3 August 2020

Purplebricks Group plc

("Purplebricks", the "Company" or the "Group")

Annual Results for the year ended 30 April 2020

Resilient FY20 performance and strong trading since housing market reopened

Purplebricks Group plc (AIM: PURP), a leading UK estate agency business, announces its results for the year ended 30 April 2020 ("FY 2020") and provides an update on strategy and current trading.

Full Year Group*	2020 £m	2019 £m	Change
Revenue	**111.1**	113.8	-2%
Gross profit	**67.7**	69.4	-3%
Gross profit margin (%)	**60.9%**	61.0%	-10 bps
Operating loss	**(9.4)**	(1.5)	-527%
Adjusted EBITDA[1]	**1.8**	6.6	-73%
Cash at year end[2]	**31.0**	62.8	-

*Group refers to UK and Canada

Financial and operational results

- COVID-19 materially impacted trading at year end, business adapted quickly to remain open and conserve cash
- UK average revenue per instruction ('ARPI')[3] of £1,394, up 12% (2019: £1,243)
- Revenue
    - Group revenue down by 2% to £111.1m (2019: £113.8m)
    - UK revenue flat through first 10 months until pandemic and down 11% for full year
    - UK instructions down 23% but underpinned by 12% increase in ARPI
- Adjusted EBITDA
    - Group adjusted EBITDA from continuing operations reduced to £1.8m (2019: £6.6m) including loss of £1.4m from Canada which was sold post year end
    - UK adjusted EBITDA down to £4.8m (2019: £10.2m) reflecting impact of suspension of housing market in the last two months of the financial year
- Including the results of the discontinued operations in the US and Australia, the Group's total loss for the year was £19.2m (2019: £54.9m)
- Strong financial position, cash balance of £66.0m at 15 July following disposal of the Canadian business and no bank debt
- Improved UK marketing spend efficiency at 25.6% of revenue, down 400bps
- Saved UK customers £77m in commission[4]
- 3.9%[5] market share of instructions, 5.1%[5] share of properties sold by volume

Strategy update and current trading

- Strategic focus now fully on the UK following disposal of the Canadian business
- Strategic initiatives being delivered at pace with significant opportunity for further innovation
- Continued to see new instructions through the pandemic and market recovering well since mid-May, supported by Government's Stamp Duty holiday effective 8 July
- Highest ever month for instructions in the UK, listing over 7,000 homes in July

- Clear evidence consumers are starting to shift towards apps and tech-based alternatives
- Confident in the opportunity to drive leverage and scale by extending our market and growing value-add revenues
- Despite market rebounding strongly, outlook for second half of year remains uncertain

Vic Darvey, Chief Executive Officer, commented:

“This year has seen some very difficult market conditions with political and economic uncertainty dominating the landscape as a result of both Brexit and the COVID-19 pandemic. But despite all of this, I’m pleased to say that we saw a resilient performance, with revenue decline of only 2% across the Group.

This year has seen significant change for the Group, shifting our strategic focus back to the UK market and ensuring that we have a strong platform for growth. As a result, we are now emerging through the COVID-19 pandemic in a very strong position.

We exited the US and Australian markets, recently disposed of our Canadian business, and we’ve sharpened our focus on instilling financial discipline and operational excellence across the business. Alongside that, we’ve put in place a new and highly experienced digital leadership team.

Despite the challenges of COVID-19, our strategic initiatives are being delivered at pace to accelerate our digital and data capabilities, and with a very healthy net cash balance of £66m, I’m confident that we can take advantage of the changing landscape.

The Group is encouraged by the early signs of the housing market rebounding well following the lifting of the lockdown and the Government’s Stamp Duty holiday.

We strongly believe that, in the current market, technology led estate agency is starting to emerge as the winning model and there is clear evidence that consumers are increasingly shifting towards apps and tech-based alternatives. With our strengthened leadership team and balance sheet, we are in a strong position to accelerate our model, extend our market share and grow our value-add revenues.”

1: The underlying performance of the Group is monitored internally using a number of 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 4. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated. Adjusted EBITDA is defined as Operating profit, adding back depreciation, amortisation, share based payment charges and exceptional items.
2. Cash position as at 15 July 2020 was £66.0m
3. ARPI: Average revenue per instruction equates to total fee income divided by the number of instructions published in the year
4. Fees paid by customers who sell with Purplebricks vs typical commission of 1.3% including VAT
5. Source: Independent research from TwentyCi dated June 2020

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Analyst presentation

Vic Darvey, CEO and Andy Botha, CFO are streaming a video presentation via webcast at 09:00am today followed by a live Q&A session for analysts and investors.

The video webcast link is available via the registration page below. A replay will also be available on the Purplebricks website following the Q&A session.
https://webcasting.brrmedia.co.uk/broadcast/5f11be1f4c167c1215797da7

Annual Report and Accounts

The Company's Annual Report and Accounts 2020 will be available on the website of the Company at https://www.purplebricksplc.com/investors/latest_results later today
and is due to be posted to shareholders on or around 11 September 2020 along with the Company's Notice of Annual General Meeting which is expected to take place on 8 October 2020.

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About Purplebricks
Purplebricks is a leading estate agency business, based in the UK. Purplebricks combines highly experienced and professional Local Property Experts and innovative technology to help make the process of selling, buying or letting more convenient, transparent and cost effective. Purplebricks shares are traded on the London Stock Exchange AIM market.

Forward-looking statements
This announcement includes statements that are, or may be considered to be, "forward-looking statements". By their nature, such statements involve risk and uncertainty since they relate to future events and circumstances. Results may, and often do, differ materially from forward-looking statements previously made. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Except as required by law or by the AIM Rules of the London Stock Exchange, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement following any change in its expectations to reflect subsequent events or circumstances

Chairman's statement

It has been a year of significant transition for Purplebricks, as we have sought to build on our exceptional six-year growth story and create a more mature organisation. An organisation that can offer even better service and greater transparency to our customers, while delivering the technology and propositions our people need to stay ahead of the competition and sell more homes.

Above all, this has been a year in which we have focused strongly on our core strategy – simplifying what we do and supporting our people, while improving our structures and processes. This has been achieved by strengthening our leadership and culture. I am grateful to Vic Darvey and his executive team for the way they are leading the next phase for Purplebricks, especially against an extraordinary and difficult backdrop as the COVID-19 crisis hit during the last few weeks of our financial year.

Focused on our core operations
Unsurprisingly, this had an impact on FY 2020 performance, and contributed to Group revenue from continuing operations being down 2.4% to £111.1m (2019: £113.8m) and an operating loss of £9.4m (2019: £1.5m). Ongoing consumer uncertainty during the year and the lockdown from March, impacted our UK revenue, down 10.7% to £80.5m. Our Canada business, which was disposed of in July 2020, contributed £30.6m of revenue in its first full year of ownership, while our exits from the Australian and US markets have allowed us to concentrate on our key operations.

Having already worked through a period of internal change during the year, I am immensely proud of the way our management team handled the business disruption due to COVID-19. They did everything that could have been expected of them – making the tough decision to put people on furlough, supporting our self-employed partners and, where possible, reinventing the way we do business with our customers by building on things we were doing anyway.

As we come out of lockdown, Purplebricks colleagues are back in people's houses, where appropriate and with full PPE, keeping our people and customers safe.

Board priorities and changes
The Board continues to ensure that the Group's ambitions are managed against risks, with sustainable growth at the heart of our business. It is our responsibility to ensure we have a cohesive team and culture – so that our people and management are free to get on with developing the commercial side of the business with our full support.

Mike Wroe, who was our Senior Independent Director, stepped down from the Board in December 2019, and I would like to thank him for the service he has given to the Company. I am delighted to say that Simon Downing has taken on the role of Senior Independent Director on the Board. We will seek to recruit a new non-executive director to the Board, and to appoint a new chair to our Audit Committee.

Following the recent change in ownership at Axel Springer, the company that owns a 26.5% stake in Purplebricks, they have nominated a new representative on our Board to replace Dr Andreas Wiele. Dr Stephanie Caspar joined the Board on 27 July and I look forward to working with her in the months ahead.

