceptional items include amounts that management believes are necessary to present separately in order to show a more comparable view of the underlying performance of the business. Total exceptional items this year were costs of £2.1m (FY20: £1.6m), and comprised:

- Costs of supporting the network of independent LPEs in response to the Covid-19 pandemic of £0.9m (FY20: £0.4m); and
- Costs of a fundamental restructure of certain support functions of £1.2m (FY20: £1.2m arising from restructuring of the customer service and sales functions).

The aggregate costs of each of these items is significant across the current and prior year.

Operating profit and profit for the year

Overall, the Group made an operating profit of £8.2m (FY20: loss of £5.7m), including our share of losses of an associate.

Including the results of the Canadian business which was sold in July 2020 and which is presented within the discontinued operations line in the income statement, the Group's total profit for the year was £6.8m (FY20: loss of £19.2m).

Taxation

The net tax credit of £0.3m arises primarily in respect of deferred tax movements in the UK. Although the UK utilised tax losses brought forward against taxable profits in FY21, increases in assets relating to potential future deductions in respect of share-based payment schemes more than offset this reduction in carried forward losses. Deferred tax assets continue to be recognised in full in the UK, based on expectations of sufficient taxable profits to utilise these assets in future.

Sale of Canadian business

We disposed of our Canadian business in July 2020 for a cash consideration of CAD$60.5m (£35.9m). After a subsequent working capital adjustment of £0.5m in favour of Purplebricks was agreed in November 2020, final consideration amounted to £36.4m. After taking account of cash disposed of with the Canadian business of £3.5m, the final net cash receipts were £32.9m.

A gain of £2.3m arose on disposal of the net assets and liabilities of the Canadian business. The Canadian business made an operating profit of £1.5m up to the date of disposal (including receipts of £1.4m from the Canada Emergency Wage Subsidy).

Inclusive of foreign exchange losses recycled to the income statement on disposal of £0.9m, the total result from discontinued operations for the period was a profit of £2.9m. The trading of the Canadian business up to disposal and for the prior period has been reflected within discontinued operations on the face of the income statement. See note 8 for further detail.

Investment in Homeday

During the year, the Group reassessed the nature of its investment in Homeday and reclassified its holding from a joint venture to an associate. This reassessment led to a gain on reclassification of £1.4m. A further gain of £0.6m on step-down of shareholding occurred in H2 relating to the investment in Homeday which we chose not to match. These gains were offset by our share of Homeday losses for FY21 of £3.0m. See notes 3 and 21 for further detail, including of the rationale for reassessment of classification.

No further investment in Homeday was made during the year and no further investment is currently anticipated.

Statement of financial position

The Group has a strong financial position to support its current activities and future growth, including a cash balance of £74.0m (30 April 2020: £31.0m). Net assets of £87.8m were £5.7m higher than the comparable figure (30 April 2020: £82.1m) mostly as a result of the total comprehensive profit for the year of £7.7m, which includes the gain on disposal of the Canada business.

Working capital balances at 30 April 2021 now represent the UK only; however, due to significantly higher UK activity levels at 30 April 2021 compared with 30 April 2020, both deferred and accrued income are up year on year overall. As set out above, deferred income in the UK has increased due to higher year-on-year transaction volumes, particularly following the closure of the housing market in March 2020, partly offset by a shorter service period at 30 April 2021.

Cash flow

Operating cash flow was an inflow of £13.0m (FY20: outflow of £24.0m). Within this, continuing operations accounted for an inflow of £12.0m (FY20: outflow of £8.9m) and discontinued operations accounted for an inflow of £1.0m (FY20: outflow of £15.1m).

The FY21 inflow from continuing operations arises from profitable trading of the UK business and working capital timing effects in the UK, linked to the growth in instructions, which are paid up-front.

Investing activities, not including the sale of the Canadian business for net cash receipts of £32.9m, led to an outflow in FY21 of £2.5m (FY20: outflow of £7.1m), of which continuing operations represented £2.5m (FY20: £5.8m). The reduction year on year results from investment in Homeday in the prior year of £4.6m, with UK capital investment relatively consistent year on year.

Financing activities represented an outflow of £0.4m (FY20: £0.7m), mainly relating to leases.

Total cash inflows for the period were £43.0m (FY20: outflows of £31.8m), of which continuing operations comprised £9.1m and discontinued operations comprised £33.9m.

Approved and signed on behalf of the Board

Andy Botha
Chief Financial Officer
5 July 2021

Stakeholder engagement

Meeting our stakeholders' needs

Our unique hybrid, dual-sided business model connects buyers, sellers, landlords and renters with our self-employed sales and lettings agents. It is enabled by our digital platform, but is reliant upon Purplebricks working with, listening to and responding to all our stakeholders' needs. The ongoing sustainable success of the business is dependent on our relationship with a wide range of stakeholders.

Directors' Section 172 Statement

The Board considers its key stakeholders to be its employees, self-employed agents, customers, shareholders, suppliers, local communities, governments and non-governmental organisations. Boards are required to show they seek to consider the interests of all relevant stakeholders when reaching decisions.

Section 172 of the Companies Act states that: A director of a company must act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The Board seeks to understand the views and needs of the Company's key stakeholders to ensure that we make decisions with consideration for all our stakeholder groups and address their long-term needs and concerns. Where there may be competing priorities, these are discussed by the Board and the commercial, human and broader business impacts are considered against the longer-term sustainability of the business. It takes seriously the views of these stakeholders in setting and implementing our strategy.

The Company takes its environmental responsibilities very seriously and is committed to reducing the footprint of its operations. As an online business its operations have a low impact on the environment. The Company will further assess opportunities to reduce its environmental impact in FY22.

The Directors consider that they have acted in a way that would promote the success of the Company for the benefit of its members as a whole, having regard to matters set out in s.172 (1) of the Companies Act 2006.

In addition to the information provided here, more detail on how our stakeholders influence and shape our business and how we seek to act in their interests can be found throughout the Strategic and Governance Reports:

- Board discussions – see pages 54 to 62;
- Sustainability – see pages 33 to 39;
- Strategic Report – see pages 1 to 43; and
- Covid-19 response – see page 17.

In the table opposite we identify our key stakeholder groups and describe how their interests and concerns are considered by the Board and influence the decision-making process and the specific outcomes resulting from engaging with each group, many of which help inform and shape our wider strategy. These are complemented by case studies that focus on how the Board have engaged and responded on specific issues during the year.

Strong relationships across stakeholder groups

Stakeholder engagement is fundamental to the long-term success and sustainability of our business and we recognise that effective engagement and collaboration with all stakeholders will be crucial in us supporting the UK's net-zero revolution.

LINK TO STRATEGY — **WIN NEW CUSTOMERS** — **CREATE THE BEST HOME MOVING EXPERIENCE** — **EMPOWER OUR PEOPLE** — **BUILD FOR SCALE**

Our people

Link to strategy

Why they're important to us

Our people blend their skills and knowledge with our technology to create inspirational experiences for our customers to make every home move amazing.

How we engage

We provide our people with a clear strategy and all employees have an annual personal appraisal and regular one-to-one meetings with their line manager to monitor performance against an agreed plan.

Empowering our people is a strategic pillar for us, this includes communicating with them openly and authentically and ensuring they have the best technology to complete their work, be successful and thrive.

The Senior Leadership Team holds monthly Q&A calls with all employees enabling sharing of information and gathering of employee feedback. Virtual events were used to maintain dialogue with colleagues while Covid-19 measures were in place.

What are the outcomes

Our people shape every aspect of our company, helping us to win new customers and grow by championing our brand and delivering award-winning customer service, as demonstrated by our 4.5 out of 5 Feefo customer rating for three years running.

During the pandemic we closed our premises in advance of the mandatory closures to better protect our people. During the UK lockdown a number of the team were furloughed with 80% of salary paid by the Government.

Agents

Link to strategy

Why they're important to us

Our unique dual-sided marketplace creates value by connecting our customers with our 600 self-employed local property experts. Our territory operators and self-employed agents are responsible for providing services to customers on behalf of the Group.

How we engage

Territory operators and agents have direct access to the same communication channels of directly employed staff and actively participate in Company events, the Senior management Q&A and the Annual Conference. We hold quarterly events for all Territory Operators, where they meet with senior management to update them on the latest digital and marketing initiatives to drive performance and win new customers.

What are the outcomes

The performance of our Territory Operators and agents is fundamental to the continuing success of Purplebricks. Their inclusion in Group-wide events and communications ensures they are aligned to the business objectives and outcomes for our customers.

Agents were supported during the Covid-19 pandemic by the availability of a significant support fund to support them when the housing market was shut.

Stakeholder engagement continued

LINK TO STRATEGY | WIN NEW CUSTOMERS | CREATE THE BEST HOME MOVING EXPERIENCE | EMPOWER OUR PEOPLE | BUILD FOR SCALE

Customers

Link to strategy

Why they're important to us

Purplebricks is focused on delivering a seamless and trusted home move experience, delivering services, products, tools, and information to every customer who wants to buy, sell or let a home. As such our buyers, sellers and landlords are at the heart of everything we do.

How we engage

Customers are central to all decisions made by the Company and the Board considers the needs of customers when taking decisions on all aspects of the Companies interactions with customer including; technology employed on the website and app, standards and behaviours of our self-employed agents, quality and availability of post sales service and reviews of our pricing.

- Capital was prioritised to allow investment in digital solutions designed to protect our customers from the risk of Covid-19.
- the deployment of virtual viewings was prioritised and along with other protocols this ensured our customers had confidence to continue selling and letting their properties throughout the lockdowns.

What are the outcomes

Purplebricks completed £11bn worth of property in the year with brand awareness at 97%. We ensured that we continued to serve the property market during Covid-19. This allowed people to buy, sell and let properties, ensuring the communities and wider public had flexibility to move to pursue their work and personal goals.

Shareholders

Link to strategy

Why they're important to us

Our investors include individual and institutional shareholders. We maintain an active dialogue with our investors through our extensive investor relations programme.

How we engage

We hold investor roadshows at the time of our full year and half year results, enabling our institutional investors to meet with the CEO and CFO. We attend, present and network at investor conferences, enabling direct access to our CEO and CFO.

All recorded results presentations and CEO interviews are made available online through our investor website, purplebricksplc.com

- Our advisors provide a mechanism through which investors can provide feedback to the Company.
- The Board receives monthly reports on investor views, and related activity, as well as ad hoc updates outside the monthly Board reporting as required.

What are the outcomes

Establishment of an investor relations function to support the CEO and CFO and proactively engage with advisors, analysts and shareholders.

Embedded an IR CRM system to ensure all meeting notes are appropriately recorded.

Suppliers and community

Link to strategy

Why they're important to us

We drive productivity and integrate with partners to create cross-selling opportunities at the right stage of the move process.

We believe that our long-term success is closely linked to the success of the communities in which we operate. Communities are where our current and future customers, colleagues and their families, partners and other stakeholders live. All of these people are crucial to our success and growth.

How we engage

While we have a relatively small supplier base, Purplebricks is committed to treating all our suppliers fairly. We endeavour to pay all suppliers in line with their payment terms and, where this is not possible, we take steps to minimise the impact on the supplier.

We create jobs and provide development opportunities in the communities where we operate. Through our people and agents, we support local initiatives and causes, wherever possible.

At the end of 2019, Purplebricks became an official partner of Team GB, providing sponsorship to the Team and promoting their individual athletes through our TV advertising campaign.

What are the outcomes

We become a trusted neighbour to everyone in our communities. Our brand becomes known for doing good and contributing to the health of the community by supporting causes and creating jobs.

Regulators & government

Link to strategy

Why they're important to us

Our relationship with regulators, and with government, is important to ensure any new regulations and policies are developed in the interests of both our customers and the industry.

How we engage

As an approved representative of the FCA we engage with the regulator and take its views into consideration across our operation.

We actively engage with government on policies which impact the housing market, and presented our recommendations on Stamp Duty reform to the Housing Minister.

What are the outcomes

We made compliance improvements in the area of anti-money laundering for sellers and buyers to be automated. This is an important step for public trust in us and the wider estate agency sector.

Stakeholder engagement continued

The table below provides some examples as to how the Board have considered multiple stakeholders in making key decisions in the period:

Key Board decisions	Considerations
In response to the impact of Covid-19 on key stakeholders	
UK offices shut in advance of mandated lockdown and new rules put in place for viewings – stopped/amended	The requirement to prioritise the welfare, health and safety of colleagues and customers
During the UK lockdown a number of employees were furloughed with 80% of salary paid by the government, but the teams were brought back as quickly as possible as the housing market reopened	Our digital and IT teams were not furloughed to ensure uninterrupted support of our digital platform, and ongoing developments against our technology roadmap
Establishment of a significant fund to support self-employed agents not eligible for furlough payments	Agents are a critical part of the Purplebricks business and the Board wanted to protect their income levels during a time of great uncertainty for the self-employed
The Board considered the opportunity to sell the Canadian businesses	
The sale of the Canadian businesses	Provides the additional liquidity to core UK business to invest in future growth and provide security to team and field during period of uncertainty. Provides opportunity for the Canadian team to thrive under new local ownership. Provides investors with increased confidence in business' longer-term growth
The Board reviewed the Group's budget and forecasts, and approved key investment decisions	
Strategy for core sales delivery was approved, including marketing support	Allows us to continue to deliver our model to an increased customer base. Creates revenue-generating opportunities for the field in time of uncertainty. Creates sustainable business for all employees and investors
Headcount plan including investment in digital and marketing teams approved	Improving depth and capability in these areas key to long-term delivery of our strategy. Creates opportunities for existing and prospective colleagues
Strategy to focus on UK markets approved, with goal to deliver consistent UK EBITDA generation	Generates confidence for all stakeholders in the viability of the business to deliver EBITDA growth in a period of such uncertainty
The Board approved key senior hires	
Recruitment of new CFO, CPO, CDO and CMO to refresh capability in senior team was supported and approved by the Board	Introduction of greater depth and experience in digital transformation and growth increases confidence of all stakeholders in the ability to execute on strategy, and deliver sustainable growth for the business
Recruitment of a new Audit Committee Chair was approved and carried out this year	Need to continue improving governance for the business as we mature was recognised, and this new hire will provide confidence for all stakeholders that the business is growing under the appropriate levels of financial and risk management

Sustainability

We are taking steps to create the best legacy for our future

The past year's unprecedented challenges gave us a unique opportunity to fully understand the amazing impact we can have on our people (Purplebricksters), our customers, their communities, and the wider environment, and the extra steps we can take today to ensure we create the best legacy for the future.

Our people

We play together and win together.

We want our people to be the best they can be and work together to make every home move amazing for our customers. Despite an extraordinary year impacted by Covid-19, we focused more than ever on our people – articulating our values, strengthening our culture and creating opportunities for professional growth and development.

Our community

We create amazing experiences and opportunities around the UK.

As the UK's largest estate agency brand we're proud to be a valued member of many different communities throughout the UK. We're passionate about supporting them to thrive – from the jobs and development opportunities we create through to the local initiatives and causes we support.

Our environment

Fearlessly progressive in our pursuit of a cleaner and healthier planet.

Although we are an online business with an extremely lean physical infrastructure and largely paperless marketing model, we're committed to actively minimising our impact on the environment. We know there is more we can do to help protect our planet. As an innovative tech-led estate agency, we draw on our creativity and knowledge of cleaner technologies to further reduce our carbon and greenhouse gas emissions.

Sustainability continued

Our three new values

In September, we began an exciting journey to define and articulate our values – our shared beliefs and ways of doing things – which are the foundations of our strategy and will drive us towards our purpose and mission.

Through a series of workshops, our leaders and members of a range of teams worked to identify the common values that were unique to our Company, which resonated with all of our people, their beliefs and their aspirations.

We ultimately settled on three dynamic values that are relevant to all of us at Purplebricks and these were revealed to everyone at our all-colleague virtual conference in January.

Our values are:

1. Embrace the move(ment)

– This is an adventure. It won't always be plain sailing, but with passionate people who believe in our journey, we know we'll Make Every Home Move Amazing.

2. Fearlessly progressive

– We're not another estate agency, we're in the business of transforming an industry. To do this, we need curiosity, entrepreneurial spirit and agility to explore uncharted territory.

3. We play together and win together

– We believe work should be fun and including others is important. The only way to realise our ambitions is to play as a team. No matter what position you play you are valued for your talents and uniqueness.

We believe it's vital for all of our employees to have an opportunity to talk about the values and how they relate to their experiences. To help with this, everyone will be invited to a special values workshop, which will give them chance to understand how the values relate to them and what more they can do to put them into action.

Hiring unique and amazing people

We have integrated our values into our recruitment and interview process for everyone looking to join our unique Company. This gives us confidence that the top talent we hire will thrive while working for us.

People

We operate and actively encourage an open and supportive winning culture.

Equality, diversity and rights

We want Purplebricks to be an amazing place to work – a welcoming, happy and safe space where Purplebricksters thrive and everyone feels they belong. We also recognise the benefits of ensuring our people reflect our customers and the communities where we operate.

Employee engagement

Covid-19 presented us with some exciting challenges around maintaining employee engagement and continuing to deliver the unique Purplebrickster experience remotely.

As a tech-led estate agency we were fortunate to have in place leading-edge employee communication technologies. These tools, combined with our creativity, enabled us to swiftly and confidently adapt to remote working, while always ensuring that no matter how far apart team members were, they always felt connected and had a sense of belonging.

Our Executive Leadership Team (ELT) used virtual events to maintain dialogue with colleagues while Covid-19 measures were in place. In January, we held our first all-colleague virtual conference. This was our biggest ever virtual online gathering that combined pre-recorded content and live presentations to introduce our new strategy and values in the most compelling way.

Our ELT also holds monthly virtual live Q&A sessions, to update our people on key topics and developments, and provide them with opportunities to directly ask them any questions.

We also completed a review and update of our employee value proposition.

As part of this, we worked with a third party specialist to benchmark colleagues' compensation and benefits against comparable competitors to ensure we remain attractive to new talent. As a result of the insight, we updated our benefits offering.

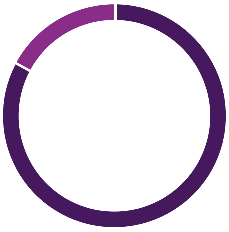
We will use the insight we have gained around the pros and cons of remote working to adopt a new hybrid approach. As Covid-19 restrictions are lifted, this new approach will ensure we all benefit from the best of both worlds – the creativity and collaboration of being together physically, and the added flexibility of remote working from other locations.

All of these actions together will help to ensure we continue to attract, recruit and retain the most unique and amazing people.

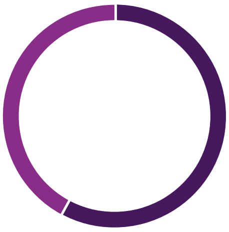
Sustainability continued

Gender reporting

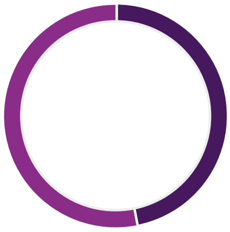
Executive Leadership Team



Senior Leadership Team



All employees



Accelerating positive change around diversity and inclusion

Increasing the gender diversity of our leadership teams continues to be an important area of work for the Company. Across Purplebricks, colleagues have worked to identify and eliminate biases and barriers that may be holding women back from promotion to senior roles.

Creating a place where we all belong

During the last 12 months, we took significant strides in our journey towards accelerating positive change around diversity and inclusion.

In July, we established ONE PB, a cross-functional employee group that develops and leads our diversity and inclusion activities, and acts as a trusted advisor to our Executive and Senior Leadership Teams. Working with leadership, ONE PB set two strategic priorities: racial diversity and cognitive and neural diversity.

We were the first UK estate agency to publicly speak out in support of the Black Lives Matter movement. In doing this, we made a commitment to prioritise diversity and inclusivity and to enter into a conversation with our people about what more we need to do.

To deliver our strategy, we know it's vital we reflect our customers and the communities where we operate. We do this by valuing the uniqueness of what makes our people amazing and encouraging everyone to work together to create a place where all of our people feel they belong.

Race at Work Charter

We're proud to be a signatory of the Race at Work Charter. The charter is designed to foster a public commitment to improving outcomes for Black, Asian and Minority Ethnic employees in the workplace. As part of the charter, Helena Marston, Chief People Officer, was appointed executive sponsor for race and is accountable for the commitments we have made and ensuring racial diversity remains a priority.

Alongside this, in September, our Executive Leadership Team participated in workshops, facilitated by ONE PB, about racial diversity. Our Executive Leadership Team also met with Black employees and listened to their personal experiences and discussed our role in combatting racism.

Health and safety

We remain committed to the highest standards of health and safety in our work activities for our employees, our customers and our partners. We have implemented social distancing and provision of PPE in our offices, and this will continue for as long as is needed. We will also use our enhanced technology platform to provide ways of working, to ensure we keep safety in mind at all times.

We've worked to alleviate the mental toll that Covid-19 and the lockdowns have had on our people and their families. For our support and operations teams, we have established a network of mental health first aiders who volunteer to support their colleagues who may be experiencing mental health difficulties at work. We're also sharing our learning with in-the-field agents who are looking to set up a similar support network. All of our employees have access to our Employee Assistance Programme as well as discounts off one-to-one private counselling sessions.

Modern Slavery Act

Purplebricks will take a zero-tolerance approach to any form of modern slavery. We are committed to trading in an ethical manner, with integrity and transparency in all business dealings. We are committed to creating effective systems and controls to safeguard against any form of modern slavery or human trafficking taking place within our business or supply chains. We strive to provide our customers with excellent service. In order to achieve that we require our suppliers to also meet our level of professional standards and compliance.

Community

We are making a positive difference to communities throughout the UK.

Creating opportunities for our communities

In support of our journey to become more inclusive, we sponsored a community initiative designed to help people without any previous IT coding skills find a route into a technology job. Based in Birmingham, but operating mostly online, the School of Code Bootcamp was a four-month project that gave free and flexible coding training. The course has an excellent track record, with a 90% employment success rate for its graduates. We're proud to have helped with this achievement – through our involvement with the School of Code, we were thrilled to offer employment with our digital team to a newly qualified female junior engineer.

The past year's lockdowns highlighted the issue of digital exclusion and its effect on the education of young people from disadvantaged backgrounds.

We were delighted to step in and make a difference to the pupils in our local communities of Shirley and Solihull. We donated much of our serviceable used IT equipment, after we completed the upgrade to our operations, lettings and compliance teams' tech.

We donated around 40 laptops to five schools. The head teacher of Hillstone Primary School, in Birmingham, who was one of the recipients, told us: "Our school has over 50% of children entitled to free meals and as such many children are finding it difficult to access our virtual school and to participate in remote learning. Your donation will make a huge difference to five children who will now be able to continue their work learning at home."

While technology can quickly become obsolete for our business needs, we recognise that it still has the potential to do amazing things for many and, looking ahead, we will look to make donating our used tech to charities and good causes our standard practice.

Partnering with Team GB to learn from Britain's best

We're incredibly proud of our continued partnership with Team GB in the run up to the rescheduled Olympic Games in 2021.

While Team GB athletes have played crucial roles in our external advertising campaigns, during the last year many of our employees also benefited from our partnership as the official estate agent of Team GB.

As prizes in our annual Leadership Awards, winners were given exclusive opportunities to receive special remote coaching sessions with Team GB's sports psychologists and one-to-one sessions with Olympic gold medal winners.

Ellie Sinclair was one of this year's Leadership Award winners. Her prize included a coaching session with Team GB's Dr Danielle Adams Norenberg and a chat with Olympic gold medal-winner Helen Richardson-Walsh.

During her coaching session, Ellie learnt the importance of a strong mindset to a winning athlete and explored techniques for developing her self-confidence and identifying her super strengths.

For the second part of her prize, Helen, who won her gold medal as part of the England women's hockey team at the 2016 Olympic Games in Rio, helped Ellie to understand the importance of clear values and a common mission.

"The two sessions were extremely useful," explained Ellie. "They provided me with insights into the power of the mind and the importance of working to develop and keep it in good working order, just as we would keep the rest of our body physically fit."

Sustainability continued

Environment

Purplebricks is committed to reducing its environmental impact and contribution to climate change.

Environmental sustainability

We recognise we have a responsibility to help safeguard the health of our planet for future generations. While our premises remain our biggest source of greenhouse gases, we know that we can – and must – take more action to strengthen our environmental sustainability and drive down our carbon consumption, greenhouse gas emissions and landfill waste.

As a tech-led estate agency, we're exploring the use of cleaner technologies. We're already piloting a salary sacrifice scheme with our Senior Leadership Team to enable them to make savings on the price of an electric car from Octopus Energy. We want to build on this initiative by helping more of our people understand the benefits of environmentally friendly transport options and by increasing access to electric vehicles and bikes.

We will also conduct a feasibility study into any infrastructure requirements at our sites to encourage electric vehicle use.

Elsewhere, we want to develop a roadmap that draws on best practices to encourage greater use of recycled and environmentally sustainable materials for marketing materials.

Along with these steps, we will also help our employees to become more aware of the Company's environmental impact via its value supply chain and explore how we might introduce environmental sustainability into all of our procurement processes.

Total energy (kWh)

-80%

Total SECR emissions

-81%

GHG emissions data

	2021	2020	Change
Energy (kWh)			
Natural gas	**21,462**	216,767	(90.1)%
Electricity	**158,793**	505,149	(68.6)%
Transport	**17,616**	289,853	(93.9)%
Total energy (kWh)	**197,871**	1,011,769	(80.4)%
Emissions (tCO_2e)			
Natural gas	**3.9**	39.9	(90.2)%
Electricity			
– Location based	**37.0**	129.1	(71.3)%
– Market based	***28.9***	*95.2*	*(69.6)%*
Transport	**4.1**	69.3	(94.1)%
Total SECR emissions[1]	**45.0**	238.3	(81.1)%
Intensity metric			
£m turnover	**90.9**	83.1	9.4%
tCO_2e per £m turnover	**0.50**	2.87	(82.6)%

1. Location-based emissions only.

Environmental reporting

We engaged specialist environmental consultancy Envantage Ltd to carry out an independent and detailed energy audit to calculate our energy usage and GHG emissions. We are continuing to review and implement its recommendations, in addition to the above commitments.