The Board appointed Vic Darvey as Chief Executive Officer in May 2019 to lead the business for the next phase of development, and to take the Company forward. I am pleased with the progress he has made during the year in strengthening the leadership, the appointment of an Executive Leadership Team, and beginning the transition to a digitally led, performance-based culture.

Since the end of the reporting period, in early May 2020, James Davies resigned as Chief Financial Officer after three years with Purplebricks. I would like to wish James every success for the future, while also warmly welcoming Andy Botha as our new Chief Financial Officer. Andy joins us from online travel group Secret Escapes and has an excellent track record in growing digital businesses. He also brings a strong understanding of the UK hybrid property market from his time spent with both Zoopla and PrimeLocation.

Canada disposal

As recently announced, on 15 July 2020 we completed the sale of our Canadian operations for cash proceeds of CAD$60.5m (£35m). This disposal simplifies our investment case and enables Vic and his senior leadership team to focus on investing in the UK market, where we believe there is significant opportunity to generate shareholder value.

Committed to high standards of governance

Following the management and operational changes this year, our progress on the Corporate Governance agenda was slow, but the Board remains committed to achieving high standards in our governance infrastructure appropriate to our increasing size and profile.

The Company continues to follow the Quoted Companies Alliance Corporate Governance Code ("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

The Board has agreed that it is too early to consider returning capital to investors at this time, due to retained losses within our reserves and the need to focus our financial resources on future opportunities. However, as we build a more mature business with a strong strategy and relatively low fixed overheads, I believe we can generate the consistent profits and cash needed to make an appropriate distribution to investors in the coming years. It is the intention of the Board that we will then move to a progressive dividend policy as the business develops and we realise our potential.

Outlook

To do that, we need to continue our journey to becoming the best known and most respected Estate Agent in the UK. When we entered the market six years ago, there were many competitors, but we have built a strong position. Our growth has enabled us to keep average costs down and, crucially, to build a market-leading platform. Market uncertainties remain, with the continuing impact of COVID-19 and potential concerns over a no-deal Brexit at the end of 2020. However, I believe we have the people, technology and functionality to empower our customers even in a difficult market, and to further open up the digital opportunities in our industry.

We will continue to build on that platform in the year ahead, enhancing our digital capabilities to ensure that we are even easier to do business with, and that we continue to outperform the market. Part of that success must be building our market share, and I am confident this will translate into significant shareholder value. But the key to achieving our objectives will be keeping things simple and improving our execution. In short, it's all about doing what we know best, and doing it well.

Paul Pindar
Chairman
31 July 2020

Chief Executive's statement

In a year that has seen political and economic uncertainty, followed by an unprecedented lockdown of the housing market alongside much of the UK and Canada's economic activity, our strong and differentiated business model has been vital to Purplebricks' overall performance in our two markets. We have set out a new strategy this year, invested in our people and platforms, and I firmly believe we can continue to use technology to significantly reduce the cost of moving home and to provide a better service to customers.

The COVID-19 crisis, which impacted our performance at the end of the financial year, has sharpened our focus on what technology can do for our business and we continue to believe that our differentiated, technology-led proposition will drive clear business model advantages and significant opportunities to scale. As consumer expectations evolve, especially in a post-COVID-19 environment, we anticipate that the hybrid model will continue to displace traditional agents as consumers look to more virtual ways of doing business.

Strengthening and restructuring the business

I am pleased with everything we have achieved this year, particularly our work towards driving operational excellence. We have done a lot to stabilise the business – controlling costs and improving our financial discipline – and have moved our culture further towards digital innovation and continuous improvement. In turn, we have become more performance driven and made significant changes to our organisational structure. All that meant we were stronger as we entered the COVID-19 crisis and we are now even better-placed for the future.

Reflecting these changes and helped by the diversity of revenues across two key markets, I'm satisfied with our performance this year and optimistic for the future, despite a challenging market that has seen some of our competitors' revenues fall considerably. Meanwhile, our exits from the US and Australian markets are now complete and the associated costs were well within the guided range.

Multiple levers help UK revenue in weakened market

We continue to maintain clear brand leadership in the UK, with awareness of the brand now at 97%. I was also delighted to see that we were one of the Top 20 most relevant brands in the UK in the annual Superbrands® insight survey, putting us in the company of other leading consumer brands such as Google, Amazon, Netflix and PayPal.

Despite the impacts of Brexit and then COVID-19 on trading conditions, we have focused on growing our basket size and improving our average revenue per instruction (ARPI) over the last year. Overall, instructions were 23% down year on year, but our revenue was down just over 10%. This is due to an improved focus on ancillary attachment and other adjacent opportunities, such as mortgages and conveyancing, which resulted in our ARPI increasing 12% to £1,394, up from £1,243 last year.

We made an operating loss in the year of £9.4m, up from a loss of £1.5m in 2019, resulting from the fall in revenue as the business was impacted by a declining market and COVID-19. Our market share of UK listings for the financial year was 3.9%, and our share of the number of properties sold was 5.1% of the total market.

Impacts of COVID-19

What we couldn't have predicted, even at our Half Year results, was the arrival of the COVID-19 crisis, the devastating consequences for our communities and local economies, and the continuing impact of social distancing restrictions in our marketplace even as lockdown eases.

At the start of the crisis, we managed to pivot the organisation very quickly to smart working in both our markets, as consumers moved towards virtual valuations and viewings, and buying and selling homes online became even more important. Unlike most of our competitors, we remained open for business throughout the crisis, offering people a safe way to move home, in spite of the challenging market conditions, using both our desktop service and mobile app.

During this period, we successfully reduced a number of our costs to reflect lower levels of market activity, with the UK Coronavirus Job Retention Scheme and the Canada Emergency Wage Subsidy deployed in respect of 50% of our employees in both the UK and Canada. In addition, the Board and Executive Team voluntarily reduced their salaries by 20%. Our variable cost model has proved to be a significant advantage during this period – we have lower overheads than most of our competitors, and we can flex up and down with the market over time to manage demand.

We also created a fund of up to £2.2 million to provide support payments to our self-employed agents, many of whom operate as limited companies, so were unable to furlough or claim through the self-employed income support scheme. I have been proud to stand shoulder to shoulder with all of our people through this difficult period and, if nothing else, the COVID-19 crisis has served to further unify our Team as we work together to respond to the challenges.

I'm confident that the work we have done this year, particularly in early 2020, will ensure we are more than ready to compete in the post-COVID-19 market, as restrictions ease but don't go away. What's very clear at the moment is that social distancing measures will be in place for the foreseeable future and consumer risk tolerance will continue to reduce. As a result, Purplebricks remains well positioned as consumers continue to shift towards apps and technology-based solutions when buying and selling a home.

Innovating to create the estate agent of the future
We continue to focus on delivering a step-change to our customer experience and ensure that the buying and selling process becomes personalised and friction free for both our customers and our agents on the ground.

Over the last year, we have continued to invest in technology and in building out our engineering capability. We've restructured our teams to accelerate our ability to deliver, with dedicated squads focused on improving the customer experience and delivering greater automation and efficiency for our agents.

With nearly 70% of our customers using Purplebricks through a mobile device, we've also increased our resources in mobile to deliver a more personalised experience for our customers. The App now has a 4.5 star approval rating in the App Store (based on over 27,000 ratings) and we continue to work hard to improve our overall customer experience. I'm pleased to announce that we've also recently teamed up with Amazon so that Purplebricks' customers can now interact with Alexa to answer a range of questions about the sale of their home.

Enhancing our performance through leadership, culture and service
It's important that we continue to recruit and retain the best talent in the industry. As a result, we have spent a significant amount of time this year ensuring that we have the right capability and structure to deliver our strategy. Over the last 12 months, we have reviewed and restructured our Field operations, helping us create the right structure for success with clear leadership and the right target operating model to ensure greater performance in the Field. We have also introduced a new leadership team in the UK with a significant range of experience across a number of publicly quoted and privately-owned digital businesses.

We continue to evolve our culture and to understand how we can introduce more lean and agile processes across the business to ensure that our contact centre, central functions and Field operations work better together.

I would like to take this opportunity to thank all of our people across the business for their incredible work in what has been an extraordinary and very tough year. The changes we have made have resulted in the recruitment of several excellent people from within our organisation to new roles, as well as key external hires who have brought in market leading, best in class, digital approaches to what we do. We end the year in a much stronger position with a very clear purpose and a strong focus on continuously improving the service we provide to our customers.

Evolving our pricing model

We have a business model that is based on value. It's unrivalled in the marketplace and offers consumers the opportunity to sell their homes for a fair, fixed fee. This single-minded proposition has got us to where we are today and created a business model that has resulted in Purplebricks becoming the largest estate agency brand in the UK. However, we also recognise that, to extend our market leadership, we'll need to evolve our pricing. That means looking at different pricing strategies to reduce the up-front fee and splitting the payment between listing and completion.

Following an in-depth pricing study in the first half of the year, we had hoped to pilot a new pricing structure in early 2020, but the lockdown has delayed this to the autumn. I believe reducing the level of the upfront fee will widen the market opportunity significantly, although a fixed fee element will remain a critical part of our success, as hybrid adopters remain more motivated to sell their homes. Reducing the upfront fee will reduce the barrier for many customers in instructing us – while higher fees on completion will allow our LPEs to earn more from each sale, ensuring our self-employed model will not only remain sustainable but become more attractive to the best talent in the industry.

Transforming our processes and technology

Over the last 12 months we've made significant investments in both our people and our technology to improve the level of service we provide to our customers. We've introduced the World Class Manager training programme as well as a Contact Centre School, helping to increase productivity.

We've invested in further technology to ensure customers have a choice of channel to communicate with us including the deployment of a new omni-channel customer engagement platform and virtual valuations and viewings.

Our focus on innovation and service improvement continues to be reflected in the feedback we receive from customers. We are still the most positively reviewed estate agent in the UK with nearly 75,000 independent reviews on Trustpilot. We have also achieved a consistently high score of 4.6/5 with Feefo and retained their 'Gold Trusted Service' award in 2020 for the second year running.

Sale of Canadian business

While performance in our Canadian business has been improving over the last 12 months, maintaining a strong market share in Quebec and experiencing positive growth in English Canada, we announced on 15 July 2020 that we had completed the sale of our Canadian operations to the Desjardins Group. This disposal further simplifies the business and will allow us to focus management time and resources on delivering growth in our core UK market. We wish the team at DuProprio and Purplebricks Canada the very best in their new venture - and I'd like to thank them personally for the collaboration and mutual sharing of knowledge and expertise over the last couple of years.

Looking ahead
I'm optimistic about the future of our business, notwithstanding the macro environment, which remains uncertain. I expect our number of listings in the year to fall, but I think we can continue to mitigate the challenging market conditions with an operating platform and strategy that give us multiple levers we can utilise to grow our business.

Whatever happens next, trust will be important. I was delighted to see a big jump in perceptions around value and trust in Purplebricks earlier this year.

The longer-term effects of the COVID-19 crisis may temper enthusiasm for moving home, but I believe we will see a slow and solid recovery over the next 12 months. It is also possible that there could be short to medium-term implications for the competitive landscape. What we are seeing at the moment, is that people are already starting to use technology in a different way with virtual valuations and viewings being considered by a much wider audience.

What we have demonstrated through the crisis is that we can leverage our operating model successfully, maximise the opportunity and increase our market share, even in the toughest of circumstances. I believe our hybrid model will be able to deliver better service and flexibility to customers in a changed environment, and our virtual capabilities will play a key role in this.

Vic Darvey
Chief Executive Officer
31 July 2020

Chief Financial Officer's report

Financial review

The Group delivered a resilient financial performance through the majority of FY 2020, despite the ongoing challenges in the market. However the overall results for the year were impacted by the COVID-19 crisis which affected our ability to operate in the final two months of the year.

During FY 2020 we refocused the business on the UK and Canadian markets, invested in our senior leadership team, restructured and repurposed our Field agent teams and invested in our Digital team and platforms. We also improved our financial discipline around capital allocation and marketing execution.

We exited the year with a strong cash position and balance sheet to support the next phase of our growth in the UK market.

Summary of financial performance

Overall Group revenues from continuing operations of £111.1m were down 2.4% in the year (2019: £113.8m) against the backdrop of a challenging market in the UK and Canada due to ongoing political and economic uncertainty, and the impact of COVID-19 which effectively closed the housing market towards the end of the period. Due to COVID-19, at 30 April 2020 there was higher than usual uncertainty regarding the impact of the timing and profile of recovery from the crisis on the UK housing market. Based on available information, we have estimated that the future service period in respect of instructions on hand at 30 April 2020 will be approximately 35% longer than at prior year. This has led to an increase in the proportion of revenue deferred at the year end in the UK. Based on the timing and extent of the lockdown in Canada, we have assessed that no significant increase in the future service period existed as at 30 April 2020.

Our gross profit margin remained steady at 61% (2019: 61%), with gross profit from continuing operations of £67.7m down 2.5% (2019: £69.4m).

Adjusted operating costs (see definition in note 4) of the continuing operations increased by 29% to £37.1m (2019: £28.7m). Conversely, marketing costs, which were largely focused on our two core markets, reduced by 16% to £28.8m (2019: £34.1m). Overall this highlights our ability to manage our variable costs quickly, and dial up and down in response to the market.

Operating costs increased through an investment in our management team capacity and capability, an increase in the capacity and responsiveness of our contact centre, and our Digital teams to deliver improvements to both our customer facing solutions and our internal processes. Following the adoption of IFRS 16, lease costs have been replaced by depreciation and interest in FY 2020.

Adjusted EBITDA (see definition in note 4) I was £1.8m, down 73% (2019: £6.6m). Given the challenges experienced towards the end of this year, we are pleased with the results of both the UK and Canada businesses, which are set out individually later in the section. The Group made an operating loss of £9.4m (2019: £1.5m) including share of joint venture losses. Including the results of the discontinued operations in the US and Australia, the Group's total loss for the year was £19.2m (2019: £54.9m).

The business responded swiftly to the accelerating impacts of the COVID-19 pandemic. Due to the high degree of flexibility in our cost base we were able to adjust our operating model and cash-burn accordingly, while still remaining open for business. We continue to have a robust balance sheet and a strong cash position with £31.0m on the balance sheet as at the year-end (2019: £62.8m).

GROUP – continuing operations

Extract of Consolidated Statement of Comprehensive Income and Group Alternative Performance Measures[1]

For the year ended 30 April	2020 £m	2019 £m	Change %
Revenue	**111.1**	113.8	(2.4)
Cost of sales	**(43.4)**	(44.4)	(2.3)
Gross profit	**67.7**	69.4	(2.5)
Gross profit margin	**60.9%**	61.0%	(10) bps
Adjusted operating costs	**(37.1)**	(28.7)	29.3
Marketing costs	**(28.8)**	(34.1)	(15.5)
Adjusted EBITDA	**1.8**	6.6	(72.7)
Depreciation and amortisation	**(6.1)**	(4.4)	38.6
Adjusted operating (loss) / profit	**(4.3)**	2.2	(295.5)
Share-based payment charge	**(0.7)**	(2.7)	(74.1)
Exceptional operating costs	**(1.6)**	(0.5)	220.0
Share of results of joint venture	**(2.8)**	(0.5)	460.0
Operating loss	**(9.4)**	(1.5)	(526.7)

UK

Extract of Statement of Comprehensive Income and Alternative Performance Measures[1]

For the year ended 30 April	2020 £m	2019 £m	Change %
Revenue	**80.5**	90.1	(10.7)
Cost of sales	**(28.9)**	(33.3)	(13.2)
Gross profit	**51.6**	56.8	(9.2)
Gross profit margin	**64.1%**	63.0%	110 bps
Adjusted operating costs	**(26.2)**	(19.9)	31.7
Marketing costs	**(20.6)**	(26.7)	(22.8)
Adjusted EBITDA	**4.8**	10.2	(52.9)
Depreciation and amortisation	**(3.5)**	(2.3)	52.2
Adjusted operating profit	**1.3**	7.9	(83.5)
Share-based payment credit / (charge)	**0.1**	(2.1)	(1,047.6)
Exceptional operating costs	**(1.6)**	(0.5)	220.0
Operating (loss) / profit	**(0.2)**	5.3	(1,037.7)

1: The underlying performance of the Group is monitored internally using a number of 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 4. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated.