Under SECR, we will continue to monitor our energy usage and report our emissions intensity each year.

UK energy consumption and greenhouse gas disclosure

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2018 require Purplebricks Group plc to disclose annual UK energy consumption and greenhouse gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the reporting period 1 May 2020 to 30 April 2021.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas and business travel in Company-owned and grey-fleet vehicles. The table above details the SECR regulated energy and associated GHG emissions sources for the current reporting period.

Limited business travel and the introduction of remote working due to Covid-19 restrictions have significantly reduced Purplebricks' SECR emissions in FY21. This disruption has meant that no significant initiatives have been implemented during the reporting period to increase energy efficiency or reduce greenhouse gas emissions; however, climate-related issues are taken seriously as described previously.

While emissions related to home working would have increased, the Company estimates that overall, and including the effect of reduced commuting, the net effect was positive.

Data records and methodology

Electricity and natural gas disclosures have been calculated using energy consumption invoices and meter readings where available. Approximately 1.3 % of energy use has been estimated using CIBSE industry benchmarks, which account for office type and energy consumption as a function of the site floor area. Energy consumption has been pro-rated to the reporting period and then converted to equivalent GHG emissions using factors published by BEIS in 2020.

GHG emissions associated with purchased electricity have been reported using the Scope 2 location-based methodology, which adopts an average emissions factor reflective of the UK national grid generation mix in 2020. GHG emissions calculated using the corresponding market-based methodology, which adopts supplier-specific fuel mix disclosures that better represent the contractual arrangements in place, have also been included for comparison.

Transport disclosures have been calculated using business mileage expense claim records. Mileage was converted to energy and GHG emissions using the most recent emissions factors published by BEIS in 2020. As vehicle information such as engine size and type was not held against each claim, average emissions factors have been applied.

Risk management and principal risks

Risk management

We face ongoing risks in the course of our operations. It is only by timely identification, effective management and monitoring of these risks that we will be able to deliver our strategy and strategic goals.

Risk management, which has been highlighted in the past year through the impact of an uncontrollable event in Covid-19, is integral to the way we manage the Group. The heads of each business function monitor and report on their most significant risks on a continuing basis. All risks are consolidated, shared and reviewed by the Senior Leadership Team and the Board, which has ultimate ownership of the principal risks.

We seek to manage identified risks, rather than eliminate them, to achieve reasonable mitigation against material misstatements or loss within the business. The Board reviews the risks facing the business on a regular basis to decide the level of risk that is acceptable in pursuit of the Group's strategic goals. Assessing the nature of these risks, the level of risk they present to business performance, and the way these risks may be mitigated is critical for the success of our business over the long term.

As the business grows and evolves, the Board regularly reviews its risk appetite and governance structure to ensure it is appropriate. Overall, it is noted that the Board maintains a low risk appetite.

The relevant roles and responsibilities in monitoring and operating the system of risk management are set out below:

THE BOARD

- Provides strategic direction on the appropriate balance between risk and reward
- Sets the "tone" and culture for managing risk and embedding risk management
- Ensures the most significant risks facing the organisation are visible and properly managed

THE AUDIT COMMITTEE

- Monitors and reviews the Company's systems of internal control and risk management
- Makes recommendations to the Board for improvements or developments
- Reviews the Company's risk appetite and risk management framework

THE EXECUTIVE LEADERSHIP TEAM

- Promotes and supports the embedding of risk management throughout the business
- Ensures there is active management of identified and emerging risks
- Formally reviews the Company-wide risk register on a regular basis

RISK COMMITTEES

- Formally reviews the Company/functional risk register on a regular basis
- Ensures there is active identification of new and emerging risks in each operating area
- Ensures there is active management of those risks identified as needing mitigation and/or remediation

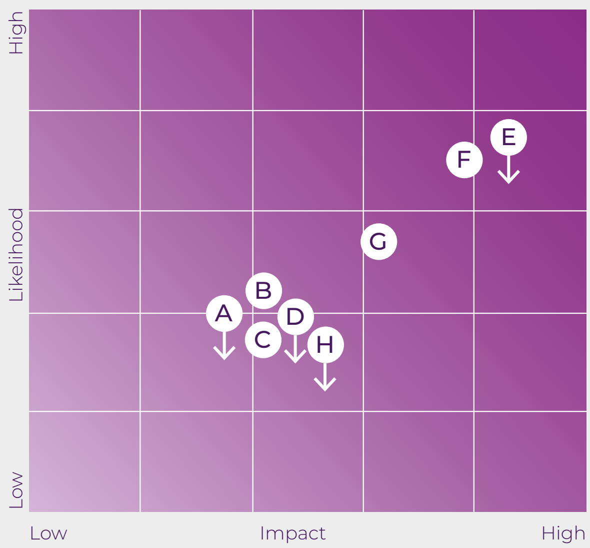
Principal risks and opportunities

These are the risk factors which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group and which may prevent us from achieving the Group's strategic objectives. (Additional risks currently unknown to us, or which we currently believe are immaterial, may also have an adverse effect on the Group.)

The heat map below highlights the residual/net positioning of our principal risks from a likelihood and impact perspective, and the direction of any movement from the prior year.

In FY21, risks arising from Covid-19 are presented within macroeconomic risks.

A more detailed description of the principal risks can be found on pages 41 to 43.



A Macroeconomic factors
B Competition
C Brand reputation
D People
E Compliance with laws and regulations
F Business model
G Cyber security and protection of data
H Financial control environment

Principal risks

RISKS WHICH HAVE BEEN MORE SIGNIFICANT YEAR ON YEAR

RISKS WHICH HAVE BEEN LESS SIGNIFICANT YEAR ON YEAR

RISKS WHERE SIGNIFICANCE IS UNCHANGED YEAR ON YEAR

A Macroeconomic factors

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The Group is largely dependent on the macroeconomic conditions in the UK as well as being exposed to changes in macroeconomic conditions internationally. As an estate agency the Group's fortunes are closely linked with those of the housing market and the broader economy as a whole. **Risk movement from prior year**	Economic uncertainty, such as that created by Covid-19, can adversely affect the Group's performance resulting in us failing to achieve our strategic objectives leading to lower market share than planned, with associated financial and reputational impact.	The local market conditions are closely monitored and reported on, as are the macroeconomic conditions. The Group has a flexible, scalable cost base, and holds significant cash reserves, which enables it to react quickly and effectively to changes in market conditions. We addressed the challenge of Covid-19 well, resulting in lower impact on us compared to our competitors. Furthermore, Brexit uncertainty has now passed.	To use our business model to react quicker than our competitors to any changes in market conditions, and ensure our market share remains unaffected, or grows as a result.

B Competition

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The success of the Group is dependent on maintaining scale through market share while operating in a competitive sector where there are many alternatives for the customer and the potential for new entrants. **Risk movement from prior year**	The actions of competitors, and/or our own inaction, could have a significant and adverse impact on performance.	The Group's investment in marketing, service and technology has delivered a scalable, well-known and trusted brand. We will continue to invest in our brand and in our innovative platforms to maintain a competitive advantage.	To use our business model to react quicker than our competitors to any changes in market conditions, and ensure our market share remains unaffected, or grows as a result.

C Brand reputation

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The Group has established an identifiable and respected brand which could be damaged by factors (both agent and employee led) such as unethical, unlawful or non-brand compliant activity, poor customer service, negative customer reviews or negative press. **Risk movement from prior year**	We could lose both existing and potential customers, and suffer significant brand reputation and financial consequences.	The Group continues to actively monitor its brand sentiment and Net Promoter Scores to ensure both its marketing and service quality reflect customer needs. The Group strives to maintain its reputation for being a trusted estate agency service provided at a fair fixed price and monitors its customer feedback, both direct and through third party providers, on a real-time daily basis.	To better understand the needs of our customers enabling a more focused marketing strategy.

LINK TO STRATEGY

Win new customers

Create the best home moving experience

Empower our people

Build for scale

Risk management and principal risks continued

D People

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The Group's success is dependent on the quality of its management, operational teams and agents. There is a risk we might not be successful in attracting, retaining, training and developing the right employees and agents. **Risk movement from prior year** ↘	We might be unable to effectively deliver our services to customers, and meet our strategic objectives.	Led by our Chief People Officer who was appointed at the start of the year we continue to drive the people agenda and culture change programme. We aim to provide competitive commission packages and flexible working practices to attract the best agents. We have created a strong employee brand, and invest in the recruitment, development and retention of our teams to maintain employee engagement and loyalty.	To further develop both our in-house and field capability, expertise and knowledge.

E Compliance with laws and regulations

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The Group operates in a sector with an evolving legal and regulatory environment and monitors developments to ensure legal, regulatory and ethical compliance, with particular focus on anti-money laundering compliance, which is key to our operations. **Risk movement from prior year** ↘	Failure to comply with applicable laws and regulations would adversely impact the Group's reputation and operations.	We operate ongoing monitoring of developments within the industry, embedding any changes within our systems and processes. The Board and Audit Committee are regularly updated about changes to the regulatory environment and any particular challenges these may create. Controls and processes continue to be enhanced with regard to anti-money laundering checking and other key compliance areas.	To build enhanced collaborative networks with stakeholders and peers, to monitor the implications of regulatory change.

F Business model

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The estate agency services we provide are performed by a network of self-employed agents who are independent of the Group. **Risk movement from prior year** →	Failure by the agents to comply with applicable laws and regulations in respect of their own business activities could be detrimental both to them and the wider Group.	We operate a robust performance management and operating structure for both our agents and our territory owners. Additionally, the Group has a dedicated management team in place to manage and support its self-employed agents, while the Group's compliance team monitors adherence to laws and regulations.	To further refine and enhance our business model to improve efficiency and effectiveness.

RISKS WHICH HAVE BEEN MORE SIGNIFICANT YEAR ON YEAR

RISKS WHICH HAVE BEEN LESS SIGNIFICANT YEAR ON YEAR

RISKS WHERE SIGNIFICANCE IS UNCHANGED YEAR ON YEAR

G Cyber security and protection of data

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
The Group's website and IT environments could be the target of cyber attacks. Through such an attack, there is a risk that we fail to manage and protect both customer and employee data, or we may not comply with legal or other regulatory requirements relating to customer data security and data privacy in the course of our business activities, including in our marketing activity, agent activity and other operational activity. **Risk movement from prior year**	We lose or misuse customer and employee data, resulting in a failure to comply with GDPR and other regulations – leading to adverse financial consequences and reputational impact.	The digital team monitors the resilience of our IT systems on an ongoing basis to ensure that customers and their data are protected, by running security programmes on a monthly basis, as well as tabletop exercises/"red teams" on an annual basis. GDPR legislation continues to be considered as part of every digital development to ensure we embed compliance within the Group's processes. Further, all staff receive training on security, data protection and compliance matters.	To develop a best in class website and in-house IT environment which are resilient to any potential cyber attacks and allow us to focus more on the pursuit of our strategic objectives.

H Financial control environment

Strategic alignment

Principal risk	Impact	Mitigation	Opportunity
Inaccurate financial information may result in suboptimal decisions being taken by management and inadequate financial controls could result in financial loss to the Group. **Risk movement from prior year**	Inaccurate financial reporting may lead to suboptimal decision making/financial loss, and the potential for misstatement in external reporting.	The systems of internal control deployed within the Group are designed to prevent financial loss, and significant improvements continue to be made in the control environment and procedures. Controls are strongest in areas where management considers the potential exposure to the Group of material loss or misstatement to be at its greatest, including areas such as bank accounts, cash collection and revenue recognition.	To develop a best in class financial information and control environment which proactively informs the business, manages risk and fosters a culture of risk and control awareness.

LINK TO STRATEGY Win new customers | Create the best home moving experience | Empower our people | Build for scale

Approval of the strategic report

The strategic report was approved by the board of directors on 5 July 2021 and signed on its behalf by:

Vic Darvey
Chief Executive Officer

Andy Botha
Chief Financial Officer

Chairman's introduction to governance

Recognising the importance of good governance

Paul Pindar
Chairman

> "We have championed the promotion of equality and diversity across all levels of the organisation.

Dear Stakeholder,

On behalf of the Board, I am delighted to present Purplebricks' Corporate Governance Report for FY21. This has been a year of significant challenge and change, during which we have seen, more than ever, the value of our commitment to achieving high standards of corporate governance, integrity and business ethics in all our operations. We have championed the promotion of equality and diversity across all levels of the organisation, we are progressing our climate change strategy, and acting responsibly in all areas of our business remains core to our brand.

The Board provides effective leadership in promoting the long-term sustainable success of the Group. It establishes the Group's purpose, values and strategy, ensuring that these are aligned to the culture of the business. In shaping the Group's strategic direction, the Board has sought to ensure that good governance standards are embedded throughout the organisation.

This year, in particular, we have seen how a strong corporate governance framework and a positive culture are the foundations of a resilient business. Balancing the need to protect and promote the best long-term interests of all our stakeholders, from customers to employees to shareholders, the Board acted quickly and decisively in response to the impact of Covid-19. It supported the senior management team in leading the business through the housing market shutdown and temporary office closures, having full regard to appropriate Covid-19 operating procedures. We also maintained a strong focus on employee wellbeing and ensured support networks were known and communications shared. This support included our colleagues who were furloughed during the year. On behalf of the Board, I would like to thank our teams for all their ongoing hard work during a challenging period in all our lives.

We also continued to make good progress elsewhere during the year.

Strengthening our culture

The Board recognises its role in guiding the Group's culture, through setting out a clear purpose, set of values and strategy. During the year, an employee engagement survey was carried out, the results of which were shared with the Board. In addition, the discussions that the Board held through the year with members of the senior management team provided an insight into the Company's culture and enabled the Board to understand the views of employees on matters of significance to them.

Diversity

Our brand touches a diverse set of customers, and the Board recognises the importance of reflecting their diversity across our employees and agents. We have made a meaningful step forward in the year to define our approach to diversity and inclusion and to promote diversity of race, gender as well as diversity of thinking across the organisation.

Strengthening our Board

The Board regularly reviews its composition to ensure it retains a balance of skills, experience, independence and knowledge, which enables it to discharge its duties and responsibilities effectively. I am pleased to welcome Andy Botha, Elona Mortimer-Zhika and Dr Stephanie Caspar, the Axel Springer representative, who joined the Board during the year. Details of these appointments are set out in the Nomination Committee's report. One Director will stand for election and two Directors will stand for re-election by shareholders at the 2021 Annual General Meeting. Further information on matters relating to the composition of the Board can be found on pages 46 to 48.

Improving the control environment:

The effectiveness of the Company's control environment is monitored as the business evolves. During FY21, the Company has made, and continues to make, significant improvements to its customer due diligence processes, following the expansion last year of the compliance team.

Following the appointment of Andy Botha as CFO in May 2020, the finance team has been restructured and the capacity of the team has been increased. This has enabled a more robust internal control environment to be designed and partially implemented. Further improvements are planned for FY22. The Board is committed to continuous monitoring of the effectiveness of this environment, and to make further investments where required to target a best practice control environment.

Growing responsibility to all stakeholders

The Board and I continue to recognise the responsibility that we have to the Group's full range of stakeholders, including employees, agents, customers, regulators, shareholders, strategic partners and the environment and communities in which we operate. This forms an integral part of the Board's discussions and decision making.

Compliance with the QCA Code

The Board continues to comply with the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the Group's governance framework. Where the Company's governance structures and practices differ from the expectations set by the Code, then a clear explanation will be provided. The Directors acknowledge the role of the 10 principles set out in the QCA Code and their importance in focusing on the pursuit of medium to long-term value for shareholders, without stifling the entrepreneurial spirit in which the Company was created. Information regarding the Company's compliance with the 10 principles of the QCA code is set out on our investor website, purplebricksplc.com/about-us/governance.

Looking forward

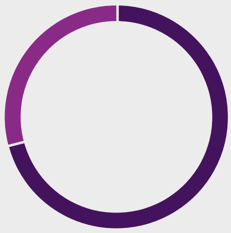
The Board is confident that its commitment to the Company's culture will result in the right decisions and actions being taken to promote the sustainable growth and success of the Company over the long term. We look forward to showing further progress in FY22 across our diversity agenda and to setting out our strategy to tackle the wider challenge of climate change.

Paul Pindar
Chairman
5 July 2021

Board of Directors

A diverse range of skills and experience

Board members by gender:

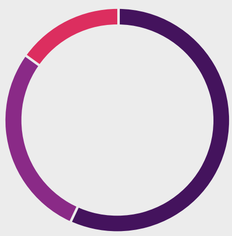


Male	**5**
Female	**2**

Balance of the Board:

Executive	**2**
Non-Executive	**5**

Non-Executive tenure:



0-2 years	**4**
2-4 years	**2**
4+ years	**1**

Scheduled meetings	Attendance
Paul Pindar	11
Vic Darvey	11
Simon Downing	11
Andy Botha[2]	10
Adrian Blair	10
Dr Stephanie Caspar[3]	7
Elona Mortimer-Zhika[4]	6
Dr Andreas Wiele[5]	1
James Davies[1]	1

1. James Davies resigned from his position as CFO on 11 May 2020.
2. Andy Botha was appointed to the Board as CFO on 11 May 2020.
3. Dr Stephanie Caspar joined the Board as Non-Executive Director on 27 July 2020.
4. Elona Mortimer-Zhika joined the Board as Non-Executive Director on 24 September 2020.
5. Dr Andreas Wiele stepped down from the Board on 24 June 2020.

Changes in the year:

Andy Botha was appointed as CFO on 11 May 2020. Dr Andreas Wiele stepped down as Non-Executive Director on 24 June 2020 and was replaced by Dr Stephanie Caspar, the Axel Springer Board representative, on 27 July 2020. Elona Mortimer-Zhika was appointed as Non-Executive Director on 24 September 2020.

Paul Pindar
Non-Executive Chairman

Paul was an early investor in Purplebricks and became the Group's Non-Executive Chairman in December 2015.

Committees
None

(Audit Committee Chair to 24 September 2020)

Career
Paul was the third longest serving FTSE 100 CEO when he stood down from Capita plc in 2014. When he joined as Finance Director in 1987, after advising on the £0.3m management buyout (MBO) of the business while working for 3i Group plc, Capita had 33 employees and an annual revenue of £1.3m. Paul became Managing Director in 1991 and Chief Executive in 1999. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5bn.

Board skills and experience
Paul has a significant breadth and depth of experience from his career at Capita.

Other appointments
- Non-Executive Chairman of Literacy Capital plc
- Chairman of Bookmark Reading Charity's Corporate Partnership Board

Vic Darvey
Chief Executive Officer

Vic was appointed Group Chief Executive Officer in May 2019, having joined Purplebricks in January 2019 as Group Chief Operating Officer.

Committees
None

Career
Vic has a proven record of technology delivery and leadership of cutting-edge, data-led, customer-focused commercial innovation. He is a digital leader with more than 20 years' experience successfully scaling several international consumer brands, most recently as Managing Director of MoneySupermarket.com.

Board skills and experience
Vic has held leadership roles across a number of highly competitive and disruptive businesses, including Lastminute.com.

Other appointments
- Non-Executive Director of Homeday

Andy Botha
Chief Financial Officer

Andy joined the Board in May 2020.

Committees
None

Career
Andy joined Purplebricks from online travel group Secret Escapes. Before Secret Escapes, Andy was Group Chief Financial Officer at ZPG, the digital media business that owns and operates some of the UK's most recognised online brands, including digital property portal Zoopla, PrimeLocation, uSwitch and Money.co.uk.

Board skills and experience
Andy's experience has given him a strong understanding of the UK hybrid property market. He has also worked for several other publicly quoted and privately owned digital businesses, including Lastminute.com, Betfair and Notonthehighstreet.

He has more than 25 years' business experience and brings with him an extensive background in mergers and acquisitions, corporate finance, strategic planning, investor relations, financial planning and reporting, and risk management.

Other appointments
- None

Simon Downing
Senior Independent Director

Simon joined the Board in April 2018.

Committees
Remuneration Committee (Chair); Nomination Committee; Audit Committee

Career
Simon is a graduate engineer; his early career included a variety of management roles in the IT industry, and he is a past winner of the UK Ernst & Young Technology and IT Services Entrepreneur of the Year award.

Board skills and experience
Simon has over 30 years of experience in the technology industry and was the founder of Civica Group, one of the UK's largest privately owned software companies. He led the business from inception to IPO in 2004 and then three subsequent private equity-backed buyouts, the most recent sale, in 2017, valuing the business at over £1bn.

Other appointments
- Chairman of Civica Group, Audiotonix and Edenhouse Solutions
- Non-Executive Director of Datum Datacentres and Literacy Capital plc

Board of Directors continued

Adrian Blair
Non-Executive Director

Adrian joined the Board in April 2018.

Committees
Nomination Committee (Chair);
Remuneration Committee;
Audit Committee

Career
Until 2018, Adrian was Global Chief Operating Officer at Just Eat plc. Adrian joined Just Eat from Spotify, where he was Director of European Business Development. Prior to that, he spent six years at Google Inc. in a number of senior commercial roles across California and London, including Head of eCommerce Partnerships, where his team helped thousands of businesses improve their ROI from AdWords. Before that, Adrian was Head of Business Development at Ask Jeeves Inc.

Board skills and experience
At Just Eat, Adrian was responsible for all commercial operations in the UK and in 12 international markets. Over seven years, he was instrumental in building Just Eat into one of the most successful technology companies in Europe. Adrian was part of the team that led Just Eat through its listing on the London Stock Exchange in 2014.

Other appointments
- Chief Executive Officer of Dext
- Co-Founder of Circl

Dr Stephanie Caspar
Non-Executive Director

Stephanie joined the Board in July 2020 as the Axel Springer Board representative.

Committees
None

Career
Stephanie studied business administration at the University of Lüneburg. She began her career as a business consultant at McKinsey, followed by various roles at eBay, including Director Strategy among others, and an engagement at Immobilienscout24 as member of the Managing Board. In 2009, she founded digital retailer Mirapodo together with the Otto Group and acted as the company's CEO.

Board skills and experience
Stephanie joined Axel Springer in 2013, initially serving as Managing Director of WELT Group. In March 2018 Stephanie was appointed member of the Executive Board at Axel Springer. In her capacity as President of News, Media & Marketplaces she is responsible for Axel Springer's company-wide technology and data strategy as well as its media brands in Germany, including advertising sales, distribution and printing business.

Other appointments
- President of Idealo and the AVIV Group

Elona Mortimer-Zhika
Non-Executive Director

Elona joined the Board in September 2020.

Committees
Audit Committee (Chair)

Career
In 2016 Elona joined IRIS Software Group as Chief Financial Officer. IRIS is backed by Hg, Europe's leading software investor.

Elona was promoted to Chief Operating Officer in 2018 and became Chief Executive Officer in September 2019.

Before joining IRIS, Elona held several senior leadership roles at big four accountancy firms and private equity-backed businesses, including Mavenir, Acision, Arthur Andersen and Deloitte.

Elona has a First Class Honours Degree in Accounting and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales. Awards include Global Banking and Finance Businesswoman of the Year UK 2020 and the Venus National Finance Professional of the Year 2018.

Board skills and experience
As Chief Executive Officer of IRIS, Elona is responsible for guiding the strategic direction and managing all operations across the group.

Other appointments
- Chief Executive Officer of IRIS Software Group

Executive Leadership Team

An experienced team to drive our strategy execution

Day-to-day management of the Group's activities is the responsibility of the Executive Directors, supported by a team of highly skilled senior managers, the Executive Leadership Team, who are empowered to deliver the strategy set by the Board at a functional and cross-functional level.

Ben Carter
Chief Marketing Officer

Ben joined Purplebricks in November 2020 as Chief Marketing Officer, charged with helping transform the business and brand.

Prior to joining Purplebricks, Ben worked in a number of senior marketing and strategic roles in the UK and Australia for Just Eat. Ben has built marketing strategies for some of the UK's fastest growing digital brands, including Betfair and Notonthehighstreet.com.

Andy Britcliffe
Chief Digital Officer

Andy joined Purplebricks in September 2020, after four years as Chief Technology Officer at Holiday Extras, bringing with him a wealth of experience in delivering customer-centric product, technology and data strategies.

Andy has responsibility for all aspects of Purplebricks' product and technology strategy and is spearheading the programme of innovation to enhance our digital platform.

Helena Marston
Chief People Officer

Helena joined Purplebricks in May 2020, having held a number of senior HR roles at Virgin Media, Kuwait Energy, Jaguar Land Rover and Vodafone. Helena has driven performance improvements in leadership and organisational culture for world-leading multinational companies.

Helena is responsible for all aspects of our people strategy ensuring Purplebricks has the optimum structure to deliver a high performance culture.

Kris Dykes
Managing Director, North

Kris leads Purplebricks' operational team in the North of England, Scotland and Northern Ireland. Prior to joining Purplebricks, Kris has over a decade of senior management roles within the property industry, including over six years at Reeds Rains.

Kris is a keen advocate of our hybrid model, championing the benefits of delivering outstanding local service enhanced by our digital platform.

Tom Greenacre
Managing Director, South

Tom leads our operational team in the South of England and Wales, joining Purplebricks soon after it was founded. Prior to Purplebricks, Tom worked for Spicerhaart and Countrywide for several years where he held senior roles and gained a thorough grounding in all aspects of estate agency.

A positive and professional leader, Tom specialises in coaching and team development.

Helen Ogden
Head of Lettings

Helen joined Purplebricks as Head of Lettings in November 2020. She has held senior leadership positions at Sequence, Reeds Rains and Haus with a proven track record in delivering operational growth.

Helen has responsibility for all aspects of lettings and is overseeing a strategic review to allow the business to scale, focusing on creating a customer operation.

Governance framework

We have a clearly defined governance framework, comprising the Board, our Executive Leadership Team and our Board Committees. Each has clear roles and responsibilities, as defined below.