Key Performance Indicators:
The directors use key performance indicators (KPIs) to assess performance of the business against the Group's strategy. The strategy is built around: efficiently attracting good quality customers to our website; gaining market share; and providing customers with choice to enable revenue per

instruction to increase. Cost-effective marketing and a controllable operating cost base are the ingredients to a sustainably profitable business.

New users represents the number of unique visitors to the website in the year.

Average revenue per instruction equates to total fee income divided by the number of published instructions.

Cost per instruction represents total marketing costs, including portal costs, divided by instructions.

Marketing as a percentage of revenue represents the total marketing costs, including portal costs, as a percentage of total revenue.

UK KPIs	**2020**	**2019**	**Change %**
Unique visitors (m)	**13.1**	13.5	(3)
Instructions	**53,680**	69,892	(23)
Average revenue per instruction ("ARPI")	**£1,394**	£1,243	12
Cost per instruction (CPI)	**£383**	£382	-
Marketing as a % of revenue	**25.6%**	29.6%	(400) bps

The onset of COVID-19 had a material impact on trading at the end of the year. This, combined with a very challenging property market, resulted in UK revenue falling 11% while we experienced a 23% reduction in the number of instructions. This reduction was partially offset by a 12% increase in average revenue per instruction (ARPI) to £1,394 (2019: £1,243).

Due to COVID-19, at 30 April 2020 there was higher than usual uncertainty regarding the impact of the timing and profile of recovery from the crisis on the UK housing market. Based on available information, we have estimated that the future service period in respect of instructions on hand at 30 April 2020 will be approximately 35% longer than at prior year. This has led to an increase in the proportion of revenue deferred at year end. For context, a 10% increase or decrease in the estimated service period would have increased or decreased deferred income by around £1.8m respectively.

Revenue was split 53:47 between instruction and ancillary revenue respectively (2019: 56:44). This further shift in the year towards ancillary revenue becoming a greater proportion of our revenue is a result of our continued commitment to delivering value-add, complementary products to our customers.

The majority of cost of sales is represented by the earnings of self-employed Local Property Agents (LPEs). UK gross profit margin for the year was 64.1% up 110 bps from the prior year, reflecting price increases in the year.

Adjusted operating costs (see definition in note 4) were up 32% to £26.2m (2019: £19.9m). These costs reflect further investment in the UK business, particularly the Digital team (where costs are only partly capitalised, based on the activity undertaken).

Marketing costs were £20.6m (2019: £26.7m), down 23% year on year, reflecting our ability to effectively manage marketing spend in line with the market activity. Marketing cost per instruction ("CPI") was £383, marginally up from £382 in FY 2019.

Adjusted EBITDA for the year (see definition in note 4) was down by 53% to £4.8m (2019: £10.2m).

Depreciation and amortisation was £3.5m, up from £2.3m in FY 2019, predominantly reflecting the increase in capitalised development costs from prior years as well as the adoption of IFRS 16 at 1 May 2019 (without restatement of FY 2019), which led to an additional £0.3m of depreciation of right-of-use lease assets. Adjusted EBITDA has also benefited from the reclassification of £0.3m of rental payments under IFRS 16.

Share-based payments gave rise to a credit in the year of £0.1m, compared to a charge of £2.1m in the prior year. This movement reflects a significant credit in the current year arising from the reversal of charges taken in previous years as options held by leavers lapsed on their leaving the business. Overall, the UK made an operating loss of £0.2m (FY 19: profit of £5.3m).

Regrettably, the Group incurred a fine from HMRC for historical breaches of certain aspects of the UK's anti-money laundering legislation. We have since improved our anti-money laundering controls.

Exceptional items

Exceptional items include amounts that management believes it is 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 £1.6m (2019: £0.5m, badged as "non-recurring costs") and comprised:

i) Costs of a fundamental restructure of the sales and operational functions, primarily involving rationalisation of the network of self-employed LPEs, as described in the business model, of £1.2m.
ii) Costs of supporting the network of independent LPEs in response to the COVID-19 crisis of £0.4m.

Each of these items is expected to continue into FY 2021 and the relevant costs will be presented consistently next year. The Board expects the aggregate costs of each of these items to be material across the two years.

Canada

Extract of Statement of Comprehensive Income and Alternative Performance Measures[1] For the year ended 30 April	**2020** £m	**2019** Proforma £m	**Change** %	**2019** from acquisition on 6 July 2018 £m
Revenue	**30.6**	29.7	3.0	23.7
Cost of sales	**(14.5)**	(13.8)	5.1	(11.1)
Gross profit	**16.1**	15.9	1.3	12.6
Gross profit margin (%)	**52.6%**	53.5%	(90) bps	53.2%
Adjusted operating costs	**(9.3)**	(8.6)	8.1	(7.2)
Marketing costs	**(8.2)**	(8.4)	(2.4)	(7.4)
Adjusted EBITDA	**(1.4)**	(1.1)	27.3	(2.0)
Depreciation and amortisation	**(1.0)**	(0.9)	11.1	(0.8)
Adjusted operating loss	**(2.4)**	(2.0)	20.0	(2.8)
Share-based payment credit / (charge)	**(0.3)**	(0.4)	(25.0)	(0.4)
Exceptional operating costs	**-**	-	-	-
Operating loss	**(2.7)**	(2.4)	12.5	(3.2)

Canada KPIs

	2020	2019 Proforma	Change %	2019 from acquisition on 6 July 2018
Instructions	**31,906**	37,819	(15.6)	32,626
Average revenue per instruction ("ARPI")	**£883**	£747	18.2	£691
Marketing cost per transaction	**£257**	£206	24.8	£227
Marketing costs as a % of revenue	**26.8%**	28.3%	(150) bps	31.2%

1: The underlying performance of the Group is monitored internally using a number of 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 4. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated.

Canada achieved revenue growth overall, despite the COVID-19 crisis having a significant effect on the last 2 months of the year.

In Quebec, we experienced a challenging and competitive environment but delivered a healthy profitable performance.

In the Rest of Canada ("ROC"), our continued marketing efforts have driven an increase in our brand awareness and an increase in revenues despite a challenging underlying market pre COVID-19, and the effects of the crisis in the last 2 months of the year.

In ROC we operate a number of service offerings which have allowed us to target different sections of the market. Focus on these new products, including a focus on generating buy-side revenues, has led to us servicing a lower number of overall clients, but at significantly higher ARPI.

A targeted reduction in marketing spend as the effect of the COVID-19 crisis became apparent has led to a slight reduction in marketing spend year on year. Canadian wage subsidy during COVID-19 crisis has offset wages and salaries by around £0.7m, allowing us to retain staff during this period.

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 cooperative financial group. Cash proceeds were $60.5m Canadian Dollars (£35m). Consideration is subject to adjustments for completion working capital and completion debt which will be calculated in due course.

Closure of operations in the US and Australia

Throughout the closure processes in both countries, the wind-up of operations has been conducted in a responsible manner to protect the Purplebricks brand and respect commitments made to customers and business partners, while minimising costs where possible within these broader reputational parameters. The closures have now been commercially completed, with only certain legal formalities outstanding. The cash costs of closure have been at the higher end of the Group's H1 guidance of £10.5 - £13m, however these are inclusive of the cash costs of pre-closure announcement trading losses and working capital positions unwinding. The results of the US and Australia are set out within the segmental analysis at note 6.

Homeday joint venture

During the year the Group invested a further EUR 5.0m (£4.6m) in Homeday.de via its joint venture with Axel Springer. As a result of the conversion of previously existing convertible loans from JV HoldCo to Homeday, JV HoldCo's shareholding in Homeday increased in the year from 26% to 54%, and JV HoldCo therefore took control of Homeday. As part of the provisional fair value accounting for this acqusition, JV HoldCo revalued both its previous shareholding and the convertible loans to fair value immediately before conversion. This revaluation has led to a gain in JV HoldCo, of which the Purplebricks’ 50% share is £2.6m. Purplebricks’ share of Homeday's underlying losses for the year was £5.3m. After accounting for amortisation of intangibles arising on acqusition of £0.1m, this means that our net share of the JV HoldCo result for the year was a loss of £2.8m. Further detail is set out in note 9.

The Group has no further obligation to provide funding to Homeday.de, and no further investment is expected at this stage.

Tax

The Group reported a net tax credit of £1.7m (2019: £1.3m in respect of the continuing group). This amount is comprised primarily of a £1.8m deferred tax credit relating to the UK and Canadian businesses, less a £0.1m current tax charge relating to the UK. Deferred tax assets continue to be recognised in full in the UK and Canada, based on expectations of sufficient taxable profits being available for utilisation of these assets in future. No tax impact is recognised in relation to either losses arising during the year or previously unrecognised losses of prior years, relating to the discontinued US and Australian businesses, as the closure of the relevant companies means there is no prospect of utilisation of their tax losses against future taxable profits.

Statement of financial position

The Group has a strong financial position to support its current activities and future growth, including a cash balance of £31.0m (30 April 2019: £62.8m). Net assets of £82.1m were £21.6m lower than the comparable figure (30 April 2019: £103.7m) mostly as a result of the total comprehensive loss for the year of £19.3m, which includes the final losses in respect of the US and Australia. Trade receivables and payables and contract assets and liabilities are all reduced year on year, primarily reflecting the closure of the US and Australian businesses, as well as timing of creditor payments. Deferred income in the UK is reduced due to lower transaction volumes, partly offset by a longer service period.

Cash flow

Operating cash flow was an outflow of £24.0m (2019: £49.1m). Within this, continuing operations accounted for an outflow of £10.9m (2019: inflow of £9.9m) and for discontinued operations an outflow of £13.1m (2019: outflow of £59.0m). The FY 2020 outflow from continuing operations is caused by marketing investment into the Canada business and working capital timing effects in the UK. Capital expenditure and financing items represented an outflow of £7.8m (2019: £41.2m), with an additional £4.6m investment being made in Homeday.de (2019: £27.3m in relation to our Canadian acquisition and £14.3m in Homeday.de). Total cash outflows for the period were £31.8m (2019: £90.3m), of which continuing operations comprised £18.7m and discontinued operations comprised £13.1m. There are no further contractual commitments to invest further into Homeday.de.

Approved and signed on behalf of the Board

Andy Botha
Chief Financial Officer
31 July 2020

Consolidated statement of comprehensive income
for the year ended 30 April 2020

	Note	2020 £m	2019 £0m
Revenue	**5**	**111.1**	113.8
Cost of sales		**(43.4)**	(44.4)
Gross profit		**67.7**	69.4
Administrative and establishment expenses		**(45.5)**	(36.3)
Marketing costs		**(28.8)**	(34.1)
Share of results of joint venture		**(2.8)**	(0.5)
Operating loss		**(9.4)**	(1.5)
Finance income		**0.5**	0.8
Finance expense		**(4.3)**	(4.2)
Loss on ordinary activities before taxation		**(13.2)**	(4.9)
Taxation on loss on ordinary activities		**1.7**	1.3
Loss from continuing operations		**(11.5)**	(3.6)
Loss from discontinued operations		**(7.7)**	(51.3)
Loss for the year		**(19.2)**	(54.9)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(0.1)**	(0.1)
Total other comprehensive income		**(0.1)**	(0.1)
Total comprehensive loss		**(19.3)**	(55.0)
Earnings per share			
Basic and diluted loss per share – continuing operations	**8**	**(4p)**	(1p)
Basic and diluted loss per share - total	**8**	**(6p)**	(18p)

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

Comparative figures have not been restated for the adoption of IFRS 16 at 1 May 2019 – see note 2.

Comparatives have been restated to show separately the results of continuing and discontinued operations – see note 2.2

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

Consolidated Statement of Financial Position
At 30 April 2020

	Note	2020 £m	Restated* 2019 £m
Non-current assets			
Goodwill		**19.5**	19.5
Intangible assets		**19.2**	21.9
Property, plant and equipment		**3.5**	2.0
Investment in joint venture	**9**	**12.5**	10.7
Deferred tax asset		**9.0**	7.1
		63.7	61.2
Current assets			
Tax receivable		**0.1**	1.2
Trade and other receivables		**10.2**	11.4
Contract assets – accrued income		**5.3**	9.7
Contract assets – prepaid cost of sales		**5.3**	6.3
Cash and cash equivalents		**31.0**	62.8
		51.9	91.4
Total Assets		**115.6**	152.6
Current liabilities			
Trade and other payables		**(11.8)**	(25.0)
Contract liabilities - deferred income		**(14.6)**	(19.4)
Provisions		**(0.4)**	-
Borrowings		**(0.1)**	-
Lease liabilities		**(0.7)**	-
		(27.6)	(44.4)
Net current assets		**24.3**	47.0
Total assets less current liabilities		**88.0**	108.2
Non-current liabilities			
Borrowing		**(0.1)**	-
Deferred tax liabilities		**(4.4)**	(4.5)
Lease liabilities		**(1.4)**	-
		(5.9)	(4.5)
Net assets		**82.1**	103.7
Equity			
Share Capital		**3.1**	3.0
Share premium		**177.4**	177.4
Share-based payments reserve		**6.9**	8.6
Foreign exchange reserve		**(1.8)**	(0.5)
Retained earnings		**(103.5)**	(84.8)
Total Equity		**82.1**	103.7

*See note 2.2

Consolidated Statement of Changes in Equity
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 charge	-	-	(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**

For the year ended 30 April 2019

	Share Capital £m	Share Premium £m	Share-based payment reserve £m	Foreign exchange reserve £m	Retained Earnings £m	Total Equity £m
At 1 May 2018	3.0	176.4	4.6	(0.4)	(33.4)	150.2
Exercise of options	-	1.0	(0.3)	-	0.3	1.0
Tax in respect of share options	-	-	-	-	3.2	3.2
Share-based payment charge	-	-	4.3	-	-	4.3
Transactions with owners	**-**	**1.0**	**4.0**	-	**3.5**	**8.5**
Loss for the year	-	-	-	-	(54.9)	(54.9)
Exchange differences on translation of foreign operations	-	-	-	(0.1)	-	(0.1)
Total comprehensive loss	-	-	-	(0.1)	(54.9)	(55.0)
At 30 April 2019	**3.0**	**177.4**	**8.6**	**(0.5)**	**(84.8)**	**103.7**