The Board

The Board is responsible for maintaining a strong and effective system of governance throughout the Group

The Board is collectively responsible for:

- Creating and delivering long-term sustainable value
- Setting the Group's strategic decision
- Balancing the interests of our stakeholders, including colleagues, shareholders, customers, agents and the environment and communities we serve
- Ensuring stakeholder views are heard in the boardroom and influence Board decisions as appropriate
- Leading and overseeing our culture
- Maintaining a strong and effective system of governance throughout the Group, including understanding the risks the Group faces

Board Committees

The Board is supported in performing its day-to-day duties by its principal Board Committees

The Committees are delegated to by the Board and are responsible for maintaining effective governance. The specific responsibilities of the Board's three Committees – Nomination, Audit (which covers risk) and Remuneration – are set out in their terms of reference, available on our website.

Senior management team

Experienced senior management team

Day-to-day management of the Group's activities, governance and oversight has been delegated to the Executive Directors. They are supported in this role by a team of highly skilled senior managers (the "Executive Leadership Team", "ELT"), who comprise the leaders of the Group's key functions. This senior management team is empowered to deliver the strategy set by the Board at a functional and cross-functional level in line with our risk management framework, compliance policies, internal control systems and reporting requirements

The Executive Directors meet with the ELT on a monthly basis. These more formal meetings are supported by a number of cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making.

Roles and responsibilities

Chairman
- Leads the Board, sets the agenda and promotes a culture of open and constructive debate
- Ensures individual Director and collective Board effectiveness
- Plans effective Board succession
- Promotes the highest standards of corporate governance, in line with best practice
- Ensures effective engagement with all stakeholders, including shareholders and colleagues

Chief Executive Officer
- Leads the senior management team, including development and succession planning
- Promotes the Group's purpose, vision and culture agenda
- Ensures the execution of strategy, with responsibility for the Group's overall performance
- Facilitates effective two-way communication between the Board, the business and the workforce

Chief Financial Officer
- Supports the Chief Executive Officer in developing and implementing the Group's strategy
- Provides strategic and financial guidance to ensure that the Group's financial commitments are met
- Responsible for the preparation and integrity of financial reporting
- Ensures maintenance of effective internal controls and risk management procedures

Non-Executive Directors
- Contribute to strategy development
- Scrutinise and challenge management's execution of strategy within the Group's risk appetite and control framework
- Provide a range of external perspectives and encourage robust debate

Senior Independent Director
- Provides a sounding board to the Chairman and appraises the Chairman's performance
- Acts as an intermediary for other Directors, if needed
- Available to respond to shareholder concerns when contact through the normal channels is inappropriate

As Company Secretary, the Chief Financial Officer also
- Takes responsibility for corporate governance and good information flows, ensuring best practice and that the decisions of the Board are implemented
- Supports the Chairman to facilitate induction programmes, Board development and effectiveness

A full description of the Board's role, including its specific responsibilities, is available on our website, purplebricksplc.com/about-us/governance.

Roles and responsibilities

Nomination Committee
- Ensures the Board and its Committees have the correct balance of skills and experience, and that adequate succession plans are in place

+ Read more on pages 54 to 56

Audit Committee
- Oversees the Group's financial reporting, maintains an appropriate relationship with the external auditor and monitors the Group's internal control and risk management systems

+ Read more on pages 57 to 59

Remuneration Committee
- Establishes the Group's remuneration policy and ensures there is a clear link between performance and executive remuneration

+ Read more on pages 60 to 62

Roles and responsibilities

Executive Leadership Team
- Comprises senior managers responsible for the key Group functions
- Meets monthly with the Executive Directors to review the business and policies
- Monitors the people agenda and assesses the extent to which vision and culture have been embedded throughout the Group
- Shares knowledge and collaborates on key Group-wide projects

Corporate governance statement continued

The Board in FY21

In line with its key responsibilities outlined earlier, the focus areas for the Board during the year included:

Setting the Group's strategic direction

During the year, the Board developed and monitored progress against strategy through regular updates and discussion, a clear forward-looking agenda and several offsite Board strategy days. Customer service and operational excellence have been the key focus areas, with the Group's culture, reputation, workforce and stakeholder engagement continuing to be an integral part of the Board's deliberations.

The Board approved the Group's purpose and strategy in December 2020.

At several of the meetings during FY21, the Board received various presentations and functional updates from Executive Leadership Team members and other members of senior management incorporating actions, progress, and risks in relation to the strategic priorities.

The Board approved the sale of the Canadian business in July 2020, allowing a full focus on the UK in FY21 and beyond.

Delivering sustainable value

Through the Chief Financial Officer, the Board was regularly updated on financial performance, and at the Board meeting on 29 April 2021 approved the FY22 budget. During FY21, the Board:

- reviewed and approved the results announcements and trading updates; and
- was updated on investor views, shareholder relations, analysts' reports, media updates, share register movements, share price performance and engagement with investors.

This enabled a good understanding of what is driving the value of the business from an investor point of view.

Strong and effective governance

The Board agreed a revised Risk Management Strategy, confirming the Board's role in delivering the Group's purpose through our governance and risk management framework. The Board recognises the importance of identifying and actively managing existing and potential risks to allow the business to deliver successfully against its strategic goals. This is achieved through our governance and risk management framework. (see Risk Management on pages 40 to 43.)

Leading our culture

During the year, the Board:

- was updated on employee proposition, engagement, succession planning, talent management and diversity, particularly at senior management level;
- monitored progress on diversity and inclusion across the Group; and
- considered updates on people management through Covid-19, including increased focus on management initiatives to support the wellbeing of our colleagues.

Board agenda

The Board agenda is set in collaboration between the Chairman, Chief Executive Officer and Company Secretary.

The Board holds regular scheduled formal face-to-face meetings throughout the year, holding 11 in FY21.

Informal meetings and discussions may be held either before or after Board meetings. Unscheduled meetings are held as required where topics warrant more time or decisions need to be made outside of the normal cycle of meetings.

All Directors are expected to attend all meetings of the Board and of those Committees on which they serve and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. The table on page 46 summarises attendance at Board meetings with further details on attendance at Committee meetings in the appropriate sections.

Relations with shareholders

Primary responsibility for effective communication with shareholders lies with the Chairman, while the Board as a whole is committed to maintaining good communications with the market based on the mutual understanding of objectives of the Group.

The Chairman, Chief Executive Officer and Chief Financial Officer engage in regular dialogue with institutional shareholders to keep them informed of the Company's strategy and progress and to develop an understanding of their views. This is communicated back to, and discussed with, the Board. The investor relations function also provides regular reports to the Board on related matters, issues of concern to investors, and analysts' views and opinions. The Company endeavours to answer all queries raised by shareholders promptly.

Presentations given to analysts and investors covering the annual and half year results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of the Company's website at www.purplebricksplc.com. During the year, the Company launched a new investor website at the same address, which provides a richer source of content for prospective shareholders, and which better reflects Purplebricks' vision and brand.

Additional shareholder information is also set out on page 67.

Shareholders are able to contact the Company through the Company Secretary or investor relations team. Simon Downing, our Senior Independent Director, serves as an additional point of contact for shareholders should they feel that any concerns are not being addressed properly through the normal channels. He may be contacted through the Company Secretary.

Culture and stakeholder engagement

The Board is responsible for instilling throughout the Group a culture of integrity and openness that values diversity and is responsive to the views of its shareholders and wider stakeholders. This is achieved through the establishment of our strategy, values and purpose which were reviewed and refreshed by the Board during the year.

Culture is monitored and assessed by the Board to ensure alignment with Group strategy and is reinforced through its decision making.

Feedback gathered from members of the Board and senior management on their engagement with stakeholder groups gives the Board and its Directors, collectively and individually, a better understanding of the points of view of stakeholders. This ensures that decisions taken are more rounded and based on actual, rather than perceived, stakeholder views. Regular feedback, including employee engagement surveys, helps the Board to understand the views of the workforce which are taken into consideration when reviewing and setting our strategy, further details of which can be found on pages 20 and 21.

The Purplebricks values are set by the Board and cascaded throughout the business. Upon joining the Group, employees are also required to undertake e-training modules, as part of their induction programme. These cover our values and other topics including anti-money laundering, anti-bribery, conflicts of interest and whistleblowing.

Regular refresher training is carried out by all employees on a two-year cycle, and new e-learning modules are developed.

Our cultural framework

Our purpose

To make every home move amazing

Our mission

To achieve 10% market share by being the go-to-place to buy, sell or let your home

Our strategy

To provide a seamless and trusted **home move experience**, delivering services, products, tools, and information to **every customer** who wants to **buy, sell or let a home** and to **all Local Property Experts** who derive real value from working with us

Our values

Embrace the move(ment)

Fearlessly progressive

We play together and win together

Nomination Committee

Overseeing Board independence and success

Attendance at Nomination Committee meetings

During the year the Nomination Committee held two scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	2	2
Simon Downing	2	2

"The Nomination Committee oversaw the recruitment and onboarding of two new Directors this year.

Adrian Blair
Chair of the Nomination Committee

Objectives

The objectives of the Nomination Committee are:

- to ensure the Board has an appropriate balance of skills, diversity, experience, knowledge and independence;
- to ensure that the most suitable candidates for Executive and Non-Executive positions are identified and nominated to fill vacancies as and when they arise;
- to ensure that appropriate succession plans are in place for Directors and senior executives of the Company;
- to evaluate the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board and retirements and appointments of additional and replacement Directors, and to make appropriate recommendations to the Board on such matters;
- to prepare a description of the role and capabilities required for a particular appointment;
- to undertake a Board evaluation process to identify developmental processes that can enhance Board practices and Director performance;
- to ensure that the Committees of the Board are made up of a suitable mix of skills and experience; and
- to consider methods by which the remuneration of senior management can be aligned to the success of the Group, bearing in mind its risk appetite and strategic goals.

Key activities carried out in FY21

During the year the Committee met formally twice and:

- undertook an induction programme for Andy Botha, who joined the Board in May as Chief Financial Officer;
- led the recruitment process for the appointment of a new Non-Executive Director and Audit Committee Chair, Elona Mortimer-Zhika, recommended her appointment to the Board and approved her induction programme;
- undertook an induction programme for Dr. Stephanie Caspar who joined the Board in July as the Axel Springer nominated representative; and
- oversaw progress on diversity and inclusion initiatives, including a series of workshops involving the Executive Leadership Team and the workforce, and the appointment of the Chief People Officer as Race Champion, receiving regular updates on the progress of diversity and inclusion workstreams.

Roles and responsibilities

The role of the Committee is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. In addition, it is responsible for reviewing the succession plans for Executive Directors and Non-Executive Directors.

This involves:

- keeping under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- regularly reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, diversity, experience, knowledge and independence, and reporting and making recommendations to the Board with regard to any changes; and
- regularly assessing the knowledge, skills and experience of individual members of the Board and reporting the results to the Board.

Appointment and induction of new Directors

In FY21 the Nomination Committee undertook a review of the skills, diversity, experience and knowledge of the Board, with a view to ensuring the Board has the necessary resources to continue to provide strong and effective leadership to the Company.

The Committee agreed that the Company had been well served by the stability and experience of Non-Executive Directors in recent years, and that the Company was well supported with a mix of skills. All Directors continued to perform their duties well and had shown flexibility and adaptability through the disruption caused by the Covid-19 outbreak in the UK.

The Nomination Committee recognised an opportunity to introduce further diversity and entrepreneurial, digital and engagement skills, aligned with the Company's future strategic ambitions, as well as to address a potential area of concern around the independence of the Chair of the Company's Audit Committee. The Committee authorised the Chair to lead a formal recruitment process, which did not involve the use of an external search agency. The process included development of a brief setting out the Committee's specification for the role, preparation of a shortlist, and interviews with several Board members and members of senior management of the Company to assess the shortlisted candidates' skills, knowledge, experience and alignment with the Company's culture and strategy.

Following a formal, robust and transparent process, including receipt of satisfactory references, the Committee recommended the appointment of Elona Mortimer-Zhika to the Board. Elona's biography can be found on page 48 and Elona joined the Board on 24 September 2020.

The Committee further approved a full, formal and tailored induction programme designed to support Elona in learning about the business, its culture, purpose, history and strategy, its commercial proposition, and the governance roles and responsibilities relevant to her duties. Due to Covid-19 restrictions, part of this induction programme was delivered virtually. Elona has now completed this programme.

Following the appointment of Andy Botha as Chief Financial Officer in May 2020, a full and thorough induction programme was completed by Andy.

In June 2020, Dr Andreas Wiele stepped down from the Board after over two years' service as the nominated representative of the Company's largest single shareholder, Axel Springer. Dr Wiele was replaced in this capacity by Dr Stephanie Caspar, who was appointed to the Board in July 2020, following a review by the Committee of Dr Caspar's background and experience. The induction of Dr Caspar was planned and implemented jointly by the Company's Board and by Dr Wiele and other staff of Axel Springer.

Diversity and inclusion

Our diversity and inclusion policy is that no individual should be discriminated against on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (which includes colour, nationality and ethnic or national origins), religion or belief, sex or sexual orientation.

Our policy is reflected in our approach to recruitment at all levels, including Board level, and is stated in our employee handbook which forms part of our employees' service contracts.

Our strategic approach to diversity and equal opportunities, including the progress made in FY21, is set out within our Sustainability Report on diversity and inclusion on pages 35 and 36. We have published our D&I policy on the Company's website. As of 30 April 2021, the Board comprised 29% (two) female and 71% (five) male Board members. The gender balance within our Executive Leadership Team as of 30 April 2021 was 17% (one) female and 83% (five) male members.

We firmly believe in making progress towards more diverse leadership in all areas, including gender and cultural diversity. We feel strongly that we have made strides this year towards a more representative, diverse Board and will continue this progress over time.

Due to Covid-19, the deadline for gender pay gap reporting was waived by the government and no report was submitted in FY21.

Nomination Committee continued

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. In FY21, the Committee met twice, and attendance at the meetings is shown in the table on page 46. The Committee has formal terms of reference which can be viewed on the Company's website, www.purplebricksplc.com/about-us/governance/.

Annual evaluation of the Nomination Committee's performance

As part of the overall Board evaluation process, the performance and effectiveness of the Nomination Committee was considered, and it was agreed that the Committee continued to work effectively. Feedback from Directors was unanimously positive regarding the high calibre of the appointments made to the Board, though it was acknowledged that the interview process had been conducted amid Covid-19 protocols. All Directors commented on the importance of a full, formal and tailored induction plan to introduce the new Board colleagues to the business and support their understanding of roles and responsibilities. All of Andy, Elona and Stephanie have completed such induction plans.

Overseeing reporting and risk

Attendance at Audit Committee meetings

During the year the Audit Committee held three scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	2	3
Simon Downing	3	3
Elona Mortimer-Zhika[1]	2	2
Paul Pindar[1]	1	1

1. Elona Mortimer-Zhika was appointed Chair of the Audit Committee on 24 September 2020, replacing Paul Pindar.

"The Audit Committee maintained its focus on ensuring high standards of financial governance this year.

Elona Mortimer-Zhika
Chair of the Audit Committee

Objectives

The objectives of the Audit Committee are:

- to monitor the integrity of the financial statements of the Group and related announcements, including any significant financial reporting judgements contained therein;
- to advise on whether 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;
- to review and, where appropriate, make recommendations to the Board on the adequacy and effectiveness of the Group's financial controls and internal control and risk management systems;
- to review the risk management framework, including principles, policies, methodologies, systems and processes;
- to monitor the effectiveness, independence and objectivity of the Group's external auditor, as well as setting the auditor's remuneration and terms of engagement, and, if applicable, to conduct a tender process for its appointment;
- to develop, implement and monitor the non-audit services policy of the Group; and
- to monitor the effectiveness of the Group's whistleblowing procedures and processes.

Key activities carried out in FY21

During the year the Committee met formally three times and:

- considered the planning and outcome of the half year and full year results announcements and the Annual Report;
- challenged management as to the areas included in the accounting areas of judgement in the financial statements;
- oversaw a review of the Group's KPIs following the return of the business to a single jurisdiction business (see pages 22–23);
- reviewed the Corporate Risk Strategy and approach, including a review of the updated risk register;
- performed a review of the auditor's fees and independence and of the auditor's effectiveness; and
- carried out a review of the Group's financial controls and internal controls and environment.

Audit Committee continued

Roles and responsibilities

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the annual and half year financial statements and accounting policies, external audit and internal control. Further, this extends to reviewing and monitoring the scope of the annual audit and the extent of any non-audit work undertaken by the external auditor, advising on the appointment of the external auditor and reviewing whistleblowing and fraud systems in place within the Group.

The Audit Committee receives, and reviews, reports from the Group's management relating to the accounting and the risk assessment and internal control systems in use throughout the Group. At each meeting, the Committee also receives a report from the Group's auditor.

The Committee makes recommendations to the Board in respect of the appointment of the external auditor, reviews and monitors its independence and objectivity and approves its remuneration.

Governance processes

The Audit Committee meets at least three times a year and as requested by the external auditor. During the current financial year, the Committee held a private session with the external auditor without members of management being present.

The Committee is made up solely of the Independent Non-Executive Directors, Elona Mortimer-Zhika, Simon Downing and Adrian Blair. The Chair of the Committee is a Fellow Chartered Accountant and brings recent and relevant financial experience and expertise. The Committee has formal terms of reference which can be viewed on the Group's website. Paul Pindar stood down from the Committee with effect from 24 September 2020, in compliance with the 2018 UK Corporate Governance Code, which recommends that the Chair of the Board should not sit on the Audit Committee. Elona Mortimer-Zhika replaced Paul Pindar as Chair of the Audit Committee on the same date.

The Committee members have relevant financial experience at a senior level as set out in their biographies on pages 46 to 48.

Review of significant accounting matters and judgements

Prior to each meeting, and ahead of the Group's interim and year-end reporting, the Committee received accounting papers from management and from the auditor in respect of all key areas of judgement.

The most significant of these during the year was the service period in respect of the Group's instructions revenue. A description of the actions taken by the Committee in respect of this area of judgement is below.

Area of judgement – instructions service period	Detail	Action taken
Instruction revenue is recognised over the estimated period between instruction and completion or withdrawal of the property from sale ("service period") and the Directors are, therefore, required to estimate the average total service period, considering historical experience in addition to current and possible future economic conditions and factors. At both 31 October 2020 and 30 April 2021, the Directors have had to take account of the impact of the Covid-19 pandemic on the housing market in the UK in developing their view of the likely future service period and the likelihood of a return to the long-term average service period.	The Directors assessed, at each date, due to ongoing delays experienced in the process between sale agreed and completion, the future service period in respect of instructions live at each reporting date could reasonably be longer than has historically been the case in a business-as-usual marketplace. Continuing uncertainty at each of the reporting dates, as to the nature and duration of the impact of Covid-19 on the UK economy, means there is a greater degree of subjectivity in estimating the future service period than would be the case in a "steady state" scenario and the Directors have had to adopt a best estimate approach, considering available evidence.	At each reporting date, the Committee received a report from management as to the historical and current market data used in arriving at the assessment of remaining service period as at each reporting date. The Committee challenged the logic of the method used. The Audit Committee used its knowledge of the internal and market factors affecting the Group and wider economy in assessing the date and assumptions used by management. The Committee also considered the adequacy of the disclosures made in respect of this judgement. Following this discussion, and a review of the sensitivity of the judgement and disclosure of the level of sensitivity, the Committee concluded that the judgement was reasonable, and the disclosures made fair, balanced and understandable.

Audit rotation

The external auditor, Deloitte LLP, was first appointed at the Group's Annual General Meeting in October 2018. In line with the UK Financial Reporting Council's Ethical Standards (2016 and 2019), Deloitte LLP's policy is to rotate key audit partners every five years, with the next rotation to take place ahead of our year ending 30 April 2024.

Risk management

Our risk management process and the risks which are considered to be the principal risks of the Group are detailed on pages 40 to 43. During the year the Committee has reviewed the Group's risk assessment and methodology, including the mitigating actions put in place to reduce each risk.

Internal control

The Company operates its systems of internal control by using the following key elements, introduced this year:

- regular review meetings of various risk sub-committees, the Executive Leadership Team and the Board to discuss key issues;
- a detailed business planning process, combining top-down and bottom-up approaches, with outputs reviewed and approved by the Board;
- a robust system of financial controls, including preventative controls and a thorough review process; and
- monthly reports to leadership and the Board containing detailed information regarding financial performance, rolling forecasts, and financial and non-financial KPIs.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the internal control systems and risk management processes in place during the year, taking account of any material developments since the year end. As part of its review, the Audit Committee has considered the Financial Reporting Council's 2014 "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting". The Committee has not identified, nor been advised of, any failings or weaknesses that it has determined to be significant although a number of improvements have been made throughout the year.

The Company did not have an internal audit function during the year. The Committee discussed the requirement for an internal audit function during the year, as it does annually, and has concluded that, given the relatively straightforward nature of the Company's operations, an internal audit function is not necessary at this time. The necessity of an internal audit function will be kept under review as the business grows. In that light, additional members of the finance team were introduced this year to further enhance the documentation and operation of controls processes this year.

Non-audit services

In the current financial year, the auditor did not provide any non-audit services to the Company except in respect of the half year review.

In line with EU regulations, the Committee is responsible for approving all non-audit services provided by the auditor. The Committee has a formal policy on the supply of non-audit services by the Company's auditor, which is aligned with the requirements of the UK Financial Reporting Council's Ethical Standards (2016 and 2019). This policy is available on the Group's website. All non audit services carried out by the Company's auditor are pre-approved by the Committee.

Annual evaluation of the Audit Committee's performance

As part of the evaluation process, the performance and effectiveness of the Audit Committee were considered, and it was agreed that the Committee continued to work effectively and following the outcome of the last evaluation it was noted that a new independent Chair had been appointed and that greater time and resource had been dedicated to Committee meetings during the year under review.

Fair, balanced and understandable

The Board recognises its duty to ensure 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 performance, strategy and business model of the Company.

The Board has placed reliance on the following to form this opinion:

- the process by which the Annual Report and Accounts was prepared, including detailed planning and review processes;
- the review of the Annual Report and Accounts by the Audit Committee, placing reliance on the experience of the Committee members;
- reports prepared by senior management regarding critical accounting judgements, key financial areas and the topic of fair, balanced and understandable;
- discussions with, and reports prepared by, the external auditor; and
- ongoing financial information, including KPIs, received on a monthly basis.

As detailed in the Directors' Responsibilities Statement on page 69, each of the Directors has confirmed that, to the best of each person's knowledge and belief, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Priorities for the year ahead

In FY22 the Audit Committee will:

- continue to focus on the Group's Risk Management Strategy;
- monitor the effectiveness of process and control improvements made in FY21; and
- continue to learn from feedback at all levels of the business.

Remuneration Committee

Compensating and valuing our people

Attendance at Remuneration Committee meetings

During the year the Remuneration Committee held three scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	3	3
Simon Downing	3	3

Objectives

The objectives of the Remuneration Committee are:

- to set the overall policy on remuneration and other terms of employment of Directors;
- to ensure the remuneration package of the Executive Directors is balanced between fixed and performance-related elements, and is sufficiently competitive to attract, retain and motivate Directors of the right calibre to achieve the Company's objectives without making excessive payments; and
- to ensure that the Company's share plans operate appropriately and align all participants to the delivery of the Company's strategy.

The Chief Executive Officer and Chief Financial Officer as necessary are invited to attend meetings of the Committee, except when their own remuneration is being directly discussed.

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the executive remuneration policy and framework. However, the Company seeks to promote and maintain good relationships with employees as part of its employee engagement strategy.

"The Remuneration Committee has focused on supporting and motivating Directors, senior management and all Purplebricks staff during this challenging year.

Simon Downing
Chair of the Remuneration Committee

Welcome to the Company's Directors' Remuneration Report for FY21. The report comprises this introductory statement (which summarises actions taken in the year, how we intend to apply our policy in FY22 and the work of the Remuneration Committee), and also our main Directors' Remuneration Report from page 63, which summarises our remuneration policy and contains the statutory tables.

At our 2021 AGM, for the first time we will be asking our shareholders to vote to approve the Directors' Remuneration Report (being this introductory statement and the main report) by way of an advisory (non-binding) ordinary resolution.

As an AIM quoted company, seeking approval from our shareholders for the Directors' Remuneration Report is a voluntary matter; the Board regards this as an appropriate step and important for transparency and engagement with our shareholders.

The Purplebricks Remuneration Committee continues to welcome all input from our shareholders on remuneration matters. We hope that our shareholders remain supportive of our approach to executive pay at Purplebricks and that they will vote in favour of the resolution to approve the Directors' Remuneration Report at the 2021 AGM.

Overview and response to the pandemic

Throughout FY21, the Remuneration Committee sought to best support our Executive Leadership Team in taking the steps which it considered most appropriate for our business and to protect and promote the long-term interests of all our stakeholders, including our shareholders, customers, Local Property Experts and employees during the challenges posed by the ongoing pandemic.

These steps included:

- Designing and implementing operating procedures in line with best practice and government guidance. The Company has maintained a strong focus on employee wellbeing and ensured support networks were known and communications were shared. This support included our colleagues who were furloughed during the early part of the year.
- Between May 2020 and July 2020 the Executive Leadership Team of the Company agreed to accept a voluntary pay reduction of 20%, in light of the reduced activity of the Group in this period due to the Covid-19 pandemic and housing market lockdown.
- Due to the reduced activity of the Group in this period, a number of employees who were not required to perform their usual duties were furloughed at 80% pay, with this cost claimed under the Government Coronavirus Job Retention Scheme (CJRS). The Group managed this process closely, minimising time spent on furlough. After the year end, the Group repaid CJRS amounts to HMRC in full.

Linking remuneration to performance in 2021

As detailed more fully in the Strategic Report, FY21 was a year of strong financial performance and good progress on strategic matters at Purplebricks, with adjusted EBITDA growth of over 300% to £12.0m and instructions[1] growth of 14% being notable highlights (see Key Performance Indicators on pages 22 and 23).