Consolidated Statement of Cash Flows
For the year ended 30 April 2020

	Note	2020 £m	2019 £m
Loss for the year after taxation		**(19.2)**	(54.9)
Adjustments for:			
Amortisation of intangible assets		**4.1**	3.7
Depreciation of tangible fixed assets		**1.7**	0.8
Impairment of intangible assets		**0.5**	-
Impairment of tangible fixed assets		**0.6**	-
Share-based payment (credit)/charge		**(1.3)**	4.3
Gain on lease modification		**(0.1)**	-
Credit to loss provision		**(0.4)**	-
Increase in provisions		**0.4**	-
Interest income		**(0.5)**	(0.8)
Interest expense		**0.2**	0.1
Share of result of joint venture	**9**	**2.8**	0.5
Taxation		**(1.7)**	(1.1)
Operating cash outflow before changes in working capital		**(12.9)**	**(47.4)**
Movement in trade and other receivables		**7.0**	(6.6)
Movement in trade and other payables		**(14.2)**	4.9
Movement in deferred income		**(4.8)**	1.1
Cash utilised in operations		**(24.9)**	(48.0)
Taxation received / (paid)		**1.0**	(1.0)
Interest paid		**(0.1)**	(0.1)
Net cash outflow from operating activities		**(24.0)**	(49.1)
Investing activities			
Purchase of property, plant and equipment		**(0.8)**	(1.1)
Development expenditure capitalised		**(2.1)**	(2.6)
Purchase of intangible assets		**(0.1)**	(0.7)
Interest income		**0.5**	0.7
Investment in joint venture		**(4.6)**	(11.2)
Acquisition of subsidiary net of cash acquired		**-**	(27.3)
Net cash flow outflow from investing activities		**(7.1)**	(42.2)
Financing activities			
Lease interest payments		**(0.1)**	-
Payments against lease liabilities		**(0.9)**	-
Proceeeds from external borrowings		**0.3**	-
Repayments of external borrowings		**(0.1)**	-
Proceeds from issue of shares		**0.1**	1.0
Net cash (outflow)/inflow from financing activities		**(0.7)**	1.0
Net decrease in cash and cash equivalents		**(31.8)**	(90.3)
Effect of foreign exchange rates		**-**	0.3
Cash and cash equivalents at beginning of year		**62.8**	152.8
Cash and cash equivalents at the end of the year		**31.0**	**62.8**

Cash flows relating to discontinued operations are presented within note 6.

Notes to the Condensed 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.

These condensed financial statements are presented in British Pounds, which is the currency of the primary economic environment in which the Company operates and are presented in £ million.

2. Summary of significant accounting policies

2.1 Basis of preparation and consolidation
These condensed financial statements have been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The financial information set out in this announcement does not constitute the Company's statutory accounts, within the meaning of section 430 of the Companies Act 2006, for the years ended 30 April 2020 or 2019, but is derived from those accounts. While the financial information included within this announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, it does not comply with the disclosure requirements of IFRS. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The auditors have consented to the publication of the Preliminary Announcement.

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 2020, the results of the US and Australian operations have been classified as discontinued operations. The comparative figures included in the statement of comprehensive Income and statement of cash flows in respect of the year ended 30 April 2019 have been restated accordingly.

Presentation of contract assets
In the current year, contract assets, being accrued income and prepaid cost of sales, are presented separately on the face of the statement of financial position. Comparative amounts have also been separately presented, with a corresponding reduction in the amounts shown as trade and other receivables. No restatement of total amounts has occurred.

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, and the Group's principal risks and uncertainties.

The directors have taken into account reasonably possible future economic factors in preparing trading and cash flow forecasts covering the period to 31 August 2021. This assessment was carried out initially without taking account of the cash inflow arising from the sale of the Group's Canadian business, but did take 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 steps which could be taken to further mitigate costs if required. Mitigations include a reduction in marketing expenditure and reductions in expenditure in the Group's contact centre and support functions.

In satisfying themselves that the going concern basis is appropriate, the directors also took into account recent practical experience and steps which were taken with regard to cost control and cash preservation due to the COVID-19-related macro-economic conditions leading up to and following the year-end. Even in the situation of a severe downside sensitised fall in revenues that is in excess of the directors' realistic expectations, and before taking any such mitigating actions, the Group expects to maintain a position of liquidity throughout the forecast period to 31 August 2021.

The subsequent cash inflow from the sale of the Group's Canadian business, of $61.5m Canadian Dollars (c.£36m), received on 17 July 2020 (subject to further post-closing adjustments, as referred to in note 10) has further enhanced the Group's year-end cash position of £31.0m.

Based on the Group's forecasts, 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

2.4.1 Implementation of IFRS 16 leases

The Group has adopted IFRS 16 Leases in these financial statements from 1 May 2019, using the modified retrospective approach.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group is not party to any leases where it acts as a lessor.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16.

Accounting policies under IFRS 16 leases
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.

- 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, 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 lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. 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.

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 and establishment expenses in the statement of consolidated income.

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

Approach to transition
The Group has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative figures.

In respect of those leases the Group previously treated as operating leases, the Group has elected to measure its right-of-use assets arising from property leases using the approach set out in IFRS 16.C8(b)(i). Under IFRS 16.C8(b)(i) right-of-use assets are calculated as if IFRS 16 applied at the lease commencement date but discounted using the incremental borrowing rate at the date of initial application. The incremental borrowing rate represents the rate of interest that the Group would have had to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment, over a similar term, with similar security.

The Group's weighted average incremental borrowing rate applied to lease liabilities as at 1 May 2019 is 6.4%.

As a practical expedient, the Group has relied on the previous identification of leases under IAS 17 for all contracts that existed on the date of initial application.

Impact on lessee accounting
IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, for all leases (except as noted above), the Group now recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments as described above.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This replaces the previous requirement to recognise a provision for onerous lease contracts.

Under IFRS 16 the Group recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated income statement, whereas under IAS 17 operating leases previously gave rise to a straight-line expense in other operating expenses.

Under IFRS 16 the Group separates the total amount of cash paid for leases that are on consolidated statement of financial position into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows. Under IAS 17, operating lease payments were presented as operating cash outflows.

Areas of judgement
Significant judgements applied in the adoption of IFRS 16 included determining the lease term for those leases with termination or extension options and determining an incremental borrowing rate where the rate implicit in a lease could not be readily determined.

Where the Group's leases include termination options, the right-of-use assets and lease liabilities assume these are not exercised. None of the leases in place at 1 May 2019 included extension options.

Financial Impact
The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-to-use assets and lease liabilities.
The table below sets out the adjustments recognised at the date of initial application of IFRS 16.

GROUP	**As previously reported at 30 April 2019**	**Impact of IFRS 16**	**As restated at 1 May 2019**
	£m	£m	£m
Non-current assets			
Property, plant and equipment	2.0	2.2	4.2
Total impact on assets		2.2	
Current liabilities			
Trade and other payables	(25.0)	0.1	(24.9)
Lease liabilities	-	(1.0)	(1.0)
Non-current liabilities			
Lease liabilities	-	(1.3)	(1.3)
Total impact on liabilities		(2.2)	
Impact on retained earnings		-	

Of the total right-of-use assets of £2.2m recognised at 1 May 2019, £2.1m related to leases of property and £0.1m to leases of other equipment.

The impact on trade and other payables relates to the previously recognised creditor in respect of rent-free periods.

COMPANY	As previously reported at 30 April 2019	Impact of IFRS 16	As restated at 1 May 2019
	£m	£m	£m
Non-current assets			
Property, plant and equipment	0.8	0.7	1.5
Deferred tax asset	6.1	-	6.1
Total impact on assets		0.7	
Current liabilities			
Trade and other payables	(13.6)	0.1	(13.5)
Lease liabilities	-	(0.3)	(0.3)
Non-current liabilities			
Lease liabilities	-	(0.5)	(0.5)
Total impact on liabilities		(0.7)	
Impact on retained earnings		-	

The table below presents a reconciliation from operating lease commitments disclosed at 30 April 2019 to lease liabilities recognised at 1 May 2019.

	Group	Company
	£m	£m
Operating lease commitments disclosed under IAS 17 at 30 April 2019	**4.5**	**1.5**
Short-term and low value lease commitments straight-line expensed under IFRS 16	(0.1)	-
Effect of discounting	(0.3)	(0.1)
Service charges included in 30 April 2019 lease commitments	(1.8)	(0.5)
Lease liabilities recognised at 1 May 2019	**2.3**	**0.9**

Consolidated income statement Impact

The application of IFRS 16 resulted in a decrease in other operating expenses and an increase in depreciation and interest expense compared to IAS 17.

During the year, the Group impaired right-of-use assets relating to leases held in the US and Australia of £0.6m

During the year ended 30 April 2020, in relation to leases under IFRS 16 the Group recognised the following amounts in the consolidated income statement:

	Group £m	Company £m
Depreciation	**0.6**	**0.3**
Impairment of right-of-use assets	**0.6**	-
Interest expense	**0.1**	-
Short term and low value lease expense	**0.1**	-

Under IAS 17, the equivalent amounts would have been

	Group	**Company**
	£m	**£m**
Depreciation	-	-
Interest expense	-	-
Lease expense	0.9	0.3

Cash flow statement Impact
Cash flows related to repayment of interest are presented within operating cash flows. Cash flows related to repayment of lease liabilities are presented within financing cash flows.

Total cash outflows under leases were £1.0m.

Previously, all cash flows relating to the Group's lease portfolio were presented within operating cash flows.

Consolidated statement of financial position Impact
The table below presents a reconciliation of right-of-use assets from 1 May 2019 to 30 April 2020

GROUP	**Property**	**Other**	**Total**
	£m	£m	£m
Recognised on adoption of IFRS 16 on 1 May 2019	2.1	0.1	2.2
Additions	0.7	-	0.7
Lease modification	0.1	-	0.1
Depreciation	(0.6)	-	(0.6)
Impairment	(0.6)	-	(0.6)
FX on retranslation	-	-	-
30 April 2020	**1.7**	**0.1**	**1.8**

COMPANY	Property £m	Other £m	Total £m
Recognised on adoption of IFRS 16 on 1 May 2019	0.7	-	0.7
Additions	0.1	-	0.1
Lease modification	0.1	-	0.1
Depreciation	(0.3)	-	(0.3)
30 April 2020	**0.6**	**-**	**0.6**

The table below presents a reconciliation of lease liabilities from 1 May 2019 to 30 April 2020.

GROUP	Property £m	Other £m	Total £m
Recognised on adoption of IFRS 16 on 1 May 2019	2.2	0.1	2.3
Additions	0.7	-	0.7
Lease modification	-	-	-
Repayments of liabilities	(0.9)	-	(0.9)
FX on retranslation	-	-	-
30 April 2020	**2.0**	**0.1**	**2.1**

COMPANY	Property £m	Other £m	Total £m
Recognised on adoption of IFRS 16 on 1 May 2019	0.8	-	0.8
Additions	0.1	-	0.1
Lease modification	0.1	-	0.1
Repayments of liabilities	(0.2)	-	(0.2)
30 April 2020	**0.8**	**-**	**0.8**

2.5 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.

2.6 Exceptional items

Exceptional items (referred to last year as "non-recurring 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 judgmental and this judgment 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.

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.

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 are 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, ie in a scenario where either no development team costs are capitalised, or where they are capitalised in full, in a decrease of £3.6m or increase of £2.1m in administrative and establishment expenses in the current year.

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 balance recognised being £7.1m.

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 period end.

As at 30 April 2020, the directors have taken account of the impact of the COVID-19 crisis on the housing market in the UK in developing their view of the likely future service period. The directors assessed, as at 30 April, that in the UK, due to lockdown measures in place in March and April, the future service period in respect of instructions on hand at 30 April 2020 could reasonably be considered to be significantly longer than has historically been the case. While we are in the very early stages of seeing the impact of COVID-19, based on evidence to date, the directors have adopted an estimated service period which is approximately 35% longer than at prior year in calculating contract liabilities in respect of deferred income as at 30 April. An increase or decrease of 10% in the estimated service period would have resulted in an increase or decrease in deferred income of approximately £1.8m respectively.

Significant uncertainty at the reporting date, as to the timing and profile of recovery from lockdown measures and the wider 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 adopted a best estimate approach, taking into account available evidence. Should the UK housing market recover to pre-crisis levels subsequent to the reporting date, there would be a reasonable expectation that the service period would move closer to the historical norm for future reporting periods.

The terms of the UK's future trading relationship with the EU following Brexit remain uncertain and could have an effect on the UK property market. Due to the uncertainty of the extent and timing of any impact on the wider UK economy, it is impractical to determine any potential, consequential impact on the timing of revenue recognition in the UK business at the date of this report and no such estimate has been made.

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.

4. 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.

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 at a significance which warrants individual disclosure. We believe that adjusting for such exceptional items improves comparability period on period. See note 7 for further detail of amounts disclosed as exceptional in the year.

Reconciliation
Please see segmental reporting in note 6.

Adjusted operating costs

Definition
Adjusted operating costs are administrative and establishment 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 payments charges and exceptional costs from this measure is consistent with that set out above in the "Adjusted EBITDA" section.

Reconciliation

Continuing Group (2019 restated)	**2020 IFRS 16 basis** £m	**2020 IAS 17 basis** £m	**2019 IAS 17 basis** £m
Administrative expenses	**(45.5)**	**(45.5)**	(36.3)
Depreciation & amortisation	**6.1**	**5.5**	4.4
Share-based payment charge	**0.7**	**0.7**	2.7
Exceptional items	**1.6**	**1.6**	0.5
Adjusted operating costs	**(37.1)**	**(37.7)**	(28.7)

UK	**2020 IFRS 16 basis** £m	**2019 IAS 17 basis** £m	**2020 IAS 17 basis** £m
Administrative expenses	**(31.2)**	**(31.2)**	(24.8)
Depreciation & amortisation	**3.5**	**3.2**	2.3
Share-based payment (credit)/charge	**(0.1)**	**(0.1)**	2.1
Exceptional items	**1.6**	**1.6**	0.5
Adjusted operating costs	**(26.2)**	**(26.5)**	(19.9)

Adjusted operating profit/loss

Definition
Profit or loss from operating activities, adding back share- based payment charges, share of results of joint venture 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 payments charges from this measure is consistent with that set out above in the "Adjusted EBITDA" section.

Reconciliation
Please see segmental reporting in note 6.

5. Revenue

Revenue by contract type

	2020	2019
	£m	£m
Continuing operations		
Instructions	**65.6**	69.3
Conveyancing	**16.7**	17.9
Other (Lettings and Brokerage)	**28.8**	26.6
	111.1	113.8
Discontinued operations		
Instructions	**3.6**	14.1
Conveyancing	**1.8**	2.0
Other (Lettings and Brokerage)	**0.7**	6.6
Total revenue	**117.2**	136.5

6. Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale and letting of properties, however management report 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 falls under the four geographic locations: the UK, Canada, Australia and the US. During the year, no customer contributed 10% or more of the Group's revenues (2019: none).

On 7 May 2019, the Company announced that it was exiting the Australian market, and on 3 July 2019, the Company announced its withdrawal from the US market. In each case the business was put into an orderly rundown ahead of closure. The segmental analysis includes recharges between segments. Certain of these recharges are of costs which are not classified as discontinued. These are adjusted in the tables below. The operating losses of discontinued segments are reconciled to the net loss relating to discontinued activities within this note.

The following is an analysis of the Group's revenue and results by reporting segment:

Year ended 30 April 2020	**UK**	**Canada**	**Arising on consol.**	**Adjustment for recharges**	**Continuing operations**	**Aus.**	**US**	**Arising on consol.**	**Adj. for recharges**	**Discont. activities**	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	80.5	30.6	-	-	111.1	1.5	4.6	-	-	6.1	117.2
Cost of sales	(28.9)	(14.5)	-	-	(43.4)	(2.2)	(2.2)	-	-	(4.4)	(47.8)
Gross profit	51.6	16.1	-	-	67.7	(0.7)	2.4	-	-	1.7	69.4
Gross profit margin (%)	64.1%	52.5%	-	-	60.9%	(46.7%)	52.2%	-	-	27.9%	59.2%
Administrative expenses	(31.2)	(10.6)	(1.6)	(2.1)	(45.5)	(3.4)	(4.8)	-	2.1	(6.1)	(51.6)
Marketing expenses	(20.6)	(8.2)	-	-	(28.8)	(1.2)	(2.0)	-	-	(3.2)	(32.0)
Share of results of joint venture	-	-	(2.8)	-	(2.8)	-	-	-	-	-	(2.8)
Operating (loss)/profit	**(0.2)**	**(2.7)**	**(4.4)**	**(2.1)**	**(9.4)**	**(5.3)**	**(4.4)**	**-**	**2.1**	**(7.6)**	**(17.0)**