During the year, the Committee took actions which it considered appropriate and designed to best support the business and protect shareholders' interests:

- The bonus scheme for Executive Directors and the Senior Leadership Team was approved by the Committee, to drive performance and more closely align the interests of the leadership of the Company with those of shareholders and other stakeholders. The Adjusted EBITDA of £12.0m was the key factor in assessing the level of bonus payable. The level achieved represented 90% of maximum.
- Considering strong performance in the round, the Group's financial resilience and the importance for the Group of their personal leadership in the year, we considered the outcomes of £285,000 for Vic Darvey and £245,000 for Andy Botha as appropriate.
- Long-term-incentives:
  - The Committee made the second annual award under the Performance Share Plan (PSP) introduced in 2019.
  - It was considered particularly important to make these awards at the time in July 2020 to ensure appropriate retention of and incentives for our Executive Leadership Team during a period of material business uncertainty across the wider economy.
  - The awards were again subject to appropriate performance conditions:
    - 50% of the award is subject to relative total shareholder return measured against the AIM 100 constituents.
    - 50% is subject to three-year EBITDA targets.
    - The whole award is also subject to an underpin condition, requiring the Committee to be satisfied as to overall Company performance before confirming any vesting under the formulaic performance conditions.
    - The metrics accordingly provide appropriate protection for shareholders as the combination of a requirement for strong relative performance under TSR, demanding absolute growth in profits, and the requirement for an overall Remuneration Committee review of performance before vesting means that strong performance across several parameters needs to be achieved for the awards to vest at high levels.
  - The awards made in July 2020 included the award agreed with our new Chief Financial Officer at the time of his appointment in May 2020. As a commercial matter to secure the recruitment, it was agreed that his 2020 award would reference the share price at the time he joined the business. As a Committee we strongly believe that the 2020 PSP awards to both our CEO and CFO will be significantly motivating and accordingly will prove to be "good value" for our shareholders.

1. Refer to page 25 for Instructions definition.

Remuneration Committee continued

Proposed implementation of remuneration in FY22

In FY22, an inflationary salary increase will apply to the Executive Directors, in line with wider Company policy.

Our FY22 annual bonus will operate based on a scorecard of activity, financial performance and personal performance metrics.

A further annual award under the PSP is planned in summer 2021, again using the established metrics of relative TSR and three-year EBITDA.

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. In FY21, the Committee met three times, and attendance at the meetings is shown in the table on page 60. The Committee has formal terms of reference which can be viewed on the Company's website, purplebricksplc.com/about-us/governance/board-committees.

Directors' remuneration report

Directors' remuneration policy

The Non-Executive Directors do not have any personal interest in the matters to be decided by the Remuneration Committee, or any potential conflicts of interest arising from cross-directorships or day-to-day involvement in the running of the Company. The Executive Directors and other senior personnel may be invited to attend meetings when appropriate to provide advice. However, no Director will be present or will take part in discussions concerning their remuneration.

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee and provide advice to the Committee on all matters relating to remuneration, including market practice. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of FY21 were £29,800 plus VAT. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

The Remuneration Committee sets the overall policy on remuneration and other terms of employment of Directors.

The Committee aims to ensure the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate Directors of the right calibre to achieve the Company's objectives without making excessive payments. Since 2019 the Company has operated a remuneration plan for the Executive Leadership Team comprising a fixed salary, a variable annual bonus based on achieving certain short-term targets, and a long-term share-based scheme linked to performance targets over a three-year period (PSP). Details of Executive Directors' remuneration and awards under the share-based schemes are detailed on pages 64 to 66.

Remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Committee meetings. Dr Andreas Wiele and Dr Stephanie Caspar, the Axel Springer Board members for the year under review, did not receive a fee for their services.

Basic salary and benefits

Base salaries or fees for each Director are reviewed annually by the Remuneration Committee, and adjusted where appropriate to reflect individual performance, changed responsibilities, market conditions and information from independent sources on rates of salaries for similar roles and responsibilities.

Annual bonus

The Company operates a short-term bonus scheme to provide incentive for the Executive Directors to meet the financial and strategic objectives of the business. During the financial year ended 30 April 2021, bonuses totalling £530,000 (2020: £100,000) were awarded to the Directors.

Pension

During the year, pension contributions of £17,000 (2020: £12,000) were paid to Executive Directors. These contributions are included in the table of Directors' pay as post-employment benefits.

Taxable benefits

The Directors' taxable benefits are detailed in the table on page 65.

Service contracts and letters of appointment

The Company's policy is for all of the Executive Directors to have six-month rolling service contracts. All Non-Executive Directors have a notice period of three months. They are not eligible for bonuses, pension benefits, share options or other benefits, save where compulsory by law. The Directors are indemnified to the full extent permitted by statute. Executive and Non-Executive Directors' remuneration is detailed below and in note 11 to the financial statements.

Company policy on external appointments

The Company recognises that its Directors are likely to be invited to become Non-Executive Directors of other companies and that exposure to such non-executive duties can broaden their experience and knowledge, which will benefit the Group. Executive Directors are, therefore, subject to the approval of the Company's Board, allowed to accept non-executive appointments, if these are not with competing companies and are not likely to lead to conflicts of interest.

Executive Directors are allowed to retain the fees paid in respect of these appointments.

Directors' remuneration report continued

Share-based compensation

The Remuneration Committee is responsible for awarding options over ordinary shares and other share-based awards to Executive Directors and certain senior managers under the employee and licensee share option schemes (CSOP and PSP).

Since 2019, only awards under the PSP, linked to longer-term performance metrics, have been made. The PSP is intended to offer long-term incentives to Directors and the Senior Leadership Team as the Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and employees. The vesting of awards made in FY21 will depend on performance measured over a three-year period to 30 April 2023, with 50% of the vesting subject to achievement of an EBITDA target and 50% to a total shareholder return (TSR) target. These targets are summarised below:

- EBITDA – measured as Group adjusted EBITDA in FY23. 25% of awards vest for achieving threshold performance, with straight-line vesting between threshold and maximum. These targets are currently considered to be commercially confidential but will be disclosed when the relevant PSP awards vest.
- TSR – measured as relative TSR against FTSE AIM 100 constituents. Vesting range of full vesting for upper quartile performance, and threshold vesting (25% of award) for median performance, with straight-line vesting between threshold and maximum. TSR is measured for three years from the date of award and using a three-month averaging period at both the beginning and end of the period.

Prior to the introduction of the PSP, the Company operated traditional employee and licensee share option schemes (CSOP and LSOP). The vesting conditions for CSOP and LSOP are based on future service from the date of grant, with between 25% and 33% of the options vesting on or after either the 12 or 24-month anniversary of the grant. Further options then vest every three months thereafter, so that options vest in full on the 48-month anniversary of the date of grant to the employee or the licensee.

Details of the options to purchase ordinary shares in the Company granted to the Executive Directors are set out below. Details of share-based payments are included in note 12 to the financial statements.

Directors' share options

Director	Share option scheme	Vesting period	Outstanding interest on 1 May 2020	Granted during the year	Lapsed during the year	Exercised during the year	**Outstanding interest on 30 April 2021**
Vic Darvey	CSOP	4 years	700,000	—	—	—	**700,000**
	PSP	3 years	1,050,000	2,500,000	—	—	**3,550,000**
James Davies[1]	CSOP	4 years	1,500,000	—	(1,500,000)	—	**—**
	PSP	3 years	500,000	—	(500,000)	—	**—**
Andy Botha	PSP	3 years	—	1,700,000	—	—	**1,700,000**

1. James Davies resigned as CFO on 11 May 2020. Accordingly, the share awards held by James Davies lapsed in FY21.

Directors' emoluments

The figures below represent emoluments earned by Directors during the relevant financial year and relate to the period of each Director's membership of the Board. Benefits incorporate all benefits assessable to tax arising from employment by the Group.

Year ended 30 April 2021	Salary or fees and benefits £'000	Bonus £'000	Post-employment benefits £'000	Total £'000
Executive Directors				
Vic Darvey	341	285	9	635
Andy Botha	296	245	6	547
James Davies	4	—	—	4
Non-Executive Directors				
Paul Pindar	97	—	—	97
Adrian Blair	53	—	—	53
Simon Downing	53	—	1	54
Elona Mortimer-Zhika	36	—	1	37

Elona Mortimer-Zhika was appointed Chair of the Audit Committee on 24 September 2020.

No Director exercised share-based awards during the year.

The table does not include the IFRS 2 charges in respect of Directors' share-based awards. Full details of Directors' emoluments and IFRS 2 charges are contained in note 11.

On his departure from the Company, Mr Davies' outstanding share awards lapsed in full. As his departure was during FY21, the IFRS 2 credit arising on this lapse has been recognised in the current year. Pursuant to the terms of Mr Davies' service agreement, he was paid base salary while serving notice with the Company until 31 July 2020.

Directors' report

Directors' shareholdings

The interest of the Directors in the shares of the Company are set out below:

	30 April 2021		30 April 2020	
	Shares	**Options**	Shares	Options
Vic Darvey	**—**	**4,250,000**	—	1,750,000
Andy Botha	**—**	**1,700,000**	—	—
James Davies[1]	**—**	**—**	—	2,000,000
Adrian Blair[2]	**130,763**	**—**	33,675	—
Simon Downing[2]	**891,384**	**—**	133,500	—
Paul Pindar[3]	**10,827,227**	**—**	10,827,227	—

1. James Davies resigned as Director on 11 May 2020 and his outstanding share awards lapsed in full.
2. Denotes Non-Executive Director. On 3 August 2020, Adrian Blair, Independent Non-Executive Director, purchased 97,088 shares in the Company at £0.52. On 6 August 2020, Simon Downing, Senior Independent Non-Executive Director, purchased 500,000 shares in the Company at £0.58. On 6 April 2021, Simon Downing purchased 257,884 shares at £0.97.
3. Paul Pindar's shareholding includes that of his wife, Sharon Pindar.

The Director's present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 April 2021.

The Corporate Governance statement set on out pages 50 to 53 forms part of this report.

Principal activities

Purplebricks Group plc is an AIM-quoted company. The principal activity of the Group is the provision of services and technology to sell or let residential properties in the UK on behalf of the owner or landlord. Further information on the Group's business can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- the Strategic Report on pages 1 to 43;
- the Corporate Governance Statement on pages 50 to 53;
- the Audit Committee Report on pages 57 to 59; and
- the Director's Remuneration Report on pages 63 to 65.

Subsidiaries

Information about the Company's subsidiaries is provided in note 20 to the financial statements.

Directors

The Directors who held office during the financial year ended 30 April 2021 and up to the date of this report are set out below:

Adrian Blair[1]
Andy Botha (appointed 11 May 2020)
Dr Stephanie Caspar[1] (appointed 27 July 2020)
Vic Darvey
James Davies (resigned 11 May 2020)
Simon Downing[1]
Elona Mortimer-Zhika[1] (appointed 24 September 2020)
Paul Pindar[1]
Dr Andreas Wiele[1] (resigned 24 June 2020)

1. Denotes Non-Executive Director.

See pages 46 to 48 for biographical details of each Director along with details of Committee memberships.

Directors' interests

Details of Directors' remuneration and interests in and options over the Company's shares are set out in the Directors' Remuneration Report on pages 63 to 65.

Dividend

No dividends were paid in the year and there are none recommended (FY20: £nil).

Insurance

The Company has a qualifying indemnity insurance policy in respect of Directors' and officers' liability, which covers Directors and officers of the Company defending civil proceedings brought against them in their capacity as Directors or officers of the Company.

Annual General Meeting

The Annual General Meeting (AGM) will be held at 10.00am on Tuesday 28 September 2021 at Buchanan Communications Ltd, 107 Cheapside, London EC2V 6DN.

The Notice of Meeting will be posted to shareholders along with the Annual Report on 24 August 2021. The Notice of Meeting will be available on the website on that date and will set out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll.

Substantial shareholdings

At 1 June 2021, the Company had been notified in accordance with the Disclosure and Transparency Rules of the FCA, or was aware, that the following held, or were beneficially interested in, 3% or more of the voting rights in the Company's shares at that date:

Shareholder name	Number of shares	% shareholding
Axel Springer SE	81,384,638	26.53%
Jupiter Asset Management	52,037,168	16.96%
JNE Partners	22,620,000	7.37%
Inflection Point	14,670,000	4.78%
Paul Pindar and family	11,810,281	3.85%
Premier Miton Investors	11,582,180	3.78%
Seneca Investment Managers	9,661,099	3.15%
Hargreaves Lansdown Asset Management	9,197,820	3.00%

Financial risk management objectives and policies

Financial instruments including cash, trade debtors and trade creditors arise directly from the Group's operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk. Following the disposal of the Canadian business, foreign currency risk is no longer significant to the Group. Detailed information regarding the Group's exposure to financial risks as well as the financial risk management strategy used to reduce these risks is set out in note 29 to the financial statements.

Research and development

The Group undertakes a continuous programme of development as part of its commitment to lead change in the real estate industry. Development expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development, as disclosed in note 2.17 to the financial statements. All other research and development expenditure is recognised in the statement of comprehensive income as an expense as disclosed in note 9 to the financial statements.

During FY21, the Group's development of its web-based IT platform continued to increase the services available to customers and support the work of our people at the centre and in the field. Total expenditure in the period recognised in the income statement was £2.9m with a further £2.1m capitalised (FY20: expenditure of £3.4m and capitalisation of £2.1m).

Directors' report continued

Going concern

In adopting a going concern basis for the preparation of the financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 12 and 13 and in note 29 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 40 to 43.

The Directors have taken into account reasonably possible future economic factors in preparing trading and cash flow forecasts covering the period to 31 July 2022. This assessment has taken into consideration sensitivity analysis with regard to the forecast volume of instructions, the variable nature of significant elements of the Group's cost base and the steps which could be taken to further mitigate costs if required. Mitigations available are consistent with cost control and cash preservation actions taken in FY21 in response to Covid-19 and include a reduction in marketing expenditure and reductions in expenditure on the Group's contact centre and support functions to match demand levels.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered a number of scenarios, including the situation of a severe downside sensitised fall in revenues that is in excess of the Directors' realistic expectations. Even in these extreme scenarios, and before taking any mitigating actions, given the Group's year-end cash position of £74m, the Group expects to maintain a position of significant liquidity throughout the forecast period to 31 July 2022.

In light of the Group's current liquidity and the results of the sensitivity testing conducted, the Directors are satisfied that the Company, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Employees

Details of how the Directors have engaged with employees are set out in the Stakeholder Engagement section on pages 28 to 32. The Company's policies in relation to equal opportunities, diversity and health and safety are explained in the People section of the Sustainability Report on pages 35 and 36.

Customers and suppliers

For details of how the Group engages with customers and suppliers, refer to the Section 172 Statement on page 28.

Political donations

In line with the Company's policy, neither the Company nor the Group made any political donations during the current or prior year.

Environment

Purplebricks Group plc is committed to minimising the environmental impact of its business operations and seeks to actively manage its carbon footprint.

In line with current regulations, the Group is required to disclose its annual UK energy consumption and greenhouse gas (GHG) emissions from SECR regulated sources. This is contained on page 39.

Further details on the Group's environmental approach can be found in our Sustainability section on pages 33 to 39.

Charitable and philanthropic activity

Giving back to the public and local communities in which we operate is an important part of the Company's culture and ethos. We do this through the commitment of time and resources, and through our employees' fundraising activities. They are active in raising money or supporting fundraising activities for a wide range of causes both locally and nationally.

Auditor

Deloitte LLP was reappointed by shareholders as the Group's statutory auditor at the Company's Annual General Meeting in September 2020.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 and profit or loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

This Directors' Report was approved and signed on behalf of the Board.

Vic Darvey
Chief Executive Officer
5 July 2021

Andy Botha
Chief Financial Officer
5 July 2021

Independent auditor's report
To the members of Purplebricks Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Purplebricks Group plc (the 'parent company') and its subsidiaries (the "group"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statement; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the FRC's) Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year was: – Valuation of deferred income for the UK component Within this report, key audit matters are identified as follows: – Newly identified – Increased level of risk – Similar level of risk – Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1.4 million, which was determined on the basis of 1.4% of group revenue from total operations.
Scoping	The group audit team performed a full scope audit of the parent company and performed specified audit procedures over transactions made by the Canadian component prior to its disposal in July 2020 and over the gain recognised on the change in classification of the investment in the "Homeday" business. The overall scope of our audit resulted in us performing full scope audit procedures over 93% of group revenue, 90% of group expenditure (including share of results from associate), and 98% of group net assets.
Significant changes in our approach	Due to the group disposing of the Canadian operations in the period, the group audit team completed the audit of transactions made by the Canadian business in the period prior to its disposal. In the prior year, we engaged component auditors to complete a full scope audit of the Canadian component. As a consequence of this disposal, the key audit matter included in the prior year's audit over the valuation of goodwill in relation to Canada is no longer applicable for the current year.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding, of the relevant controls relating to the going concern assumption;
- testing the clerical accuracy of the model used to prepare the going concern forecasts;
- assessing the historical accuracy of forecasts prepared by management and actual performance in the subsequent period;
- assessing the reasonableness of the assumptions used in management's forecasts around the number of instructions over the going concern period in both the base case and downside scenarios;
- checking the arithmetical accuracy of the forecast base case and downside scenarios performed by management to determine if there are any possible reductions in instructions for cash to reduce to nil;
- assessing the key judgements in management's assessment of the current market environment due to Covid-19 to the business and considerations on the wider viability of the business in the context of liquidity and other relevant metrics; and
- challenging management as to the appropriateness of disclosures made in the financial statements based on our understanding of the business plans and financial performance in the period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report continued

5. Key audit matters continued

5.1. Valuation of deferred income for the UK component

Key audit matter description	In applying IFRS 15, the group have concluded that instruction revenues must be spread over the average period taken to sell a property or for the property to withdraw from sale. Accounting estimates are used to determine this average sales period. This is calculated based on the expected period of time from instruction to either the completion of a sale or withdrawal of the listing, using data from instructions received in the first 6 months of the current year; and is adjusted for the most recent trends in data compared to the prior period and an additional judgemental overlay to allow for management's estimate of the impact of material market uncertainties at the reporting date (such as the impact of the stamp duty holiday ending in June 2021). As detailed in note 2.5 to the financial statements, instruction revenue in the UK is recognised using an output method over time, being the period from instruction to sale of the property on a straight line basis. The measure of performance used has been determined on a portfolio basis, using the average time taken for a property sale to complete, which is described in the accounting policies section in pages 85 to 86. Judgement has been used to determine the period over which to recognise instruction revenue, which has been disclosed as a key source of estimation uncertainty in note 3.3 to the financial statements. The performance measure over which revenue is recognised is based on the expected period of time from instruction to either the completion of a sale or withdrawal of the listing. This expectation is set with reference to historical experience, and the current market environment of the UK housing market as at 30 April 2021 due to the continued impact of Covid-19. In calculating the deferred income as at 30 April 2021, the group have reduced the average service period over which revenue is recognised compared to the calculation at 30 April 2020 to reflect the current market conditions in the UK housing market. This has reduced the average period over which services are provided, by 26% compared to the prior year, which has resulted in a lower proportion of revenue from open instructions being deferred. This reduction in service period, when applied to the higher volume of instructions received in the relevant period in 2021 compared to 2020 has resulted in a deferred income balance at 30 April 2021 of £14.8 million (2020: £13.0 million). The impact of Covid-19 continues to be a key factor in the risk we have identified in relation to this key audit matter; however there is a lower estimation uncertainty over the average time taken from instruction to completion compared to the prior year.
How the scope of our audit responded to the key audit matter	Our procedures involved: – testing the relevant IT controls over the systems used to retain sales information and obtaining an understanding of the management review controls over the review of the deferred revenue calculation; – assessing the appropriateness of management's consideration of the current market conditions in the UK estate agency sector, reflecting the impact of Covid-19 in determining the expected average period for properties to sell, comparing this to market data and to the business's performance post year end and considering the anticipated impact of the cessation of the stamp duty holiday in June 2021; – involving our data analytics specialists to analyse the underlying data used to calculate the average period taken to sell a property in the UK and developed an independent expectation of the value of deferred income; – performing sensitivity analysis on the service period to determine the change in number of days that would be required to result in a material change in deferred income and compared this to the sensitivity analysis performed by management; and – assessing the appropriateness of the disclosures made regarding the level of estimation uncertainty in relation to the average days service used to calculate the value of deferred revenue.
Key observations	Based on our work we are satisfied that the valuation of deferred income for the UK component is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.4 million (2020: £1.7 million)	£1.2 million (2020: £1.4 million)
Basis for determining materiality	We set materiality for the current year at 1.5% of forecast group revenue from total operations at the time of performing our planning procedures. The actual revenue exceeded this forecast, however we did not revise our materiality and therefore current year materiality represents 1.4% of actual group revenue from total operations (2020: 1.5% of revenue).	The materiality for the Purplebricks Group plc (the parent company) audit was capped at 80% (2020: 80%) of group materiality on the basis of the relative size of this component to the group as a whole. This represents 1.3% (2020: 1.7%) of revenue generated by the company.
Rationale for the benchmark applied	We consider revenue to be the most appropriate benchmark. Given the changes in the group over the past 2 years following the disposal of the Canadian business in the current year and the closure of operations in Australia and the USA in the prior year, revenue is the most stable basis on which to determine materiality; as the changes in the group noted above have resulted in fluctuations in profitability. The directors also deem revenue growth to be one of their key indicators when assessing the performance of the group.	Subsequent to the disposal of the Canadian business, the UK business is the only trading component of the group. Consistent with our group approach to materiality, we consider revenue to be the most appropriate benchmark for the company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2020: 60%) of group materiality	60% (2020: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment, reflecting the progress against our control observations and recommendations in the audit for the year ended 30 April 2020; b. our inability to rely on certain business process controls; c. our ability to rely on certain IT controls over the completeness and accuracy of revenue; d. the level of uncorrected audit adjustments identified in the audit for the year ended 30 April 2020; and e. the likelihood that uncorrected known and likely misstatements from the prior period will recur in the current period.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £68,000 (2020: £85,000) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent auditor's report continued

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope on the consolidation at the parent company level (it being the main trading business in the UK) and the group's overseas business segments in Canada prior to disposal in July 2020.

Parent company and consolidation

The parent company accounts for over 73% of the group's revenue and was subject to a full scope audit using component materiality of £1.2 million, which was performed by the group audit team. At the parent company level we also tested the consolidation process, performed specific audit procedures over the gain recognised on the change in classification of the investment in the "Homeday" business and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Canada

The Canadian component accounts for 7% of the total revenue from continuing and discontinued operations and was subject to specified audit procedures performed by the group audit team using a component materiality of £0.4 million (2020: £1.0 million). As the business was disposed of in the current financial year, the group audit team performed specified audit procedures of the gain associated with discontinued operations and the related disclosures within the financial statements.

Overall assessment of the group audit scope

The overall scope of our audit resulted in us performing full scope audit procedures over 93% of group revenue, 90% of group expenditure (including trading losses from joint ventures), and 97% of group net assets.

7.2. Our consideration of the control environment

As a business, Purplebricks Group plc is extremely reliant on technology. Therefore effective technology controls are important not just to address financial risks, but also for other areas such as operational, regulatory and reputational risk. Given the high volume, low value nature of the group's transactions, reliance on the IT control environment is a fundamental part of the audit approach.

We relied on certain IT controls over instruction revenue for the UK component. Our assessment of the UK IT control environment included general IT controls (such as user access and IT change management) and automated controls (such as appropriate configuration of tariffs) only in relation to systems which impacted revenue recognition for the UK component.

Whilst we have seen positive changes to the internal control environment, these changes were implemented part-way through the financial year and therefore we were unable to take a control reliance approach over all other areas of the financial statements and therefore performed a fully substantive audit on other areas.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

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 error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, legal counsel and the audit committee about their own identification and assessment of the risk of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT, and data analytic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the judgements over the valuation of deferred income for the UK component. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM Listing Rules, Anti-Money Laundering regulations, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified valuation of deferred income for the UK component as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Use of our report

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 auditor's 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.

Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
5 July 2021

Consolidated statement of comprehensive income

For the year ended 30 April 2021

	Note	2021 £m	2020 Restated[1] £m
Revenue	6	**90.9**	80.5
Cost of sales		**(33.2)**	(28.9)
Gross profit		**57.7**	51.6
Net other income and expenditure	10	**(0.3)**	—
Administrative expenses		**(29.3)**	(33.9)
Marketing costs		**(18.9)**	(20.6)
Share of results of joint venture	21	**—**	(2.8)
Share of results of associate	21	**(1.0)**	—
Operating profit/(loss)	9	**8.2**	(5.7)
Finance income	15	**0.1**	0.5
Finance expense	16	**(4.7)**	(4.0)
Profit/(loss) before taxation		**3.6**	(9.2)
Taxation on profit/(loss)	13	**0.3**	1.0
Profit/(loss) from continuing operations		**3.9**	(8.2)
Profit/(loss) from discontinued operations	8	**2.9**	(11.0)
Profit/(loss) for the year		**6.8**	(19.2)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**0.9**	(0.1)
Total other comprehensive income		**0.9**	(0.1)
Total comprehensive profit/(loss)		**7.7**	(19.3)
Earnings/(loss) per share			
From continuing operations:			
Basic and diluted profit/(loss) per share	14	**1p**	(3)p
Total including discontinued operations:			
Basic and diluted profit/(loss) per share	14	**2p**	(6)p

1. Comparatives have been restated to show separately the results of continuing and discontinued operations including the reclassification of Canadian activities as discontinued – see note 2.2.

The accompanying accounting policies and notes form an integral part of these financial statements.

All profits, losses and other comprehensive income are attributable to equity shareholders of the parent.

Consolidated statement of financial position
At 30 April 2021

	Note	**2021 £m**	2020 £m
Non-current assets			
Goodwill	17	**2.6**	19.5
Intangible assets	18	**4.0**	19.2
Property, plant and equipment	19	**1.3**	3.5
Investment in joint venture	21	**—**	12.5
Investment in associate	21	**11.5**	—
Deferred tax asset	13	**7.4**	9.0
		26.8	63.7
Current assets			
Tax receivable		**—**	0.1
Trade and other receivables	22	**3.9**	10.2
Contract assets – accrued income	22	**7.2**	5.3
Contract assets – prepaid cost of sales	22	**4.9**	5.3
Cash and cash equivalents	25	**74.0**	31.0
		90.0	51.9
Total assets		**116.8**	115.6
Current liabilities			
Trade and other payables	23	**(12.1)**	(11.8)
Contract liabilities – deferred income	23	**(14.8)**	(14.6)
Provisions	23	**(1.2)**	(0.4)
Borrowings	23	**—**	(0.1)
Lease liabilities	24	**(0.4)**	(0.7)
		(28.5)	(27.6)
Net current assets		**61.5**	24.3
Total assets less current liabilities		**88.3**	88.0
Non-current liabilities			
Borrowings	23	**—**	(0.1)
Deferred tax liabilities	13	**(0.2)**	(4.4)
Lease liabilities	24	**(0.3)**	(1.4)
		(0.5)	(5.9)
Net assets		**87.8**	82.1
Equity			
Share capital	26	**3.1**	3.1
Share premium	27	**177.4**	177.4
Share-based payments reserve	28	**4.0**	6.9
Foreign exchange reserve	28	**—**	(1.8)
Retained earnings		**(96.7)**	(103.5)
Total equity		**87.8**	82.1

These financial statements were approved and authorised for issue by the Board of Directors on 5 July 2021 and were signed on its behalf by:

Vic Darvey
Director

Andy Botha
Director

Company registration number 08047368

Company statement of financial position

At 30 April 2021

	Note	2021 £m	2020 £m
Non-current assets			
Intangible assets	18	**3.8**	3.6
Property, plant and equipment	19	**1.3**	1.4
Investment in subsidiaries	20	**—**	31.6
Investment in joint venture	21	**—**	15.8
Investment in associate	21	**15.8**	—
Amounts owed by group undertakings	22	**—**	6.0
Deferred tax asset	13	**7.4**	7.1
		28.3	65.5
Current assets			
Trade and other receivables	22	**3.9**	5.5
Contract assets – accrued income	22	**7.2**	5.3
Contract assets – prepaid cost of sales	22	**4.9**	5.1
Cash and cash equivalents	25	**73.5**	28.0
		89.5	43.9
Total assets		**117.8**	109.4
Current liabilities			
Trade and other payables	23	**(12.4)**	(8.1)
Provisions	23	**(1.2)**	(0.4)
Contract liabilities – deferred income	23	**(14.8)**	(13.0)
Lease liabilities	24	**(0.4)**	(0.3)
		(28.8)	(21.8)
Net current assets		**60.7**	22.1
Total assets less current liabilities		**89.0**	87.6
Non-current liabilities			
Deferred tax liabilities	13	**(0.1)**	—
Lease liabilities	24	**(0.3)**	(0.5)
		(0.4)	(0.5)
Net assets		**88.6**	87.1
Equity			
Share capital	26	**3.1**	3.1
Share premium	27	**177.4**	177.4
Share-based payments reserve	28	**4.0**	6.9
Retained earnings		**(95.9)**	(100.3)
Total equity		**88.6**	87.1

The Company reported a profit for the financial year ended 30 April 2021 of £4.4m (2020: loss of £15.2m).

These financial statements were approved and authorised for issue by the Board of Directors on 5 July 2021 and were signed on its behalf by:

Vic Darvey
Director

Andy Botha
Director

Company registration number 08047368

Consolidated statement of changes in equity

For the year ended 30 April 2021

	Share capital £m	Share premium £m	Share-based payment reserve £m	Foreign exchange reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	3.1	177.4	6.9	(1.8)	(103.5)	82.1
Share-based payment credit	—	—	(2.9)	—	—	(2.9)
Transactions with owners	—	—	(2.9)	—	—	(2.9)
Profit for the year (including exchange differences recycled on disposal of Canadian business)	—	—	—	0.9	6.8	7.7
Exchange differences on translation of foreign operations	—	—	—	0.9	—	0.9
Total comprehensive profit	—	—	—	1.8	6.8	8.6
At 30 April 2021	**3.1**	**177.4**	**4.0**	**—**	**(96.7)**	**87.8**

For the year ended 30 April 2020

	Share capital £m	Share premium £m	Share-based payment reserve £m	Foreign exchange reserve £m	Retained earnings £m	Total equity £m
At 1 May 2019	3.0	177.4	8.6	(0.5)	(84.8)	103.7
Exercise of options	0.1	—	(0.4)	—	0.4	0.1
Tax in respect of share options	—	—	—	—	0.2	0.2
Share-based payment credit	—	—	(1.3)	—	—	(1.3)
Transactions with owners	0.1	—	(1.7)	—	0.6	(1.0)
Loss for the year	—	—	—	—	(19.3)	(19.3)
Exchange differences on translation of foreign operations	—	—	—	(1.3)	—	(1.3)
Total comprehensive loss	—	—	—	(1.3)	(19.3)	(20.6)
At 30 April 2020	3.1	177.4	6.9	(1.8)	(103.5)	82.1

Company statement of changes in equity

For the year ended 30 April 2021

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	3.1	177.4	6.9	(100.3)	87.1
Share-based payment credit	—	—	(2.9)	—	(2.9)
Transactions with owners	—	—	(2.9)	—	(2.9)
Profit for the year	—	—	—	4.4	4.4
Total comprehensive profit	—	—	—	4.4	4.4
At 30 April 2021	**3.1**	**177.4**	**4.0**	**(95.9)**	**88.6**

For the year ended 30 April 2020

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2019	3.0	177.4	8.6	(85.7)	103.3
Exercise of options	0.1	—	(0.4)	0.4	0.1
Tax in respect of share options	—	—	—	0.2	0.2
Share-based payment credit	—	—	(1.3)	—	(1.3)
Transactions with owners	0.1	—	(1.7)	0.6	(1.0)
Loss for the year	—	—	—	(15.2)	(15.2)
Total comprehensive loss	—	—	—	(15.2)	(15.2)
At 30 April 2020	3.1	177.4	6.9	(100.3)	87.1

Consolidated statement of cash flows

For the year ended 30 April 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year after taxation		**6.8**	(19.2)
Adjustments for:			
Amortisation of intangible assets	18	**2.5**	4.1
Depreciation of tangible fixed assets	19	**0.8**	1.7
Impairment of intangible assets	18	**—**	0.5
Impairment of tangible fixed assets	19	**—**	0.6
Gain on disposal of Canadian business	8	**(2.3)**	—
Share-based payment credit	12	**(2.9)**	(1.3)
Gain on lease modification		**—**	(0.1)
Charge/(credit) to loss provision	22	**0.1**	(0.4)
Increase in provisions	23	**0.8**	0.4
Interest income	15	**(0.1)**	(0.5)
Interest expense	16	**0.1**	0.2
Share of result of joint venture	21	**—**	2.8
Share of result of associate	21	**1.0**	—
Taxation credit	13	**(0.3)**	(1.7)
Operating cash inflow/(outflow) before changes in working capital		**6.5**	(12.9)
Movement in trade and other receivables		**0.2**	7.0
Movement in trade and other payables		**4.9**	(14.2)
Movement in deferred income		**1.4**	(4.8)
Cash generated by/(utilised in) operations		**13.0**	(24.9)
Taxation received		**—**	1.0
Interest paid		**—**	(0.1)
Net cash inflow/(outflow) from operating activities		**13.0**	(24.0)
Investing activities			
Purchase of property, plant and equipment	19	**(0.3)**	(0.8)
Development expenditure capitalised	18	**(2.1)**	(2.1)
Purchase of intangible assets	18	**(0.2)**	(0.1)
Interest income	15	**0.1**	0.5
Investment in joint venture	21	**—**	(4.6)
Proceeds from disposal of Canadian business	8	**36.4**	—
Cash disposed of with Canadian business	8	**(3.5)**	—
Net cash inflow/(outflow) from investing activities		**30.4**	(7.1)
Financing activities			
Lease interest payments		**(0.1)**	(0.1)
Payments against lease liabilities	25	**(0.3)**	(0.9)
Proceeds from external borrowings	25	**—**	0.3
Repayments of external borrowings	25	**—**	(0.1)
Proceeds from issue of shares	26	**—**	0.1
Net cash outflow from financing activities		**(0.4)**	(0.7)
Net increase/(decrease) in cash and cash equivalents		**43.0**	(31.8)
Cash and cash equivalents at the beginning of the year		**31.0**	62.8
Cash and cash equivalents at the end of the year		**74.0**	31.0

The accompanying accounting policies and notes form an integral part of these financial statements.

Cash flows relating to discontinued operations are presented within note 7.

Company statement of cash flows

For the year ended 30 April 2021

	Note	2021 £m	2020 £m
Profit/(loss) for the year after taxation		**4.4**	(15.2)
Adjustments for:			
Amortisation of intangible assets	18	**2.1**	2.4
Impairment of intangible assets	18	**—**	0.5
Impairment of investments in subsidiaries and intercompany receivables	20	**—**	8.9
Loss on disposal of subsidiary	8	**0.6**	—
Depreciation of tangible fixed assets	19	**0.7**	0.6
Share-based payment credit		**(2.3)**	(0.1)
Credit to loss provision	22	**—**	(0.1)
Increase in provisions	23	**0.8**	0.4
Interest income		**(0.2)**	(0.7)
Interest expense		**—**	0.1
Taxation		**(0.2)**	(0.7)
Operating cash inflow/(outflow) before changes in working capital		**5.9**	(3.9)
Movement in trade and other receivables		**(0.1)**	2.0
Movement in trade and other payables		**4.2**	(5.3)
Movement in deferred income		**1.8**	(1.7)
Cash generated by/(utilised in) operations		**11.8**	(8.9)
Taxation received		**—**	0.2
Interest paid		**—**	(0.1)
Net cash inflow/(outflow) from operating activities		**11.8**	(8.8)
Investing activities			
Purchase of property, plant and equipment	19	**(0.3)**	(0.3)
Development expenditure capitalised	18	**(2.1)**	(2.1)
Purchase of intangible assets	18	**(0.2)**	—
Investment in subsidiaries	20	**—**	(4.6)
Proceeds from sale of subsidiary	8	**36.4**	—
Investment in joint venture	21	**—**	(4.6)
Loans to subsidiaries		**—**	(9.8)
Interest income		**0.2**	0.7
Net cash inflow/(outflow) from investing activities		**34.0**	(20.7)
Financing activities			
Payments against lease liabilities	25	**(0.3)**	(0.2)
Proceeds from issue of shares	26	**—**	0.1
Net cash outflow from financing activities		**(0.3)**	(0.1)
Net increase/(decrease) in cash and cash equivalents		**45.5**	(29.6)
Cash and cash equivalents at the beginning of the year		**28.0**	57.6
Cash and cash equivalents at the end of the year		**73.5**	28.0

Notes to the financial statements

1. General information

Purplebricks Group plc (the "Company") is a public company limited by shares which is listed on the Alternative Investment Market of the London Stock Exchange. The Company is incorporated in the United Kingdom and registered in England and Wales. The address of the Company's registered office is Suite 7, First Floor, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands B90 4RZ. The Company is primarily involved in the estate agency business.

2. Summary of significant accounting policies

2.1 Basis of preparation and consolidation

The Group and Company financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Company has taken advantage of section 408 of the Companies Act and not included its own income statement in these financial statements.

The consolidated financial statements have been prepared under the historical cost convention as modified by financial instruments recognised at fair value.

The consolidated financial statements incorporate the results and financial position of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company. Total comprehensive income of the subsidiaries is attributable to the owners of the Company.

Accounting policies of subsidiaries which differ from Group accounting policies are adjusted on consolidation. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2.2 Restatement

Discontinued operations

A discontinued operation is a component of the entity which the Group has decided to close, or which has been disposed of or which is classified as held for sale and which represents a separate major line of business or geographical area of operations. The results of discontinued operations are presented separately in the statement of comprehensive income and statement of cash flows. In 2021, the results of the Canadian business, which was sold on 15 July 2020, have been classified as a discontinued operation. The comparative figures included in the statement of comprehensive income and statement of cash flows in respect of the year ended 30 April 2020 have been restated accordingly. The year ended 30 April 2020 comparatives for results from discontinued operations also include the results of the Group's US and Australian businesses for that period.

2. Summary of significant accounting policies continued

2.3 Going concern

In adopting a going concern basis for the preparation of the financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 12 and 13 and in note 29 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 40 to 43.

The Directors have taken into account reasonably possible future economic factors in preparing trading and cash flow forecasts covering the period to 31 July 2022. This assessment has taken into consideration sensitivity analysis with regard to the forecast volume of instructions, the variable nature of significant elements of the Group's cost base and the steps which could be taken to further mitigate costs if required. Mitigations available are consistent with cost control and cash preservation actions taken in FY21 in response to Covid-19 and include a reduction in marketing expenditure and reductions in expenditure on the Group's contact centre and support functions to match demand levels.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered a number of scenarios, including the situation of a severe downside sensitised fall in revenues that is in excess of the Directors' realistic expectations. Even in these extreme scenarios, and before taking any mitigating actions, given the Group's year-end cash position of £74m, the Group expects to maintain a position of significant liquidity throughout the forecast period to 31 July 2022.

In light of the Group's current liquidity and the results of the sensitivity testing conducted, the Directors are satisfied that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

2.4 New accounting standards adopted in the year

No new accounting standards have had a significant effect on the financial performance or condition of the Group in the year.

2.5 Revenue recognition

Under IFRS 15, revenue is recognised when control of the services provided passes to the customer. The Group is required to use judgement in determining the timing of the transfer of control, at a point in time or over time, for each service type.

The Group has identified the following significant categories of contracts with customers:

- instructions to list property for sale;
- conveyancing;
- brokerage;
- lettings – landlord setup services; and
- lettings – monthly management services.

Instructions

The Group is entitled to an instruction fee at the point at which a property is listed for sale. The Group offers a number of additional services to customers who list their properties for sale, including accompanied viewings and premium portal listings, which are typically charged for at the same time as the instruction. Some services (for example, advice on property sales strategy) are provided before the listing of the property advertisement. Certain other services (for example, post-sales support) are only provided to those customers who accept an offer for their property.

The Group has taken the judgement that all of the services which are provided in exchange for the instruction fee and, where relevant, fees for additional services represent a single Performance Obligation which is the provision of estate agency services. The reason for this is that the service of listing for sale and these additional services are highly inter-related, are dependent on each other and cannot be purchased separately by customers, or purchased at all unless those customers have instructed the Group to list their property for sale.

Although the services are priced separately, the overall revenue for each contract of this type is attributable to this single Performance Obligation and is recognised as the services as a whole are provided. Revenue is recognised on an output basis over time, as the estate agency services are performed, which results in straight-line recognition.

This method reflects the fact that the customer receives benefit from the Group's performance as the service is provided to the customer. The Group has assessed that the starting point for provision of the service is the customer's instruction to the Group, and the ending point is either the completion of sale or the customer's decision to withdraw from sale.

The nature of the Group's instruction service does not lend itself to observable outputs such as units produced, or milestones signed off by the customer. In view of the large number of customers from whom instruction revenue arises, the Group has taken the view that on a portfolio basis, a straight-line basis over the time elapsed as services are provided represents the most appropriate method on which to measure the output of the instruction service provided.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.5 Revenue recognition continued

Instructions continued

A key estimate within the Group's accounting policy for revenue from instructions is the length of the period over which estate agency services are performed. The Group uses historical and current market data to estimate the length of this period, which covers both a marketing period and a post-sales support period. Refer to the Critical Estimates and Judgements section for further information.

Contract assets and liabilities

The approach described above gives rise to contract liabilities in the form of deferred revenue. Movements in these amounts are set out within the trade and other payables and contract liabilities note.

The period of service is less than one year and therefore no deferred revenue held on the consolidated statement of financial position will be recognised after more than one year.

Costs associated with instructions revenue include commissions paid to the Group's LPEs. This commission is due at listing of the advertisement for sale. Therefore, these costs are prepaid and amortised over the average service period.

Unamortised costs at each period end are reported as contract assets within prepayments, as set out in the trade and other receivables and contract assets note.

Conveyancing

Where the Group introduces sellers and buyers of properties to one of the Group's third party partners for conveyancing services, the Group earns commission for these referrals, which is due at completion of the property transaction.

In respect of conveyancing revenue, the Group's Performance Obligation is to make the referral to the Group's third party partners. Following that referral, the involvement of the Group in the conveyancing process is incidental.

Therefore, the Group recognises revenue on completion of its Performance Obligation, at the point of referral. Revenue is recognised at the expected value of the consideration which will become due at completion as determined at the point of referral, calculated by reference to historical data in respect of sale completion rates. The Group monitors the conversion of cases referred at each reporting date, in order to restrict the revenue recognised under this method to an amount at which it is highly probable that reversal will not occur. This approach gives rise to contract assets in the form of accrued income.

Movements in amounts recognised as accrued income are set out within the trade and other receivables and contract assets note.

The Group's assessment is that it is acting as an agent of the third party partner which contracts directly with the seller of the property and which invoices that seller directly. Therefore, it is appropriate for the Group to recognise as revenue only the referral fee earned from the third party partner, which is the customer of the Group.

Brokerage

The Group also provided during the year, in parts of Canada, buyside brokerage and escrow services. These services are provided both to customers who are sellers and buyers of residential properties, with the Performance Obligation in each case being to assist the customer in bringing the transaction to a successful conclusion. Revenue, in the form of commission, becomes due in respect of these transactions on successful completion of a property sale.

Revenue in respect of brokerage services is recognised at the point at which the Group becomes unconditionally entitled to the consideration. Typically, this point is shortly before the completion of the sale of the property, which is the point at which the Group receives payment. Therefore, the Group recognises contract assets in the form of accrued income for amounts due and unpaid. Movements in this accrued income are set out within the trade and other receivables and contract assets note.

Lettings landlord setup services

The Group offers lettings services to landlords.

When the Group enters into contracts with prospective landlords to list their property to let, the Group's Performance Obligation is to provide a series of services aimed at identifying a suitable tenant for the landlord's property. These services include preparation of an advertisement to let and later support services. Fees charged to landlords in exchange for identifying a tenant for their rental property become due to the Group at tenant move in.

The Group has taken the judgement that all elements of the advertisement service and other support services provided represent a single Performance Obligation related to the identification of a suitable tenant who then moves into the property. This Performance Obligation is the provision of landlord setup services. The Group has taken the judgement that an expected value of consideration which will become due for the services can be determined using historical data regarding the proportion of successful tenant move ins and therefore that revenue can be reliably estimated before tenant move in.

All revenue is therefore attributable to this single Performance Obligation.

This revenue is recognised on an output basis over time, as the services are performed between the instruction to list the property to let and tenant move in, which results in straight-line recognition.

2. Summary of significant accounting policies continued

2.5 Revenue recognition continued

Lettings landlord setup services continued

Costs associated with landlord setup services revenue include commissions paid to the Group's Local Lettings Experts (LLEs). This commission is due at tenant application, which is towards the end of the process. Therefore, these costs are accrued over the period over which landlord setup services are provided. These costs are reported within accruals.

Contract assets and liabilities

Income recognised in advance of cash received represents a contract asset in the form of accrued income. Movements in accrued income are set out within the trade and other receivables and contract assets note.

Amounts due to LLEs which are recognised in advance of payment represent a contract liability in the form of accrued expenses. Movements in accruals are set out within the trade and other payables and contract liabilities note.

Lettings monthly management services

The Group also enters into contracts with landlords to provide rent collection and other tenant management services. Fees charged to landlords in exchange for the ongoing management of their rental properties become due to the Group monthly in arrears over the period of the tenancy.

In respect of fees charged to landlords in exchange for the ongoing management of their rental properties, the Group's Performance Obligation is to provide management services over a period of time. Revenue is recognised on a straight-line basis over time as the services are performed.

Amounts due from landlords in exchange for monthly management services are invoiced or deducted from rentals received on behalf of landlords as they become due on a monthly basis. Therefore, no contract assets or liabilities arise from the provision of this service.

2.6 Functional and presentation currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each Group company are expressed in GBP, which is the functional currency of the Company, and the presentational currency for the Group.

2.7 Foreign currencies

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2.8 Foreign exchange on consolidation

On consolidation, assets and liabilities of undertakings whose functional currency is other than Sterling are translated into Sterling at the year-end exchange rates. The results of these undertakings are translated into Sterling at average rates of exchange for the year. Exchange differences arising on retranslation are recognised through other comprehensive income in the foreign exchange reserve.

2.9 Segmental reporting

The Group's trade is managed as a single division, providing services relating to the sale and letting of properties. However, management reports to the Board, being the Chief Operating Decision Maker, using geographical segments, being the UK and Canada. The financial information reviewed by the Board is materially the same as that reported under IFRSs.

2.10 Pension benefits

The Group operates defined contribution pension arrangements and accounts for employer pension contribution expenses on an accruals basis.

2.11 Taxation

Current tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that remain unpaid at the reporting date. Current tax is payable on taxable profit, which differs from the profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Repayable tax credits relating to research and development expenditure arising under the HMRC R&D regime are recognised within current tax.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.11 Taxation continued

Deferred tax

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit on initial recognition. Deferred tax assets and liabilities are calculated, without discounting, at tax rates and laws that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is foreseeable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are always provided for in full; deferred tax assets and liabilities are offset only when the Group has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

2.12 Property, plant and equipment and purchased intangible assets

Property, plant and equipment and purchased intangible assets are held at cost less accumulated depreciation or amortisation and impairment charges.

Depreciation or amortisation is calculated to write off the cost of property, plant and equipment or purchased intangible assets less the estimated residual value on a straight-line basis over the expected useful economic life of the assets concerned. Estimated residual values are revised annually.

The useful lives over which these assets are depreciated are:

- Purchased software – over the estimated useful life of the system, typically 3 to 5 years
- Computer equipment – over 3 years
- Fixtures and fittings – over 5 years
- Motor vehicles – over 3 years
- Leasehold improvements – over 5 years

2.13 Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less any provision for impairment.

2.14 Joint ventures and associates

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement.

The Group's interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

Under IFRS 12 Disclosure of Interests in Other Entities, where the Group has significant influence over another entity, but not control or joint control, then the investment is accounted for as an associate under the equity method.

Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments, which are held at cost in the Company, is tested for impairment in accordance with the policy described in note 2.19.

During the year, the recognition of our investment in Homeday changed from being a joint venture to an associate. Refer to note 21 for further details.

2. Summary of significant accounting policies continued

2.15 Business combinations and goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill is measured as the excess fair value of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of the consideration transferred, and previously held interest measured at fair value, is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

Goodwill is separately disclosed as an intangible asset and is not amortised but tested for impairment annually, or when there are any indications that its carrying value is not recoverable. As such, goodwill is stated at cost less any provision for impairment in value. For impairment testing purposes, goodwill is allocated to cash-generating units (CGUs). If a subsidiary undertaking is subsequently sold, goodwill arising on acquisition is taken into account in determining the profit or loss on sale.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand together with other short-term, highly liquid deposits which are not subject to any risk of changes in value.

2.17 Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred and is only incurred in respect of the Group's software platform.

An internally generated intangible asset arising from the Group's development activity in respect of the customer-facing Purplebricks software platform is recognised in the statement of financial position when the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives over which these assets are amortised are:

- Internally generated intangible – straight line over the estimated useful life of the system, typically 3–5 years
- Capitalised software – straight line over 3 years

Amortisation is included within administrative expenses.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.18 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost, if appropriate less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The useful lives over which these assets are amortised are:

- Patents and trademarks – straight line over 18 months
- Customer relationships – straight line over 5 years
- Proprietary technology – straight line over 3 years

Certain intangible assets, such as brands, are deemed to have an indefinite life and are held at cost and not amortised but rather tested annually for impairment. These assets are considered to have an indefinite life, given the strength and durability of the Group's brands and the level of marketing support. The nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

Amortisation is included within administrative expenses.

2.19 Impairment

The carrying amount of the Group's assets including property, plant and equipment and intangibles is reviewed at each year-end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss where it relates to an amount charged to profit or loss.

2.20 Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. See note 29 for further details.

Financial assets

The Group has financial assets which are measured at amortised cost using the effective interest method, less provision for impairment. Amortisation is presented within administrative expenses. The Group's trade and other receivables fall into this category of financial instruments.

The Group applies the IFRS 9 expected credit loss model. The expected credit losses on trade receivables are by reference to past default experience of the debtors and an analysis of the debtors' current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast conditions at the reporting date.

For trade and other receivables, the amount of credit 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 profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases, the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 22.

Definition of default

The Group considers the circumstances of each significant debtor individually in determining an event of default. However, an indicator that a default has occurred is when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. Summary of significant accounting policies continued

2.20 Financial instruments continued

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) a breach of contract, such as a default or past due event; and

(b) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write off policy

Receivables are written off where there is no reasonable expectation of recovery and enforcement activity has ceased. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses (ECL) is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

Credit risk management – sale of receivables

Receivables from customers who elect to pay later for services rather than pay up-front are initially recognised at the transaction price, which is approximate to fair value under a held for sale business model.

In order to manage both liquidity requirements and credit risk in the UK, the Group operates committed facilities with a third party finance house, whereby customer receivables in respect of customers who utilise the Group's "pay later" option are sold immediately to the finance house. The receivables are sold at a discount to face value on non-recourse terms, and the discount retained by the finance house represents its fee for administering the collection of receivables. There are thresholds built into the facility agreement which allow the fee/discount to be revised upwards or downwards on a prospective only basis (i.e. in relation to the sale of receivables arising in the future) if actual credit and funding cost experience differs significantly from the initial assumptions that were used to set the fee.

At the point of sale of receivables to the factor, the difference between fair value and sale price is charged to the income statement as finance expense. Receivables due from the factor are measured at amortised cost under a held to collect business model and assessed for impairment under the expected credit loss model.

Outside of the UK, the Group does not sell on its receivables and therefore bears credit risk and needs to assess expected credit losses.

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables. As discussed above, credit risk is managed in the UK via a non-recourse receivable sale arrangement.

The credit risk on liquid funds is minimised because the counterparties are UK banks with high credit ratings assigned by international credit rating agencies.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables which are not subject to the receivable sale arrangement.

Trade receivables across the Group have been assessed with regard to counterparty specific and macroeconomic credit risk characteristics which vary from country to country and according to the nature of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced over a period of 12 months prior to the reporting date. The expected loss rates derived from the assessment described above are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables. As the Group has a small number of counterparties from which significant trade receivable amounts are due, this assessment is performed individually by counterparty where appropriate.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.20 Financial instruments continued

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Borrowings

Interest-bearing loans and overdrafts are initially recorded at fair value, which equates to proceeds less direct issue costs at inception. Subsequent to initial recognition, borrowings are measured at amortised cost, using the effective interest rate method. Any difference between the proceeds, net of transaction costs, and the amount due on settlement is recognised in the income statement over the term of the borrowings.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The only equity instrument applicable to the Company is its issued share capital.

2.21 Lease accounting

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position and is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate; or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, including any lease incentives (e.g. rent-free periods), and any initial direct costs, less lease payments made at or before the commencement day.

They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Depreciation of right-of-use assets and interest on lease liabilities is recognised in the consolidated income statement. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment. The right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. Any identified impairment loss will be accounted for as described in the impairment policy.

Where the Group's leases include termination options, the right-of-use assets and lease liabilities assume these are not exercised.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as office equipment), the Group has opted to recognise a lease expense on a straight-line basis as permitted by paragraph 6 of IFRS 16. This expense is presented within administrative expenses in the statement of consolidated income.

Other costs associated with leases, such as maintenance and insurance, are expensed as incurred.

Cash flows related to repayment of lease liabilities are presented within financing cash flows. During the year, total cash outflows under leases were £0.4m.

2. Summary of significant accounting policies continued

2.22 Share-based payments

The Group operates equity-settled share option programmes which allow certain employees and LPEs to acquire shares of the Company. The fair value of options granted is recognised as an income statement expense with a corresponding increase in equity. The fair value of market conditions is measured using the Black-Scholes or Monte Carlo model at grant date. The fair value of non-market conditions is estimated at grant date and re-estimated at each reporting date. The expense is allocated over the vesting period of each tranche of options granted. The relevant deferred tax amount is calculated at each reporting date over the vesting period equivalent to the expected tax deduction on future exercise, and is recognised if appropriate (see deferred tax accounting policy note). Expense in respect of options granted to employees of subsidiaries of the Company is debited to the cost of investment of the subsidiary by which they are employed. An element of the share-based payment cost of UK-based employees who perform Group roles is allocated to and recharged to the overseas entities, on a similar basis to salary and other related costs.

2.23 Share-based payments reserve

This comprises the cumulative share-based payment charge recognised in profit or loss in relation to equity-settled options, net of transfers of charge on exercise of options to the profit and loss reserve.

2.24 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are not recognised for future operating losses. 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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

2.25 Exceptional items

Exceptional items represent amounts which result from unusual transactions or circumstances which warrant individual disclosure due to their nature and also significance. The identification of these items is judgemental and this judgement is made at Board level. We believe that adjusting for such items improves comparability period on period.

These amounts are adjusted from alternative performance measures in order to present an alternative perspective on the results of the Group. Exceptional items are not expected to recur regularly or cyclically. Refer to note 9 for further details.

2.26 Factored receivables

Receivables arising from customers who choose to pay later in the UK are sold at a discount to face value on non-recourse terms, with the discount representing the costs charged by the factor. The factor settles the debt to the Group on a net basis, after deducting fees. This gives rise to a loss on derecognition of receivables, which is presented within finance expenses.

2.27 Government assistance

During the year, the Group received amounts from the UK and Canadian governments in relation to staff on furlough not working in the business. These receipts have been presented within net other income and expenditure in respect of the UK and are within the overall profit from discontinued activities in respect of Canada.

The financial impact of government assistance in the period is described in note 10.

3. Critical accounting estimates and judgements

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised in the financial statements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements continued

3. Critical accounting estimates and judgements continued

Estimates

In the view of the Directors, the areas of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below:

3.1 Measurement of intangible assets

The Group recognises an intangible asset in respect of software developed in house. This software is a key part of the Group's operating model and value proposition. Management is required to estimate the time and related value attributable to the element of the development team that relates to the creation and build of intangible assets which meet the criteria for capitalisation in IAS 38. The cost of this team is material and a significant change in this estimate could have a significant effect on the value of costs capitalised. The impact of a change to this estimate could result, at the most extreme, i.e. in a scenario where either no development team costs are capitalised, or where they are capitalised in full, in a decrease of £2.9m or increase of £2.1m in administrative expenses in the current year. Further details of the amounts capitalised are included in note 18.

3.2 Measurement of deferred tax assets

The Group has potential deferred tax assets, principally in the form of tax losses and possible tax deductions relating to the exercise of share-based payments. Deferred tax assets are only recognised to the extent it is probable that sufficient future taxable income will be available against which the losses and deductions can be utilised.

The recognition of deferred tax assets is dependent upon the estimation of future taxable profits in the territories that the Group operates within. The decision to recognise deferred tax assets is made after taking into account forecasts of future taxable profits, sensitised for downside risk. If the estimated future taxable profits were to change materially, either positively or negatively, this could have a material impact on the tax charge or credit recognised in the income statement. Depending on the length of the forecast period and the scale of the downside reduction applied, the value of the recognised deferred tax asset could range from 0% to 100% of the amount recognised, being £7.4m at 30 April 2021. Taxable profits have been generated in FY21 and the Group forecasts to continue to make taxable profits, which we expect will utilise in full the losses remaining at 30 April 2021.

3.3 Revenue recognition

Instruction revenue is recognised over the estimated period between instruction and completion or withdrawal of the property from sale ("service period") and the Directors are, therefore, required to estimate the average total service period, taking into account historical experience in addition to current and possible future economic conditions and factors. At each reporting date, this estimation includes an assessment of the future service period in respect of instructions on hand at the year end.

As at 30 April 2021, the Directors have taken account of two key factors in developing their view of the likely future service period, being (i) the impact of the Covid-19 pandemic on the housing market in the UK and (ii) the likely potential impact of the end of the stamp duty land tax (SDLT) holiday period. In the lead up to year end, the housing market was experiencing a significant push to complete transactions ahead of the SDLT holiday deadline, which led to an average shortening of the time between instruction and sale agreed. The Directors expect that this effect will reverse on expiry of the SDLT holiday. Thereafter, the Directors assess, for a certain period, time to completion for properties where sale is agreed may well be longer than has recently been the case.

On balance, at 30 April 2021, the Directors have assessed that these two factors are likely to offset over the coming months, and thereafter expect a return to a business-as-usual marketplace with a corresponding long-term average service period. The period used in calculating contract liabilities in respect of deferred income as at 30 April 2021 is therefore 26% shorter than at 30 April 2020.

Given the continuing uncertainty caused by the impact of Covid-19 on the UK economy, as well as unusual behaviour driven by the SDLT holiday, there is a greater degree of subjectivity in estimating the future service period than would be the case in a "steady state" scenario and the Directors have adopted a best estimate approach, taking into account available evidence. An increase of 4% or decrease of 8% in the service period has been assessed as reasonably possible boundaries for this assumption. Such changes in the assumption would have resulted in an increase of £0.6m or decrease in deferred income of approximately £0.9m respectively.

Judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately above), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

3.4 Revenue recognition

The Group provides services for instruction fees, including fees receivable up-front and fees receivable at completion of sale. The Group has taken a judgement that under IFRS 15 the Performance Obligation relating to these fees is discharged over time (between instruction and completion) rather than at a point in time. An alternative judgement that fees should be recognised at a point in time would have a material impact on both deferred income and revenue for the current year. Further detail is set out in the revenue recognition policy above.

3.5 Assessment of the status of the Group's investment in Homeday

In assessing the status of the Group's investment in Homeday, which is held through a joint venture (JV HoldCo) with Axel Springer, the Group has to consider the effect of convertible loans which exist between Axel Springer and JV HoldCo, and put and call options which exist between the shareholders of Homeday, as set out in note 21.

3. Critical accounting estimates and judgements continued

3.5 Assessment of the status of the Group's investment in Homeday continued

Options which may in the future confer substantive rights must be considered as exercised if there are no substantial barriers to exercise. Whether substantial barriers exist is subjective and is a matter of judgement.

At 30 April 2020, the Group took the view that there were substantial barriers to the exercise of the convertible loans between Axel Springer and JV HoldCo, and therefore the Group's investment in JV HoldCo was accounted for as a joint venture.

At 30 April 2021, the Group has reassessed this judgement and has concluded that there are no substantive barriers to the exercise of the convertible loans between Axel Springer and JV HoldCo. Therefore, at 30 April 2021, the Group's investment in JV HoldCo has been determined to meet the definition of an associate rather than a joint venture based on the guidance in IAS 28 and IFRS 12, and its presentation has been amended on the Group balance sheet.

Details of the investment and the gain on deemed dilution in shareholding at the point of reassessment is set out in note 21.

4. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

		Expected date of adoption
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Introduces a practical expedient for modifications required by the reform. It clarifies that hedge accounting is not discontinued solely because of the IBOR reform, and introduces disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates.	1 May 2021
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.	1 May 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract".	1 May 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 May 2022
IFRS 17 Insurance Contracts (Supersedes IFRS 4 Insurance Contracts)	Designed to achieve the goal of a consistent, principle-based accounting for insurance contracts, it requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.	1 May 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	1 May 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Requires an entity to disclose its material accounting policies, instead of its significant accounting policies. The amendments explain how to identify a material accounting policy with examples of when a policy is likely to be material.	1 May 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Replaces the definition of a change in accounting estimates with a definition of accounting estimates, which is defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 May 2023
Deferred Tax (Amendments to IAS 12)	Clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1 May 2023

None of the new standards not yet in issue are expected, once adopted, to give rise to a significant change in the reported results or financial position of the Group.

Notes to the financial statements continued

5. Alternative performance measures

The Group makes use of a number of alternative performance measures in assessing the performance of the business. The definition and relevance of each of these is set out below. The Group believes that these measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with helpful additional information on the underlying performance of the Group.

Adjusted EBITDA

Definition

Profit or loss from operating activities, adding back depreciation, amortisation, share-based payment charges and exceptional items. At a Group level this measure also excludes results of joint ventures and associates.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding certain items is as follows:

- Depreciation: a non-cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Amortisation: a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period. Where applicable, impairment of intangible assets is also excluded as an exceptional item.
- Share-based payment charges: a non-cash item which varies significantly depending on the share price at the date of grants under the Group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the Group's results period on period and also improves comparability with other companies which typically do not operate similar share-based payment schemes.
- Exceptional items: these items represent amounts which result from unusual transactions or circumstances and of a significance which warrants individual disclosure. We believe that adjusting for such exceptional items improves comparability period on period. See note 9 for further detail of amounts disclosed as exceptional in the year.
- Results of joint ventures and associates: while the Group exercises some influence over these results, it is unable to fully control them.

Reconciliation

See segmental reporting in note 7.

Adjusted operating costs

Definition

Adjusted operating costs are administrative expenses, adjusted by adding back depreciation, amortisation and share-based payment charges and exceptional items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding depreciation, amortisation, share-based payment charges and exceptional costs from this measure is consistent with that set out above in the Adjusted EBITDA section.

Reconciliation

See segmental reporting in note 7.

Adjusted operating profit/loss

Definition

Profit or loss from operating activities, adding back share-based payment charges, the Group share of results of associates and joint ventures, and exceptional items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding share-based payment charges and exceptional items from this measure is consistent with that set out above in the Adjusted EBITDA section.

Reconciliation

See segmental reporting in note 7.

6. Revenue

Revenue by contract type

	2021 £m	2020 Restated[1] £m
Continuing operations		
Instructions	**60.1**	52.2
Conveyancing	**17.9**	16.7
Lettings	**6.6**	6.6
Brokerage and other	**6.3**	5.0
	90.9	80.5
Discontinued operations		
Instructions	**3.6**	24.7
Conveyancing	**—**	1.8
Lettings	**—**	—
Brokerage and other	**2.9**	10.2
	6.5	36.7
Total revenue	**97.4**	117.2

1. See note 2.2

7. Segmental reporting

The Group's trade is managed as a single division, providing services relating to the sale and letting of properties; however, management reports to the Board (the Board being the Chief Operating Decision Maker (CODM)) using geographical segments. The financial information reviewed by the Board is materially the same as that reported under IFRS and in FY21 falls under two geographic locations: the UK and Canada. Australia and the US are former segments which were fully wound down during FY20, and the results of these segments are presented within the FY20 comparatives. Following the sale of the Canadian business in July 2020, the results of the Canadian business are presented as discontinued. The operating losses of discontinued segments are reconciled to the net loss relating to discontinued activities within this note.

Adjusted EBITDA is a key profit measure used by the CODM in making strategic decisions.

During the year, no customer contributed 10% or more of the Group's revenues (2020: none).

Notes to the financial statements continued

7. Segmental reporting continued

The following is an analysis of the Group's revenue and results by reporting segment:

Year ended 30 April 2021	UK £m	Arising on consolidation £m	Continuing operations £m	Discontinued operations (Canada only) £m	Total £m
Revenue	90.9	—	90.9	6.5	97.4
Cost of sales	(33.2)	—	(33.2)	(1.8)	(35.0)
Gross profit	57.7	—	57.7	4.7	62.4
Gross profit margin (%)	63.5%	—	63.5%	72.3%	64.1%
Net other income and expenditure	(0.3)	—	(0.3)	1.4	1.1
Administrative expenses	(29.1)	(0.2)	(29.3)	(4.0)	(33.3)
Marketing expenses	(18.9)	—	(18.9)	(0.6)	(19.5)
Share of results of associate	—	(1.0)	(1.0)	—	(1.0)
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Reconciliation to adjusted EBITDA					
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Depreciation and amortisation	2.8	0.2	3.0	0.3	3.3
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Share of results of associate	—	1.0	1.0	—	1.0
Exceptional items	2.1	—	2.1	—	2.1
Adjusted EBITDA	12.0	—	12.0	1.2	13.2
Reconciliation to adjusted operating profit					
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Share of results of associate	—	1.0	1.0	—	1.0
Exceptional items	2.1	—	2.1	—	2.1
Adjusted operating profit	9.2	(0.2)	9.0	0.9	9.9
Reconciliation of administrative expenses to adjusted operating costs					
Administrative expenses	(29.1)	(0.2)	(29.3)	(4.0)	(33.3)
Depreciation and amortisation	2.8	0.2	3.0	0.3	3.3
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Exceptional items	2.1	—	2.1	—	2.1
Adjusted operating costs	(26.5)	—	(26.5)	(4.3)	(30.8)

7. Segmental reporting continued

Year ended 30 April 2020 Restated - see note 2.2	UK £m	Arising on consolidation £m	Adjustment for recharges £m	**Continuing operations £m**	Canada £m	Australia £m	US £m	Arising on consolidation £m	Adjustment for recharges £m	Discontinued operations £m	Total £m
Revenue	80.5	—	—	**80.5**	30.6	1.5	4.6	—	—	36.7	117.2
Cost of sales	(28.9)	—	—	**(28.9)**	(14.5)	(2.2)	(2.2)	—	—	(18.9)	(47.8)
Gross profit/(loss)	51.6	—	—	**51.6**	16.1	(0.7)	2.4	—	—	17.8	69.4
Gross profit margin (%)	64.1%	—	—	**64.1%**	52.5%	(46.7)%	52.2%	—	—	48.5%	59.2%
Administrative expenses	(31.2)	(0.2)	(2.5)	**(33.9)**	(10.6)	(3.4)	(4.8)	(1.4)	2.5	(17.7)	(51.6)
Marketing expenses	(20.6)	—	—	**(20.6)**	(8.2)	(1.2)	(2.0)	—	—	(11.4)	(32.0)
Share of results of joint venture	—	(2.8)	—	**(2.8)**	—	—	—	—	—	—	(2.8)
Operating loss	(0.2)	(3.0)	(2.5)	**(5.7)**	(2.7)	(5.3)	(4.4)	(1.4)	2.5	(11.3)	(17.0)
Reconciliation to adjusted EBITDA											
Operating loss	(0.2)	(3.0)	(2.5)	**(5.7)**	(2.7)	(5.3)	(4.4)	(1.4)	2.5	(11.3)	(17.0)
Depreciation and amortisation	3.5	0.2	—	**3.7**	1.0	0.5	0.3	1.4	—	3.2	6.9
Share-based payments	(0.1)	—	0.6	**0.5**	0.3	(0.7)	(0.8)	—	(0.6)	(1.8)	(1.3)
Share of results of joint venture	—	2.8	—	**2.8**	—	—	—	—	—	—	2.8
Exceptional items	1.6	—	—	**1.6**	—	—	—	—	—	—	1.6
Adjusted EBITDA	4.8	—	(1.9)	**2.9**	(1.4)	(5.5)	(4.9)	—	1.9	(9.9)	(7.0)
Reconciliation to adjusted operating profit/(loss)											
Operating loss	(0.2)	(3.0)	(2.5)	**(5.7)**	(2.7)	(5.3)	(4.4)	(1.4)	2.5	(11.3)	(17.0)
Share-based payments	(0.1)	—	0.6	**0.5**	0.3	(0.7)	(0.8)	—	(0.6)	(1.8)	(1.3)
Share of results of joint venture	—	2.8	—	**2.8**	—	—	—	—	—	—	2.8
Exceptional items	1.6	—	—	**1.6**	—	—	—	—	—	—	1.6
Adjusted operating profit/(loss)	1.3	(0.2)	(1.9)	**(0.8)**	(2.4)	(6.0)	(5.2)	(1.4)	1.9	(13.1)	(13.9)
Reconciliation of administrative expenses to adjusted operating costs											
Administrative expenses	(31.2)	(0.2)	(2.5)	**(33.9)**	(10.6)	(3.4)	(4.8)	(1.4)	2.5	(17.7)	(51.6)
Depreciation and amortisation	3.5	0.2	—	**3.7**	1.0	0.5	0.3	1.4	—	3.2	6.9
Share-based payments	(0.1)	—	0.6	**0.5**	0.3	(0.7)	(0.8)	—	(0.6)	(1.8)	(1.3)
Exceptional items	1.6	—	—	**1.6**	—	—	—	—	—	—	1.6
Adjusted operating costs	(26.2)	—	(1.9)	**(28.1)**	(9.3)	(3.6)	(5.3)	—	1.9	(16.3)	(44.4)

Notes to the financial statements continued

7. Segmental reporting continued

	2021 £m	2020 £m
Non-current assets		
UK	**26.8**	69.0
Canada	**—**	5.7
Consolidation adjustments	**—**	(11.0)
Total	**26.8**	63.7

	2021 £m	2020 £m
Total assets		
UK	**116.8**	113.6
Canada	**—**	13.0
Consolidation adjustments	**—**	(11.0)
Total	**116.8**	115.6

	2021 £m	2020 £m
Total liabilities		
UK	**29.0**	22.0
Canada	**—**	13.1
Consolidation adjustments	**—**	(1.6)
Total	**29.0**	33.5

Cash flows relating to discontinued operations were as follows:

	2021 £m	2020 Restated[1] £m
Operating cash inflow/(outflow) before changes in working capital		
Continuing operations	**5.2**	(0.5)
Discontinued operations	**1.3**	(12.4)
	6.5	(12.9)
Operating cash inflow/(outflow) after changes in working capital, interest and taxation paid		
Continuing operations	**12.0**	(8.9)
Discontinued operations	**1.0**	(15.1)
Net cash inflow/(outflow) from operating activities	**13.0**	(24.0)
Cash flow from investing activities		
Continuing operations	**(2.5)**	(5.8)
Discontinued operations	**32.9**	(1.3)
	30.4	(7.1)
Cash flow from financing activities		
Continuing operations	**(0.4)**	(0.5)
Discontinued operations	**—**	(0.2)
	(0.4)	(0.7)

1. See note 2.2

8. Profit on disposal of the Canadian business

On 15 July 2020, the Group completed the disposal of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian co-operative financial group. Headline consideration was $60.5m Canadian Dollars (£36.1m), or £35.9m net of professional fees of £0.2m, to be adjusted for working capital and debt in line with completion accounts in due course. Part of the proceeds was allocated to the repayment of intra-group debt owed to Purplebricks Group plc.

In November 2020, working capital and debt adjustments were agreed at $1.0m Canadian Dollars (£0.5m), giving revised net proceeds due to the Group, net of advisor fees of £0.2m, of £36.4m. After accounting for the disposal of the Group's Canadian business at book value, including the book value of goodwill and other intangibles arising on the acquisition, and the derecognition of associated deferred tax assets and liabilities, the Group recorded a profit on disposal of £2.3m. Further detail is set out in the table below:

	2021 £m
Cash consideration received	**36.4**
Carrying amount of net assets disposed of	**(34.1)**
Gain on sale	**2.3**

The carrying amounts of assets and liabilities at the date of sale were:

	£m
Goodwill	**17.2**
Brand	**13.5**
Proprietary technology	**1.1**
Customer relationships	**1.1**
Cash	**3.5**
Working capital and other net liabilities	**(2.3)**
	34.1

The Australia, US and Canada operations represented in their entirety the segments as disclosed in note 7. The operating profits/(losses) of discontinued segments are reconciled to the net profit/(loss) relating to discontinued activities as follows:

	Year ended 30 April 2021 £m	Year ended 30 April 2020 Restated[1] £m
Operating profit/(loss) relating to discontinued segments	**1.5**	(11.3)
Gain on disposal of Canadian business	**2.3**	—
Net finance expense relating to discontinued segments	**—**	(0.4)
Tax credit relating to discontinued segments	**—**	0.7
Exchange differences recycled on disposal of Canadian business	**(0.9)**	—
Profit/(loss) from discontinued operations	**2.9**	(11.0)

1. See note 2.2

After accounting for the repayment of amounts owed, the Company realised a loss on disposal of the cost of investment in its Canadian subsidiaries of £0.6m.

Notes to the financial statements continued

9. Profit/(loss) from operating activities

Profit/(loss) from operating activities for the year has been arrived at after charging/(crediting):	**2021 £m**	2020 Restated[1] £m
Amounts received by auditor and associates in respect of:		
Audit of Group financial statements	**0.2**	0.2
Audit of subsidiaries	**—**	0.1
Non-audit services: half year review	**0.1**	—
Bad debt expense/(credit)	**0.1**	(0.4)
Depreciation and amortisation:		
Owned, in respect of continuing activities	**0.4**	0.4
Owned, in respect of discontinued activities	**0.1**	0.7
Depreciation of right-of-use assets – property in respect of continuing activities	**0.3**	0.3
Impairment of right-of-use assets – property in respect of discontinued activities	**—**	0.3
Depreciation of right-of-use assets - property in respect of discontinued activities	**—**	0.6
Amortisation of development costs	**1.9**	2.2
Amortisation of software in respect of continuing activities	**0.2**	0.2
Amortisation of software in respect of discontinued activities	**—**	0.1
Amortisation of other intangibles in respect of continuing activities	**0.2**	0.2
Amortisation of other intangibles in respect of discontinued activities	**0.2**	1.4
Impairment of development costs	**—**	0.5
Income in respect of government assistance (see note 10)	**(0.7)**	—
Repayment of income in respect of government assistance (see note 10)	**1.0**	—
Aggregate charge against income in respect of research and development costs not eligible for capitalisation	**2.9**	3.4
Exceptional items	**2.1**	1.6

1. See note 2.2

Exceptional items comprise:

- Costs of a fundamental restructuring programme which was started in FY20 focused on the customer services and sales functions and which in the year ended 2021 has shifted focus onto employed head office functions of £1.2m (2020: £1.2m); and
- Costs continuing from FY20 of supporting the network of independent LPEs in response to the Covid-19 pandemic of £0.9m (2020: £0.4m).

These items were identified in the prior year as exceptional because they are: (i) the first instance of such costs being incurred in the Group's history; and (ii) of such significance that it is necessary to show them separately in order to give a complete view of the performance of the Group in the year.

Support to the LPE network during the Covid-19 pandemic is not expected to continue in FY22, as we currently do not anticipate a full shutdown of the housing market to recur.

The aggregate amounts accrued but not yet paid in respect of exceptional charges total £nil (2020: £0.5m). All amounts disclosed as exceptional are deductible to tax.

All exceptional items are presented within administration expenses in the consolidated income statement.

The aggregate charge in respect of research and development represents the total cost incurred during the year, less amounts capitalised in accordance with IAS 38 Intangible Assets. Amounts capitalised are shown in note 18.

10. Government assistance

Government grants of £0.7m were received in the year to 30 April 2021 (2020: £0.3m) under the UK government's Coronavirus Job Retention Scheme (CJRS) initiative to provide financial support to companies in order to allow them to retain on payroll certain employees who were not required in the business due to Covid-19-related activity reductions and therefore placed temporarily on furlough.

In April 2021, the Group informed HMRC of its intention to repay the grants received under the UK's CJRS initiative in both the current and prior year in full, i.e. total of £1.0m. The repayment was made post year end. The liability for this repayment was accrued for at year end. The net income statement impact of £0.3m in the current year is shown as net other income and expenditure.

10. Government assistance continued

Government grants of £1.4m were received in the year to 30 April 2021 (2020: £0.7m) under the Canada Emergency Wage Subsidy (CEWS) relief programme to provide financial support to companies in order to allow them to retain on payroll certain employees who were not required in the business due to Covid-19-related activity reductions and therefore placed temporarily on furlough.

In the UK, the Group also took advantage of HMRC's VAT deferral scheme to defer payment of £0.9m of VAT, which had been repaid in full by 30 April 2021.

11. Staff costs

The monthly average number of persons employed by the Group during the year was as follows:

	2021			2020 Restated[1]		
	Continuing No.	**Discontinued No.**	**Total No.**	Continuing No.	Discontinued No.	Total No.
Sales and marketing	**272**	**79**	**351**	321	406	727
Technical	**80**	**7**	**87**	73	38	111
Administration	**55**	**8**	**63**	50	60	110
	407	**94**	**501**	444	504	948

1. Refer to note 2.2.

The aggregate payroll costs of the persons employed by the Group, including the Directors, were as follows:

	2021			2020 Restated[1]		
	Continuing £m	**Discontinued £m**	**Total £m**	Continuing £m	Discontinued £m	Total £m
Wages and salaries	**18.1**	**3.3**	**21.4**	15.9	8.2	24.1
Government assistance[2] (see note 10)	**(0.7)**	**(1.4)**	**(2.1)**	(0.3)	—	(0.3)
Repayment of government assistance	**1.0**	**—**	**1.0**	—	—	—
Compensation for loss of office	**—**	**—**	**—**	0.2	—	0.2
Social security	**1.7**	**0.3**	**2.0**	1.6	1.6	3.2
Pension	**0.3**	**0.1**	**0.4**	0.3	0.7	1.0
Share-based payment (credit)/charge	**(2.3)**	**(0.6)**	**(2.9)**	0.3	(1.6)	(1.3)
	18.1	**1.7**	**19.8**	18.0	8.9	26.9

1. Refer to note 2.2.

2. UK Government assistance of £0.3m was included in the Wages and salaries amounts in the prior period.

The average number of persons employed by the Company during the year was as follows:

	2021 No.	2020 No.
Sales and marketing	**261**	295
Technical	**80**	73
Administration	**32**	23
	373	391

The aggregate payroll costs of the persons employed by the Company, including the Directors, were as follows:

	2021 £m	2020 £m
Wages and salaries	**17.8**	15.4
Government assistance[2] (see note 10)	**(0.7)**	(0.3)
Repayment of government assistance	**1.0**	—
Compensation for loss of office	—	0.2
Social security	**1.6**	1.6
Pension	**0.3**	0.3
Share-based payment (credit)/charge	**(2.3)**	0.3
	17.7	17.5

2. UK Government assistance of £0.3m was included in the Wages and salaries amounts in the prior period.

Notes to the financial statements continued

11. Staff costs continued

The following table provides details of remuneration paid to Directors of the Company:

	2021 £m	2020 £m
Short-term employee benefits	**1.4**	1.0
Compensation for loss of office	—	0.2
Post-employment benefits	**0.1**	—
Share-based payment (credit)/charge	**(1.0)**	0.8
	0.5	2.0

The highest paid Director received remuneration of £1.2m (2020: £0.8m) during the year. No Director had a material interest in any contract in relation to the business of the Group. No Director exercised share options during the current or preceding financial year.

The aggregate value of any Company contributions paid, or treated as paid, to a money purchase pension scheme in respect of Directors' qualifying services was £17,000 (2020: £11,000).

During the year retirement benefits under money purchase schemes accrued in respect of qualifying services for four Directors (2020: two). The Group does not operate any defined benefit retirement arrangements.

In addition to the Directors, 14 members of senior management (2020: 11) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 21 individuals comprised of 17 from continuing operations and four from discontinued operations (2020: 18 individuals, being 14 from continuing operations and four from discontinued operations):

	2021			2020 Restated[1]		
	Continuing £m	Discontinued £m	Total £m	Continuing £m	Discontinued £m	Total £m
Salaries or fees, including bonuses and employer's National Insurance	**3.0**	**0.2**	**3.2**	2.0	0.9	2.9
Compensation for loss of office	—	—	—	0.2	—	0.2
Share-based payment (credit)/charge	**(1.6)**	**(0.8)**	**(2.4)**	0.5	0.6	1.1
	1.4	**(0.6)**	**0.8**	2.7	1.5	4.2

1. Refer to note 2.2.

The remuneration of the Directors for the years ended 2021 and 2020 was as follows:

Year ended 30 April 2021	Short-term employee benefits £'000	Post-employment benefits £'000	Share-based payments (credit)/charge £'000	Total £'000
Executive Directors				
Vic Darvey	**626**	**9**	**533**	**1,168**
James Davies[1]	**4**	—	**(1,765)**	**(1,761)**
Andy Botha[2]	**541**	**6**	**266**	**813**
Non-Executive Directors				
Paul Pindar	**97**	—	—	**97**
Adrian Blair	**53**	—	—	**53**
Simon Downing	**53**	**1**	—	**54**
Elona Mortimer-Zhika[3]	**36**	**1**	—	**37**
Total	**1,410**	**17**	**(966)**	**461**

1. James Davies resigned as Executive Director on 11 May 2020 and all share options held lapsed on his leaving.
2. Andy Botha was appointed as Executive Director on 11 May 2020.
3. Elona Mortimer-Zhika was appointed as Non-Executive Director on 24 September 2020.

The table above reflects the accounting charge under IFRS 2 of equity-settled awards. No Director exercised share options during the year. Details of options granted to Directors are set out in the Directors' Remuneration Report on page 64.

11. Staff costs continued

Year ended 30 April 2020	Short-term employee benefits £'000	Post-employment benefits £'000	Share-based payments charge £'000	Total £'000
Executive Directors				
Michael Bruce	217	—	2	219
Vic Darvey	346	10	370	726
James Davies	350	—	456	806
Non-Executive Directors				
Paul Pindar	103	—	—	103
Adrian Blair	54	1	—	55
Simon Downing	54	—	—	54
Michael Wroe	38	—	—	38
Total	1,162	11	828	2,001

Michael Bruce stepped down from his role as an Executive Director of the Group on 7 May 2019. His termination payment of £200,000 is reflected in the short-term employee benefits costs for the year ended 30 April 2020.

Michael Wroe stepped down from his role as Non-Executive Director on 12 December 2019.

12. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI), an employee share ownership plan (ESOP) and a licensee share option plan (LSOP). In addition, the Company has granted awards under a Performance Share Plan (PSP) in the current and preceding year.

Under these approved plans, a total of 14 schemes are currently operating, as listed below. There are currently four PSPs operating.

The vesting conditions for schemes 6 to 18 are based on future service from the date of grant, with between 25% and 33% of the options vesting on or after either the 12 or 24-month anniversary of the grant, and a further vesting every three months thereafter so that options vest in full on the 48-month anniversary of the date of grant to the employee or the licensee.

On 14 August 2020, 7 September 2020 and 13 January 2021 the Company granted 4,903,476, 260,870 and 877,210 options respectively under Performance Share Plans (PSPs) (schemes 21, 22 and 23) to certain employees. These options have an exercise price of £0.01 and vest over three years. In line with the PSP grant in FY20, 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return (TSR) target.

Details of the total number of shares under option at the period end are set out below:

Grant date	Scheme No.	Type of scheme	No. of option holders	No. of options	Exercise price	Earliest exercise date	Remaining contractual life
10 Aug 2015	4	EMI	1	3,384	£0.13	10 Aug 2015	4.3 years
29 Jun 2016	6	ESOP/LSOP	40	1,208,024	£1.29	29 Jun 2017	5.2 years
5 Dec 2016	7	ESOP/LSOP	66	913,277	£1.25	5 Dec 2017	5.6 years
4 Jan 2017	8	ESOP	2	387,500	£1.40	4 Jan 2018	5.7 years
5 Mar 2017	9	ESOP/LSOP	35	581,377	£3.10	5 Mar 2018	5.8 years
19 Dec 2017	12	ESOP/LSOP	30	381,400	£3.79	19 Dec 2018	6.6 years
5 Mar 2018	13	ESOP/LSOP	8	100,000	£4.15	5 Mar 2019	6.8 years
24 Jul 2018	14	ESOP/LSOP	47	518,000	£2.81	24 Jul 2019	7.2 years
2 Aug 2018	15	ESOP	1	125,000	£2.87	2 Aug 2020	7.3 years
7 Jan 2019	18	ESOP/LSOP	1	700,000	£1.65	7 Jan 2020	7.7 years
25 Jul 2019	20	PSP	6	1,199,200	£0.01	25 Jul 2022	1.2 years
14 Aug 2020	21	PSP	4	4,525,216	£0.01	14 Aug 2023	2.3 years
7 Sep 2020	22	PSP	1	260,870	£0.01	14 Aug 2023	2.3 years
13 Jan 2021	23	PSP	14	820,377	£0.01	14 Aug 2023	2.3 years

No share options were exercised during the year (2020: 3,715,692).

Notes to the financial statements continued

12. Share-based payments continued

The number and weighted average exercise price of share options are as follows:

	30 April 2021 Weighted average exercise price	**30 April 2021 No. of options**	30 April 2020 Weighted average exercise price	30 April 2020 No. of options
Outstanding at start of period	**£1.86**	**11,833,405**	£1.97	21,826,838
Granted during the period	**£0.01**	**6,041,556**	£0.01	2,461,200
Exercised during the period	**—**	**—**	£0.02	(3,715,692)
Lapsed during the period	**£1.97**	**(6,151,336)**	£2.40	(8,738,941)
Outstanding at end of period	**£0.85**	**11,723,625**	£1.86	11,833,405
Exercisable at end of period	**£1.95**	**4,533,269**	£2.16	6,452,478

The weighted average remaining contractual life of the options is 3.8 years (2020: 7.4 years).

Fair value assumptions in respect of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model or the Monte Carlo model.

On 14 August 2020 and 7 September 2020, the Company granted 4,903,476 and 260,870 options respectively under a Performance Share Plan (PSP) (schemes 21 and 22) to a number of employees. These options have an exercise price of £0.01 and vest over a three-year period. 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return (TSR) target. The share price at 14 August 2020 was £0.73 and at 7 September 2020 was £0.86. At each reporting date, management update their assessment of the likelihood of meeting the EBITDA target of each PSP. The valuation of the TSR target was made at grant by use of a Monte Carlo model. Inputs into the Monte Carlo model were an expected volatility of 55.2% and a risk-free interest rate of (0.06)%. The total value of the TSR element as at the date of grant was £1.5m.

On 13 January 2021, the Company granted 877,210 options under a Performance Share Plan (PSP) (scheme 23) to a number of employees. These options have an exercise price of £0.01 and vest over the same period as the 14 August 2020 grant. 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return (TSR) target. The share price at the date of grant was £1.026. The valuation of the EBITDA target has been by management judgement and will be updated at each reporting period. The valuation of the TSR target was made at grant by use of a Monte Carlo model. Inputs into the Monte Carlo model were an expected volatility of 62.5% and a risk-free interest rate of (0.08)%. The total value of the TSR element as at the date of grant was £0.4m.

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of the Group's own historical volatility and of volatility used by listed companies in the same sector.

Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value, are summarised below.

	30 April 2021	30 April 2020
Weighted average share price at the date of grant	**£0.79**	£1.15
Weighted average exercise price	**£0.01**	£0.01
Weighted average contractual life (years)	**3**	3
Weighted average expected volatility	**57%**	40%
Weighted average risk-free interest rate	**(0.1)%**	0.4%
Total fair value of options granted	**£1.9m**	£1.0m

Credit to consolidated statement of comprehensive income

The credit to the consolidated statement of comprehensive income, included within administrative expenses, comprises:

	30 April 2021 £m	30 April 2020 Restated[1] £m
Share-based payment credit in respect of continuing activities	**(2.3)**	(0.3)
Share-based payment credit in respect of discontinued activities	**(0.6)**	(1.0)
	(2.9)	(1.3)

1. See note 2.2.

12. Share-based payments continued

Credit to consolidated statement of changes in equity

	30 April 2021 £m	30 April 2020 £m
Tax credit with respect to share-based payments	—	0.2

13. Taxation

	2021 £m	2020 Restated[1] £m
Current tax charge – Group		
Adjustments in respect of prior year	—	(0.1)
Total current tax	—	(0.1)
Deferred tax credit – Group		
Current year	**(0.3)**	1.0
Adjustments in respect of prior year	**0.6**	0.1
Total deferred tax	**0.3**	1.1
Total credit for the year	**0.3**	1.0

1. Refer to note 2.2.

Reconciliation of effective tax rate

The tax credit for the period differs from the standard rate of corporation tax in the UK during the year of 19% (FY20: 19%). The differences are explained below:

	2021 £m	2020 Restated[1] £m
Profit/(loss) before taxation (continuing Group)	**3.6**	(9.2)
Add back share of loss of post-tax earnings of equity accounted investments	**1.0**	2.8
Profit/(loss) before taxation of equity accounted investments (continuing Group)	**4.6**	(6.4)
Tax (charge)/credit calculated at UK corporate tax rate of 19% (FY20: 19%)	**(0.9)**	1.2
Effects of:		
Non-taxable share-based payment credits	**0.5**	—
Other non-deductible and non-taxable items	**(0.1)**	(0.6)
Deferred tax asset movement in relation to share-based payment schemes	**0.2**	—
Changes in tax rates	—	0.4
Deferred tax prior year adjustment	**0.6**	0.1
Current tax prior year adjustment	—	(0.1)
Total credit for the year	**0.3**	1.0

1. See note 2.2.

The UK corporation tax rate for the year was 19%. On 6 September 2016, Parliament substantively enacted a corporation tax rate of 17% to apply from 1 April 2020. In November 2019, the UK government announced the cancellation of the proposed rate cut from 19% to 17%. This was announced in the Budget on 11 March 2020 and was substantively enacted on 17 March 2020, which was reflected in the valuation of deferred tax assets and liabilities for the period ended 30 April 2020.

On 11 March 2021, the Finance Bill 2021 was published and it was announced UK corporation tax will increase from 19% to 25% from April 2023. As this rate was not substantively enacted at 30 April 2021, this has not been reflected in the valuation of deferred tax assets and liabilities at the balance sheet date.

Deferred tax assets and liabilities are measured at the rate at which they are expected to reverse or be used.

£0.7m of tax credit in FY20 related to the Canadian business and has been reclassified to loss from discontinued operations.

Notes to the financial statements continued

13. Taxation continued

Tax included in changes in equity

Group	2021 £m	2020 £m
Deferred tax	—	0.2
Current tax	—	—
Total tax credit	—	0.2

The tax credits to equity represent the use as current year deductions, or recognition as deferred tax assets, of tax deductions related to share incentive schemes, which are in excess of related income statement expenses.

Recognised deferred tax assets and liabilities

Group	2021 £m	2020 £m
Assets	7.4	9.0
Liabilities	(0.2)	(4.4)
Net deferred tax assets	7.2	4.6

	Assets				Liabilities		
Group 2021	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Other timing differences £m	Total £m
At 1 May 2020	8.7	0.2	0.1	—	(4.2)	(0.2)	4.6
Included in the income statement	0.2	—	(0.1)	0.2	—	—	0.3
Disposed of with Canada	(1.7)	(0.2)	—	—	4.0	0.2	2.3
At 30 April 2021	**7.2**	**—**	**—**	**0.2**	**(0.2)**	**—**	**7.2**

	Assets				Liabilities		
Group 2020	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Other timing differences £m	Total £m
At 1 May 2019	6.1	0.2	—	0.8	(4.5)	—	2.6
Included in the income statement	2.3	—	0.1	(0.7)	0.3	(0.2)	1.8
Included in equity	0.3	—	—	(0.1)	—	—	0.2
At 30 April 2020	8.7	0.2	0.1	—	(4.2)	(0.2)	4.6

	Assets				Liabilities	
Company 2021	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2020	7.0	—	0.1	—	—	7.1
Included in the income statement	0.2	—	(0.1)	0.2	(0.1)	0.2
At 30 April 2021	**7.2**	**—**	**—**	**0.2**	**(0.1)**	**7.3**

13. Taxation continued

Recognised deferred tax assets and liabilities continued

Company 2020	Assets				Liabilities	
	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2019	5.2	0.1	—	0.8	—	6.1
Included in the income statement	1.5	(0.1)	0.1	(0.7)	—	0.8
Included in equity	0.3	—	—	(0.1)	—	0.2
At 30 April 2020	7.0	—	0.1	—	—	7.1

Deferred tax assets in the UK are recognised in full, based on financial plans which forecast the availability of sufficient profits for the utilisation of deferred tax assets.

The value of the future tax deduction for share-based payments is dependent on the share price at the point of exercise and therefore its value is highly uncertain.

14. Earnings per share

	Basic and diluted	
	2021	2020
Total including discontinued operations		
Profit/(loss) (£m)	**6.8**	(19.2)
Weighted average number of shares ('000)	**306,806**	306,389
Basic profit/(loss) per share (£)	**0.02**	(0.06)
Potentially dilutive shares unissued at year end ('000)	**3,016**	9,738
Total potentially dilutive shares at reporting date ('000)	**309,822**	316,127
Profit/(loss) per share (£) – diluted	**0.02**	(0.06)

Where applicable, diluted loss per share from total operations is equal to the basic loss per share as a result of the Group recording a loss for the period, which cannot be diluted.

	Basic and diluted	
	2021	2020 Restated[1]
Continuing operations		
Profit/(loss) (£m)	**3.9**	(8.2)
Weighted average number of shares ('000)	**306,806**	306,389
Basic profit/(loss) per share (£)	**0.01**	(0.03)
Potentially dilutive shares unissued at year end ('000)	**3,016**	9,738
Total potentially dilutive shares at reporting date ('000)	**309,822**	316,127
Profit/(loss) per share (£) – diluted	**0.01**	(0.03)

1. See note 2.2.

Where applicable, diluted loss per share from continuing operations is presented as equal to the basic loss per share as a loss cannot be diluted.

The number of shares in issue at both 30 April 2020 and 30 April 2021 was 306,806,039.

Notes to the financial statements continued

15. Finance income

	2021 £m	2020 £m
Interest income	**0.1**	0.5
Finance income	**0.1**	0.5

16. Finance expense

	2021 £m	2020 Restated[1] £m
Charge for factored receivables	**4.7**	4.0
Finance expense	**4.7**	4.0

£0.1m of lease interest expense (2020: £0.1m) and £nil interest expense (2020: £0.1m) related to the Canadian business and has been reclassified on the income statement to profit/(loss) from discontinued operations.

1. See note 2.2

17. Goodwill

	Lettings CGU £m	Canada £m	Group £m
Cost and carrying amount			
At 1 May 2020	2.6	16.9	19.5
Foreign exchange	—	0.3	0.3
Disposals on sale of the Canadian business (see note 8)	—	(17.2)	(17.2)
At 30 April 2021	**2.6**	**—**	**2.6**

Impairment review

BFL

The acquisition of BFL Property Management Limited (BFL) in March 2017 gave rise to a goodwill amount in the consolidated balance sheet of £2.6m. As required by IAS 36, the carrying value of indefinite lived assets is tested annually for impairment.

BFL trading has been in line with expectations at the time of acquisition, and as anticipated the lettings business of Purplebricks Group plc has benefited from the expertise acquired with BFL. Over time, contracts with landlords held by BFL have been replaced as they naturally come to an end with contracts with Purplebricks Group plc. Therefore, part of the value of the acquired business is now represented by synergies within the Group, rather than in contracts held by the acquired company. No new contracts are currently being entered into by the BFL statutory entity.

The goodwill arising on the acquisition of BFL has been allocated to the cash-generating unit represented by the Group's UK lettings business as a whole. This is because, following the integration of BFL staff into the wider UK lettings business, the activity in lettings relating to BFL cannot be distinguished from the wider lettings business.

A discounted cash flow calculation has been prepared in respect of the UK lettings business based on historical trends within this business out to 30 April 2026. These forecasts have taken account of recent experience during the Covid-19 pandemic, which has affected the lettings business comparatively less significantly. A terminal value has then been calculated based on a terminal growth rate of 1.75% (2020: 2.0%). The forecasted cash flows have been discounted using a pre-tax rate of 8.2% (2020: 8.5%). This calculation indicates significant headroom over the carrying value of goodwill attributable to the BFL CGU. This calculation indicates a recoverable value of £16.0m (2020: £26.1m) for this CGU, and headroom over the carrying value of goodwill of £13.4m (2020: £23.5m).

Changes to the assumptions used which are required to cause an impairment in carrying value are:

- an increase in discount rate to 45%;
- a reduction in assumed revenue growth rates of 23% in each year forecasted; and
- a significant negative terminal growth rate assumption.

The Directors do not believe that there is a reasonably possible change in a key assumption on which management has based its determination of the unit's recoverable amount that would cause the unit's carrying amount to exceed its recoverable amount.

18. Intangible assets

Group	Internally generated intangible £m	Capitalised software £m	Patents and trademark £m	Customer relationships £m	Proprietary technology £m	Brand £m	Other £m	Total £m
Cost								
At 1 May 2019	6.8	1.0	0.1	2.8	2.9	13.3	0.4	27.3
Additions	—	0.1	—	—	—	—	—	0.1
Internally developed	2.1	—	—	—	—	—	—	2.1
Transfers	—	—	—	—	—	—	(0.4)	(0.4)
Effects of foreign exchange	—	—	—	—	—	(0.1)	—	(0.1)
At 30 April 2020	8.9	1.1	0.1	2.8	2.9	13.2	—	29.0
Internally developed	2.1	—	—	—	—	—	—	2.1
Additions	—	0.2	—	—	—	—	—	0.2
Disposals on sale of the Canadian business	—	(0.2)	—	(1.8)	(3.0)	(13.5)	—	(18.5)
Effects of foreign exchange	—	—	—	0.1	0.1	0.3	—	0.5
At 30 April 2021	**11.0**	**1.1**	**0.1**	**1.1**	**—**	**—**	**—**	**13.3**
Amortisation								
At 1 May 2019	(3.1)	(0.5)	(0.1)	(0.7)	(0.8)	—	(0.2)	(5.4)
Amortisation for the year	(2.2)	(0.3)	—	(0.6)	(1.0)	—	—	(4.1)
Impairment	(0.5)	—	—	—	—	—	—	(0.5)
Transfers	—	—	—	—	—	—	0.2	0.2
At 30 April 2020	(5.8)	(0.8)	(0.1)	(1.3)	(1.8)	—	—	(9.8)
Amortisation for the year	(1.9)	(0.2)	—	(0.3)	(0.1)	—	—	(2.5)
Transfer	—	0.2	—	—	—	—	—	0.2
Disposals on sale of the Canadian business	—	0.2	—	0.7	1.9	—	—	2.8
At 30 April 2021	**(7.7)**	**(0.6)**	**(0.1)**	**(0.9)**	**—**	**—**	**—**	**(9.3)**
Net carrying value								
At 30 April 2021	**3.3**	**0.5**	**—**	**0.2**	**—**	**—**	**—**	**4.0**
At 30 April 2020	3.1	0.3	—	1.5	1.1	13.2	—	19.2

Internally generated intangible assets relate to the Group's software developed in-house.

Notes to the financial statements continued

18. Intangible assets continued

Company	Internally generated intangible £m	Capitalised software £m	Total £m
Cost			
At 1 May 2019	6.8	0.9	7.7
Internally developed	2.1	—	2.1
At 30 April 2020	8.9	0.9	9.8
Internally developed	2.1	—	2.1
Additions	—	0.2	0.2
At 30 April 2021	**11.0**	**1.1**	**12.1**
Amortisation			
At 1May 2019	(3.1)	(0.2)	(3.3)
Amortisation for the year	(2.2)	(0.2)	(2.4)
Impairment	(0.5)	—	(0.5)
At 30 April 2020	(5.8)	(0.4)	(6.2)
Amortisation for the year	(1.9)	(0.2)	(2.1)
At 30 April 2021	**(7.7)**	**(0.6)**	**(8.3)**
Net carrying value			
At 30 April 2021	**3.3**	**0.5**	**3.8**
At 30 April 2020	3.1	0.5	3.6

19. Property, plant and equipment

Group	Computer equipment £m	Furniture and fittings £m	Leasehold improvements £m	Right-of-use assets – property £m	Right-of-use assets – other £m	Total £m
Cost						
At 1 May 2019	2.3	0.9	0.2	—	—	3.4
Recognised on adoption of IFRS 16	—	—	—	2.1	0.1	2.2
Additions	0.6	0.1	0.1	0.7	—	1.5
Disposals	(0.3)	(0.2)	—	—	—	(0.5)
Effect of lease modification	—	—	—	0.1	—	0.1
At 30 April 2020	2.6	0.8	0.3	2.9	0.1	6.7
Additions	0.3	—	—	—	0.3	0.6
Disposals	(0.7)	—	—	—	—	(0.7)
Disposals on sale of the Canadian business	(0.9)	(0.2)	(0.3)	(2.0)	(0.1)	(3.5)
At 30 April 2021	**1.3**	**0.6**	**—**	**0.9**	**0.3**	**3.1**
Depreciation						
At 1 May 2019	(1.1)	(0.3)	—	—	—	(1.4)
Charge for the year	(0.8)	(0.3)	—	(0.6)	—	(1.7)
Impairment	—	—	—	(0.6)	—	(0.6)
Disposals	0.3	0.2	—	—	—	0.5
At 30 April 2020	(1.6)	(0.4)	—	(1.2)	—	(3.2)
Charge for the year	(0.4)	(0.1)	—	(0.3)	—	(0.8)
Disposals	0.7	—	—	—	—	0.7
Disposals on sale of the Canadian business	0.5	—	—	1.0	—	1.5
At 30 April 2021	**(0.8)**	**(0.5)**	**—**	**(0.5)**	**—**	**(1.8)**
Net book value						
At 30 April 2021	**0.5**	**0.1**	**—**	**0.4**	**0.3**	**1.3**
At 30 April 2020	1.0	0.4	0.3	1.7	0.1	3.5

Other right-of-use assets relate to a significant computer equipment contract. Group lease payments totalled £0.4m (2020: £1.0m), of which £0.1m (2020: £0.1m) related to repayment of interest and £0.3m (2020: £0.9m) related to repayment of principal amounts.

Notes to the financial statements continued

19. Property, plant and equipment continued

Company	Computer equipment £m	Furniture and fittings £m	Right-of-use assets – property £m	Right-of-use assets – other £m	Total £m
Cost					
At 1 May 2019	1.3	0.5	—	—	1.8
Recognised on adoption of IFRS 16	—	—	0.7	—	0.7
Additions	0.3	—	0.1	—	0.4
Effect of lease modification	—	—	0.1	—	0.1
At 30 April 2020	1.6	0.5	0.9	—	3.0
Additions	0.3	—	—	0.3	0.6
Disposals	(0.7)	—	—	—	(0.7)
At 30 April 2021	**1.2**	**0.5**	**0.9**	**0.3**	**2.9**
Depreciation					
At 1 May 2019	(0.8)	(0.2)	—	—	(1.0)
Charge for the year	(0.3)	(0.1)	(0.2)	—	(0.6)
At 30 April 2020	(1.1)	(0.3)	(0.2)	—	(1.6)
Charge for the year	(0.3)	(0.1)	(0.3)	—	(0.7)
Disposals	0.7	—	—	—	0.7
At 30 April 2021	**(0.7)**	**(0.4)**	**(0.5)**	**—**	**(1.6)**
Net book value					
At 30 April 2021	**0.5**	**0.1**	**0.4**	**0.3**	**1.3**
At 30 April 2020	0.5	0.2	0.7	—	1.4

20. Investment in subsidiaries

Company	£m
Cost	
At 1 May 2020	58.0
Share-based payment credit in respect of employees of subsidiaries	(0.6)
Disposal on sale of Canadian entities	(31.0)
Disposal on winding-up of Australian entity	(10.2)
At 30 April 2021	**16.2**
Provision for impairment	
At 1 May 2020	(26.4)
Disposal on winding-up of Australian entity	10.2
At 30 April 2021	**(16.2)**
Carrying amount	
At 30 April 2021	**—**
At 30 April 2020	31.6

The Group consists of a parent company, Purplebricks Group plc, incorporated in the UK, and a number of subsidiaries held directly by Purplebricks Group plc as listed below. The Company's Australian subsidiary was wound up in the year, and subsidiaries in the US are expected to be wound up next year. The Company's Canadian subsidiaries were sold in July 2020 (refer to note 8).

The Company holds 100% of the ordinary share capital and voting rights in respect of its subsidiaries.

20. Investment in subsidiaries continued

Name of subsidiary	Country of incorporation	Country of operation	Nature of business	Registered office
BFL Property Management Limited	United Kingdom	United Kingdom	Residential lettings	(1)
Purplebricks Inc	USA	USA	Real estate agency	(2)
Centerpoint Closing Services LLC	USA	USA	Real estate agency	(2)

Registered offices:

1. Suite 7, Cranmore Place, Cranmore Drive, Shirley, West Midlands, B90 4RZ, United Kingdom.
2. 400 Spectrum Center Drive, Ste. 360, Irvine, California, 92618, United States.

21. Investment in joint venture and investment in associate

	Investment in associate – Company £m	Investment in joint venture – Company £m	Investment in associate – Group £m	Investment in joint venture – Group £m
At 1 May 2019	—	11.2	—	10.7
Equity investments in the year	—	4.6	—	4.6
Share of result for the year	—	—	—	(2.8)
At 30 April 2020	—	15.8	—	12.5
Reclassification to associate	15.8	(15.8)	12.5	(12.5)
Gain on reclassification to associate	—	—	1.4	—
Gain on step-down in investment	—	—	0.6	—
Share of result for the year	—	—	(3.0)	—
At 30 April 2021	**15.8**	**—**	**11.5**	**—**

Purplebricks and the Axel Springer group operate Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft mbH ("JV HoldCo"), a company incorporated in Germany, under a Joint Venture Agreement. Purplebricks and Axel Springer currently each hold a 50% shareholding in JV HoldCo.

JV HoldCo holds a controlling stake in Homeday GmbH ("Homeday"), another company incorporated in Germany.

Based in Berlin, Homeday operates homeday.de, a transaction-based digital real estate platform in Germany that brings customers together with experienced brokers and supports them in buying and selling property.

Axel Springer has the right once per year to choose to increase its investment in JV HoldCo beyond 50% by acquiring shares from Purplebricks at defined points up to 2023 for variable consideration which is based on the future performance of Homeday or a return on investment for Purplebricks.

In the current and preceding financial year, Axel Springer has made convertible loans to JV HoldCo, in order to allow JV HoldCo to make further investments in Homeday. These convertible loans also give Axel Springer the potential right in the future to take control of JV HoldCo.

JV HoldCo and the other shareholders of Homeday are parties to an Investment Agreement and a Shareholders' Agreement. Under the Shareholders' Agreement, put and call options exist between JV HoldCo and the other shareholders of Homeday which may require or allow JV HoldCo to acquire shares held by the other shareholders, for consideration to be determined with reference to the performance of Homeday in the calendar years 2022 and 2023.

Accounting judgements

In assessing the status of the Group's investment in Homeday, which is held through the joint venture with Axel Springer, the Group has to consider the effect of convertible loans which exist between Axel Springer and JV HoldCo, and put and call options which exist between the shareholders of Homeday.

Options which may in the future confer substantive rights must be considered as exercised if there are no substantial barriers to exercise. Whether substantial barriers exist is subjective and is a matter of judgement.

At 30 April 2020, the Group took the view that there were substantial barriers to the exercise of the convertible loans between Axel Springer and JV HoldCo, and therefore the Group's investment in JV HoldCo was accounted for as a joint venture.

Notes to the financial statements continued

21. Investment in joint venture and investment in associate continued

Accounting judgements continued

During FY21, the Group reassessed this judgement and concluded that there were no substantive barriers to the exercise of the convertible loans between Axel Springer and JV HoldCo. Therefore, during FY21, the Group's investment in JV HoldCo was determined to meet the definition as an associate rather than a joint venture based on the guidance in IAS 28 and IFRS 11, and its presentation was amended on the Group balance sheet.

At the point of step-down, the Group assessed the carrying value of its investment against the Group's revised share of the fair value of the underlying assets and liabilities of JV HoldCo, including JV HoldCo's investment in Homeday. A gain on deemed dilution in shareholding arising from this reassessment of accounting judgement of £1.4m arose and is reflected in the table of movements in investment above.

In February 2021, Axel Springer provided further funding to JV HoldCo, which Purplebricks chose not to match. On reassessment of the carrying value of the diluted investment following this funding, a further gain of £0.6m was recorded.

Potential future developments

Under the amended Joint Venture Agreement, Purplebricks has the right, at its discretion, to provide further capital and loan funding to Homeday through JV HoldCo. Should Purplebricks choose not to participate in further funding of Homeday through JV HoldCo, its share in JV HoldCo and thus indirectly in Homeday may decrease if its joint venture partner decides to exercise its right to conversion of the convertible loans from Axel Springer to JV Hold Co (in the limited time window (two weeks per year) in which this is possible).

Under the amended Joint Venture Agreement, Purplebricks also has the right, at its discretion, to provide further funding to JV HoldCo to put JV HoldCo in a position to meet its purchase price payment obligations resulting from the put and call options. Should Purplebricks choose not to participate in such further funding of Homeday through JV HoldCo, its share in JV HoldCo and thus indirectly in Homeday may decrease if its joint venture partner decides to make further investments in Homeday via JV HoldCo on its own.

There are no significant legal restrictions on the ability of JV HoldCo to declare or pay cash dividends. However, future dividends would be dependent on the future trading and cash-generating performance of Homeday.

22. Trade and other receivables and contract assets

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Receivable within 12 months				
Trade and other receivables	**3.1**	6.8	**3.1**	3.2
Prepayments	**0.8**	3.4	**0.8**	2.3
	3.9	10.2	**3.9**	5.5
Contract assets – accrued income	**7.2**	5.3	**7.2**	5.3
Contract assets – prepaid cost of sales	**4.9**	5.3	**4.9**	5.1
	16.0	20.8	**16.0**	15.9
Receivable after more than 12 months				
Amounts owed by Group undertakings	**—**	—	**—**	6.0

In order to manage both liquidity requirements and credit risk in the UK, the Group operates committed facilities with a third party finance house. Further detail is set out in the accounting policy detailed in note 2.26.

As the Group recognises accrued income at the expected value of consideration receivable, no credit loss provision against accrued income is considered necessary.

The movement in future credit loss allowances for trade receivables during the year was as follows:

	Group £m	Company £m
Opening loss allowance at 1 May 2020	—	—
Charge to loss allowance recognised in profit or loss during the year	0.1	—
Loss allowance at 30 April 2021	**0.1**	**—**

22. Trade and other receivables and contract assets continued

Group At 30 April 2021	**Current £m**	**0–30 days past due £m**	**31–60 days past due £m**	**60+ days past due £m**	**Total £m**
Gross carrying amount	**3.1**	**—**	**—**	**0.1**	**3.2**
Loss allowance	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Net carrying amount	**3.1**	**—**	**—**	**—**	**3.1**
Expected loss rate	**0%**	**0%**	**0%**	**100%**	**3%**

Group At 30 April 2020	Current £m	0–30 days past due £m	31–60 days past due £m	60+ days past due £m	Total £m
Gross carrying amount	4.9	0.8	0.6	0.5	6.8
Loss allowance	—	—	—	—	—
Net carrying amount	4.9	0.8	0.6	0.5	6.8
Expected loss rate	0%	0%	0%	0%	0%

Company At 30 April 2021	**Current £m**	**0–30 days past due £m**	**31–60 days past due £m**	**60+ days past due £m**	**Total £m**
Gross carrying amount	**3.1**	**—**	**—**	**—**	**3.1**
Loss allowance	**—**	**—**	**—**	**—**	**—**
Net carrying amount	**3.1**	**—**	**—**	**—**	**3.1**
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**

Company At 30 April 2020	Current £m	0–30 days past due £m	31–60 days past due £m	60+ days past due £m	Total £m
Gross carrying amount	3.1	—	—	0.1	3.2
Loss allowance	—	—	—	—	—
Net carrying amount	3.1	—	—	0.1	3.2
Expected loss rate	0%	0%	0%	0%	0%

Summary of movements in contract assets – accrued income	Group £m	Company £m
At 1 May 2019	9.7	8.2
Revenue recognised prior to invoice	(18.5)	(16.7)
Amounts invoiced	14.1	13.8
At 30 April 2020	5.3	5.3
Revenue recognised prior to invoice	(17.9)	(17.9)
Amounts invoiced	19.8	19.8
At 30 April 2021	**7.2**	**7.2**

Notes to the financial statements continued

22. Trade and other receivables and contract assets continued

Accrued income at 30 April 2021 relates primarily to referrals to the Group's conveyancing partners, where the Group's Performance Obligation is fulfilled at referral but payment is due on completion of the property sale. All accrued income is expected to convert to cash within 12 months. Accrued income has increased year on year owing to the continued Covid-19 pandemic which has seen the conveyancing pipeline grow in size due to the increased demand caused by the reduced rates of stamp duty land tax (SDLT) that are applicable on residential properties purchased between 8 July 2020 and 30 June 2021, and 1 July 2021 and 30 September 2021 inclusively.

Summary of movements in contract assets – prepaid cost of sales	Group £m	Company £m
Balance at 1 May 2019	6.3	5.6
Costs capitalised	32.7	20.6
Amounts amortised to the income statement	(33.7)	(21.1)
Balance at 30 April 2020	5.3	5.1
Costs capitalised	27.0	25.3
Amounts amortised to the income statement	(27.2)	(25.5)
Disposed of with Canada	(0.2)	—
Balance at 30 April 2021	**4.9**	**4.9**

As set out in note 2.5, within contract assets – prepaid cost of sales are amounts relating to payments of commissions to LPEs and LLEs. Commissions are payable to agents at the point at which an instruction is published. These costs are capitalised at the point of publication and then amortised, and costs are therefore recognised, in line with recognition of revenue relating to the associate services, as those services are provided. The table above sets out movements in these costs.

23. Trade and other payables, contract liabilities, leases and borrowings

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Amounts falling due within one year				
Trade payables	**3.6**	3.2	**3.6**	2.3
Other taxation and social security	**1.4**	1.8	**1.4**	0.9
Amounts owed to group undertakings	**—**	—	**0.3**	—
Other creditors	**—**	1.4	**—**	—
Accruals	**7.1**	5.4	**7.1**	4.9
	12.1	11.8	**12.4**	8.1
Contract liabilities – deferred income	**14.8**	14.6	**14.8**	13.0
Provisions (see table below)	**1.2**	0.4	**1.2**	0.4
Borrowings	**—**	0.1	**—**	—
Lease liability	**0.4**	0.7	**0.4**	0.3
	28.5	27.6	**28.8**	21.8
Amounts falling due after more than one year				
Borrowings	**—**	0.1	**—**	—
Lease liability	**0.3**	1.4	**0.3**	0.5
	0.3	1.5	**0.3**	0.5

As set out in note 2.5, the Group invoices for instruction services in advance of providing the service. This gives rise to contract liabilities in the form of deferred income. The number of customers being serviced at 30 April 2021 is higher than the number being serviced at 30 April 2020; however, the service period at 30 April 2021 has been assessed as significantly lower than at 30 April 2020, which partially offsets the increase in activity.

All deferred income relates to partially unsatisfied Performance Obligations in respect of instructions revenue. All of the Performance Obligations will be satisfied within one year of the reporting date, and therefore all deferred income will be recognised by 30 April 2022.

All trade and other payables are short term. The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

23. Trade and other payables, contract liabilities, leases and borrowings continued

Movements in provisions

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
At 1 May	**0.4**	—	**0.4**	—
Amounts charged to income statement	**0.8**	0.4	**0.8**	0.4
At 30 April	**1.2**	0.4	**1.2**	0.4

Provisions exist to cover the Group's exposure to legal claims. All amounts at year end are expected to be utilised within one year.

Summary of movements in deferred income:

	Group £m	Company £m
At 1 May 2019	19.3	14.7
Payments received	64.5	42.9
Revenue recognised net of refunds	(69.2)	(44.6)
At 30 April 2020	14.6	13.0
Payments received	66.6	63.5
Revenue recognised net of refunds	(65.1)	(61.7)
Disposed of on sale of the Canadian business	(1.3)	—
At 30 April 2021	**14.8**	**14.8**

24. Lease liabilities

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Amounts payable within 12 months	**0.5**	0.8	**0.5**	0.4
Amounts payable later than one year but less than five years	**0.5**	1.4	**0.5**	0.5
Amounts payable after more than five years	**—**	0.2	**—**	—
Minimum lease payments	**1.0**	2.4	**1.0**	0.9
Future finance charges	**(0.3)**	(0.3)	**(0.3)**	(0.1)
Minimum lease payments less future finance charges	**0.7**	2.1	**0.7**	0.8
Recognised as a liability – current	**0.4**	0.7	**0.4**	0.3
Recognised as a liability – non-current but not later than five years	**0.3**	1.2	**0.3**	0.5
Recognised as a liability – after more than five years	**—**	0.2	**—**	—
Recognised as a liability – total non-current	**0.3**	1.4	**0.3**	0.5
Recognised as a liability – total	**0.7**	2.1	**0.7**	0.8

As at 30 April 2021, the Group and Company leased properties and certain computer equipment with a carrying amount of £0.7m (2020: £1.8m), as set out in note 19. Lease expiry dates range from within two years to within four years.

Future lease liabilities in respect of low-value and short-term leases not accounted for under IFRS 16 are immaterial.

Capital commitments approved by the Board and existing at 30 April 2021 amounted to £nil (2020: £nil).

Notes to the financial statements continued

25. Notes to the cash flow statement

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Cash at bank and on deposit with instant availability	**22.5**	10.7	**22.0**	7.7
Cash on deposit available within 35 days' notice	**41.2**	10.1	**41.2**	10.1
Cash on deposit available between 36 and 90 days' notice	**10.3**	10.2	**10.3**	10.2
	74.0	31.0	**73.5**	28.0

Cash and cash equivalents comprise cash and short-term bank deposits with a maturity of up to 90 days. The carrying amount of these assets is approximately equal to their fair value.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

Group	At 1 May 2020 £m	New leases £m	Lease modifications £m	Repayment of leases £m	Repayment of borrowings £m	Disposed of on sale of Canada £m	**At 30 April 2021 £m**
Borrowings (see note 23)	0.2	—	—	—	—	(0.2)	**—**
Lease liabilities	2.1	0.2	—	(0.3)	—	(1.3)	**0.7**
Total liabilities from financing activities	2.3	0.2	—	(0.3)	—	(1.5)	**0.7**

Company	At 1 May 2020 £m	New leases £m	Lease modifications £m	Repayment of leases £m	**At 30 April 2021 £m**
Lease liabilities	0.8	0.2	—	(0.3)	**0.7**
Total liabilities from financing activities	0.8	0.2	—	(0.3)	**0.7**

Finance expense in respect of losses on derecognition of financial assets is a non-cash item. See note 2.26.

26. Share capital

	Number	Nominal value	**2021 £m**	2020 £m
Allotted, authorised, issued and fully paid at 30 April				
Class:				
Ordinary	306,806,039	£0.01	**3.1**	3.1

During the year the Company did not issue shares (2020: issued 3,715,692 shares of £0.01 each, for total consideration of £76,000).

27. Share premium

	£m
Balance at 30 April and 1 May 2020 and at 30 April 2021	177.4

28. Reserves

Share-based payment reserve

The share-based payment reserve represents cumulative share-based payment charges less amounts transferred to retained earnings on exercise of share options.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses.

Share premium

Share premium represents the amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them.

Foreign exchange reserve

The foreign exchange reserve records exchange differences arising from the translation of the financial statements of foreign operations. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. Following the disposal of the Canada business during the year, the foreign exchange reserve was brought to zero.

29. Financial instruments

Capital risk management

Capital management objectives are to ensure the Company's ability to continue as a going concern and to provide a return to shareholders.

The capital structure of the Company currently consists of cash and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company's Audit Committee reviews the capital structure as part of its risk analysis.

The Company is not subject to externally imposed capital requirements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- cash and cash equivalents;
- trade and other receivables; and
- trade and other payables.

The Group held the following financial assets at each reporting date:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Financial assets held at amortised cost				
Trade and other receivables	**3.1**	6.8	**3.1**	3.2
Amounts owed by group undertakings	**—**	—	**—**	6.0
Contract assets – accrued income	**7.2**	5.3	**7.2**	5.3
Cash and cash equivalents	**74.0**	31.0	**73.5**	28.0
	84.3	43.1	**83.8**	42.5

Notes to the financial statements continued

29. Financial instruments continued

Principal financial instruments continued

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Financial liabilities held at amortised cost				
Trade payables	**3.6**	3.2	**3.6**	2.3
Other taxation and social security	**1.4**	1.8	**1.4**	0.9
Other creditors	**—**	1.4	**—**	—
Amounts owed by group undertakings	**—**	—	**0.3**	—
Accruals	**7.1**	5.4	**7.1**	4.9
Lease liabilities	**0.7**	2.1	**0.7**	0.8
Borrowings	**—**	0.2	**—**	—
	12.8	14.1	**13.1**	8.9

Fair value of financial instruments

Carrying value of the instruments in the financial assets and financial liabilities tables approximates to their fair value.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial risk management

The Group is exposed through its operations to the following financial risks:

- liquidity risk;
- interest rate risk; and
- credit risk.

The Group's policies for financial risk management are outlined below.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and by monitoring forecast and actual cash flows to ensure cash is available to meet financial liabilities as they fall due. Sufficient cash is retained in immediate access accounts whilst cash which is surplus to short-term requirements is deposited in notice accounts. Sensitivities are applied to cash forecasts to ensure the Company has early warning of any manifestation of liquidity risk.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities excluding derivatives which are disclosed in note 24. The table includes principal only cash flows in respect of trade and other payables.

Financial liabilities held at amortised cost Group 2021	**Within 1 month £m**	**1 to 3 months £m**	**3 months to 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**More than 5 years £m**	**Total £m**
Trade payables	**3.3**	**0.3**	**—**	**—**	**—**	**—**	**3.6**
Other taxation and social security	**1.4**	**—**	**—**	**—**	**—**	**—**	**1.4**
Accruals	**3.8**	**3.1**	**0.2**	**—**	**—**	**—**	**7.1**
Lease liabilities	**—**	**0.1**	**0.4**	**0.3**	**0.2**	**—**	**1.0**
	8.5	**3.5**	**0.6**	**0.3**	**0.2**	**—**	**13.1**

29. Financial instruments continued

Liquidity risk management continued

Financial liabilities held at amortised cost Group 2020	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	2.6	0.6	—	—	—	—	3.2
Other taxation and social security	1.8	—	—	—	—	—	1.8
Other creditors	0.7	0.7	—	—	—	—	1.4
Accruals	2.7	2.7	—	—	—	—	5.4
Lease liabilities	0.1	0.2	0.4	0.6	0.6	0.2	2.1
Borrowings	—	—	0.1	—	0.1	—	0.2
	7.9	4.2	0.5	0.6	0.7	0.2	14.1

Financial liabilities held at amortised cost Company 2021	**Within 1 month £m**	**1 to 3 months £m**	**3 months to 1 year £m**	**1 to 2 years £m**	**2 to 5 years £m**	**More than 5 years £m**	**Total £m**
Trade payables	**3.3**	**0.3**	**—**	**—**	**—**	**—**	**3.6**
Other taxation and social security	**1.4**	**—**	**—**	**—**	**—**	**—**	**1.4**
Amounts owed to group undertakings	**0.3**	**—**	**—**	**—**	**—**	**—**	**0.3**
Accruals	**3.8**	**3.1**	**0.2**	**—**	**—**	**—**	**7.1**
Lease liabilities	**—**	**0.1**	**0.4**	**0.3**	**0.2**	**—**	**1.0**
	8.8	**3.5**	**0.6**	**0.3**	**0.2**	**—**	**13.4**

Financial liabilities held at amortised cost Company 2020	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	1.2	1.1	—	—	—	—	2.3
Other taxation and social security	0.9	—	—	—	—	—	0.9
Other creditors	—	—	—	—	—	—	—
Accruals	2.5	2.4	—	—	—	—	4.9
Lease liabilities	—	0.1	0.2	0.3	0.2	—	0.8
Borrowings	—	—	—	—	—	—	—
	4.6	3.6	0.2	0.3	0.2	—	8.9

Interest rate sensitivity analysis

Interest rate risk is the risk that the value of the future cash flows of a financial instrument will fluctuate due to changes in market rates. At the year-end date there was no material exposure to movement in interest rates.

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables.

Trade receivables across the Group have been assessed with regard to credit risk characteristics which vary according to the nature of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced within a period of 12 months before 30 April 2021.

The expected loss rates derived from this assessment are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables which are not subject to the receivable sale arrangement described below.

In order to manage both liquidity requirements and credit risk, the Group operates committed facilities with a third party finance house, whereby customer receivables in respect of customers who utilise the Group's "pay later" option are sold immediately to the finance house. The Group has assessed the credit risk of the counterparty as low. See note 2.20 for further details.

The credit risk on liquid funds is minimised because the counterparties are UK banks with high credit ratings assigned by international credit rating agencies.

Notes to the financial statements continued

29. Financial instruments continued

Credit risk management continued

30 April 2020	CAD $m	CAD +/-10% £m
Trade and other receivables	8.1	0.5
Cash and cash equivalents	4.3	0.2
Trade and other payables	(16.5)	(0.9)
	(4.1)	(0.2)

Following the disposal of the Canadian business in July 2020, the Group is no longer exposed to significant foreign currency risk.

30. Related party transactions

Related party transactions predominantly occur as a result of funding provided to the wholly owned subsidiaries for the purposes of marketing and support from the UK.

Company – balances with subsidiary undertakings

Trade receivables	**2021 £m**	2020 £m
DuProprio Inc.	—	6.0
	—	6.0

Trade payables	**2021 £m**	2020 £m
BFL Property Management Limited	**0.3**	—
	0.3	—

On 15 July 2020, the Group completed the sale of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian co-operative financial group. As part of the disposal, part of the proceeds from the sale were allocated to the repayment of the intra-group loan, including interest charge in the year of £0.1m, due to Purplebricks Group plc of £6.1m in full by DuProprio Inc. Refer to note 8 for further details of the disposal.

BFL Property Management Limited (BFL) operates its own bank account, the balance of which is swept up into the overall Group's cash position. During the year, cash sweeps from BFL amounted to £0.3m.

On 14 August 2020, 2,500,000 awards were granted to Vic Darvey, CEO, and 1,700,000 awards were granted to Andy Botha, CFO, under the Purplebricks Performance Share Plan. The awards have an exercise price of 1p per share and become exercisable subject to continued employment and performance based on the Company's relative total shareholder return and EBITDA over a three-year performance period.

On 3 August 2020, Adrian Blair, Independent Non-Executive Director, purchased 97,088 shares in the Company at £0.52.

On 6 August 2020, Simon Downing, Senior Independent Non-Executive Director, purchased 500,000 shares in the Company at £0.58.

On 6 April 2021, Simon Downing, Senior Independent Non-Executive Director, purchased 257,884 shares in the Company at £0.97.

During the year Isabel Bruce, a person closely associated with Michael Bruce, received salary and taxable benefits of £nil (2020: £26,000).

Directors' remuneration and key management personnel disclosures can be found in note 11.

31. Commitments

Capital commitments, approved by the Board and existing at 30 April 2021, amounted to £nil (2020: £nil).

32. Ultimate controlling party

There is no ultimate controlling party as no one investor has a majority shareholding.

Company information

Directors

Paul Pindar, Chairman

Vic Darvey, Chief Executive Officer

Andy Botha, Chief Financial Officer
(appointed 11 May 2020)

Simon Downing, Senior Non-Executive Director

Adrian Blair, Non-Executive Director

Dr Stephanie Caspar, Non-Executive Director
(appointed 27 July 2020)

Elona Mortimer-Zhika, Non-Executive Director
(appointed 24 September 2020)

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Board members' photography Peter Schiazza.

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