Reconciliation to adjusted EBITDA

Operating (loss)/profit	(0.2)	(2.7)	(4.4)	(2.1)	(9.4)	(5.3)	(4.4)	-	2.1	(7.6)	(17.0)
Depreciation & amortisation	3.5	1.0	1.6	-	6.1	0.5	0.3	-	-	0.8	6.9
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(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**	**(1.4)**	**-**	**(1.6)**	**1.8**	**(5.5)**	**(4.9)**	**-**	**1.6**	**(8.8)**	**(7.0)**

Reconciliation of administrative expenses to adjusted operating costs

Administrative expenses	(31.2)	(10.6)	(1.6)	(2.1)	(45.5)	(3.4)	(4.8)	-	2.1	(6.1)	(51.6)
Depreciation & amortisation	3.5	1.0	1.6	-	6.1	0.5	0.3	-	-	0.8	6.9
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(1.3)
Exceptional items	1.6	-	-	-	1.6	-	-	-	-	-	1.6
Adjusted operating costs	**(26.2)**	**(9.3)**	**-**	**(1.6)**	**(37.1)**	**(3.6)**	**(5.3)**	**-**	**1.6**	**(7.3)**	**(44.4)**

Reconciliation of operating loss)/profit to adjusted operating (loss)/profit

Operating (loss)/profit	(0.2)	(2.7)	(4.4)	(2.1)	(9.4)	(5.3)	(4.4)	-	2.1	(7.6)	(17.0)
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(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**	**(2.4)**	**(1.6)**	**(1.6)**	**(4.3)**	**(6.0)**	**(5.2)**	**-**	**1.6**	**(9.6)**	**(13.9)**

Year ended 30 April 2019

	UK	Canada	Arising on consolidation	Adjustment for recharges	Continuing operations	Australia	US	Adjustment for recharges	Discontinued activities	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	90.1	23.7	-	-	113.8	11.4	11.3	-	22.7	136.5
Cost of sales	(33.3)	(11.1)	-	-	(44.4)	(7.4)	(4.8)	-	(12.2)	(56.6)
Gross profit	56.8	12.6	-	-	69.4	4.0	6.5	-	10.5	79.9
Gross profit margin (%)	63.0%	53.2%	-	-	61.0%	35.1%	57.5%	-	46.3%	58.5%
Administrative expenses	(24.8)	(8.4)	(1.0)	(2.1)	(36.3)	(10.7)	(16.1)	2.1	(24.7)	(61.0)
Marketing expenses	(26.7)	(7.4)	-	-	(34.1)	(12.1)	(24.5)	-	(36.6)	(70.7)
Share of results of joint venture	-	-	(0.5)	-	(0.5)	-	-	-	-	(0.5)
Operating profit/(loss)	**5.3**	**(3.2)**	**(1.5)**	**(2.1)**	**(1.5)**	**(18.8)**	**(34.1)**	**2.1**	**(50.8)**	**(52.3)**

Reconciliation to adjusted EBITDA

Operating profit/(loss)	5.3	(3.2)	(1.5)	(2.1)	(1.5)	(18.8)	(34.1)	2.1	(50.8)	(52.3)
Depreciation & amortisation	2.3	0.8	1.3	-	4.4	-	-	-	-	4.4
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Share of results of joint venture	-	-	0.5	-	0.5	-	-	-	-	0.5

Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjustment to present adjusted EBITDA as if IFRS 16 had been applied in the year										
Adjusted EBITDA	**10.2**	**(2.0)**	**0.3**	**(1.9)**	**6.6**	**(17.9)**	**(33.2)**	**1.9**	**(49.2)**	**(42.6)**

Reconciliation of administrative expenses to adjusted operating costs

Administrative expenses	(24.8)	(8.4)	(1.0)	(2.1)	(36.3)	(10.7)	(16.1)	2.1	(24.7)	(61.0)
Depreciation & amortisation	2.3	0.8	1.3	-	4.4	-	-	-	-	4.4
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjusted operating costs	**(19.9)**	**(7.2)**	**0.3**	**(1.9)**	**(28.7)**	**(9.8)**	**(15.2)**	**1.9**	**(23.1)**	**(51.8)**

Reconciliation of operating profit / (loss) to adjusted operating profit / (loss)

Operating profit / (loss)	5.3	(3.2)	(1.5)	(2.1)	(1.5)	(18.8)	(34.1)	2.1	(50.8)	(52.3)
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Share of results of joint venture	-	-	0.5	-	0.5	-	-	-	-	0.5
Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjusted operating profit / (loss)	**7.9**	**(2.8)**	**(1.0)**	**(1.9)**	**2.2**	**(17.9)**	**(33.2)**	**1.9**	**(49.2)**	**(47.0)**

	2020 £m	**2019** £m
Non-current assets		
UK	69.0	77.2
Canada	5.7	4.5
Continuing operations	**74.7**	**81.7**
Australia	-	0.1
US	-	0.2
Discontinued activities	-	0.3
Consolidation adjustments	(11.0)	(20.8)
Total	**63.7**	**61.2**

	2020 £m	**2019** £m
Total assets		
UK	113.6	228.9
Canada	13.0	9.9
Continuing operations	**126.6**	**238.8**
Australia	-	5.0
US	-	4.6
Discontinued activities	-	9.6
Consolidation adjustments	(11.0)	(95.8)
Total	**115.6**	**152.6**

	2020 £m	2019 £m
Total liabilities		
UK	22.0	28.1
Canada	13.1	7.2
Continuing operations	**35.1**	**35.3**
Australia	-	32.6
US	-	49.0
Discontinued activities	-	81.6
Consolidation adjustments	(1.6)	(68.0)
Total	**33.5**	**48.9**

The Australia and US operations represent in their entirety the segments as disclosed above. The operating losses of discontinued segments are reconciled to the net loss relating to discontinued activities as follows:

	2020 £m	**2019 £m**
Operating loss relating to discontinued segments	(7.6)	(50.8)
Net finance expense relating to discontinued segments	(0.1)	(0.3)
Tax charge relating to discontinued segments	-	(0.2)
Loss from discontinued operations	**(7.7)**	**(51.3)**

Cashflows relating to discontinued operations were as follows:

	2020 £m	2019 £m
Operating cash inflow / (outflow) before changes in working capital		
Continuing operations	(2.5)	8.8
Discontinued operations	(10.4)	(56.2)
	(12.9)	**(47.4)**
Changes in working capital, interest and taxation paid		
Continuing operations	(10.9)	9.9
Discontinued operations	(13.1)	(59.0)
Net cash outflow from operating activities	**(24.0)**	**(49.1)**
Investing activities		
Continuing operations	(7.1)	(42.0)
Discontinued operations	-	(0.2)
	(7.1)	**(42.2)**
Financing activities		
Continuing operations	(0.7)	1.0
Discontinued operations	-	-
	(0.7)	**1.0**

7. Exceptional items

	2020	**2019**
	£m	£m
Exceptional items	1.6	0.5

Exceptional items comprise:

i. Costs of a fundamental restructuring of the customer service and sales functions of the UK business, primarily reflecting changes to the network of independent LPEs as described in the business model, of £1.2m
ii. Costs of supporting the network of independent LPEs in response to the COVID-19 crisis of £0.4m

These items have been identified as exceptional because they are (i) the first instance of such costs being incurred in the group's history and (ii) they are not expected to recur regularly or cyclically.

Support to the LPE network during the Covid-19 crisis has continued into FY21.

Further costs in relation to restructuring other operational aspects of the UK business are expected continued in FY21, as part of the same overarching, one-off restructuring programme. The Board expects the aggregate costs of each of these items to be material across the two years.

The aggregate amounts accrued but not yet paid in respect of exceptional charges total £0.5m. All amounts are expected to be paid in cash within 12 months. All amounts disclosed as exceptional are deductible to tax.

All exceptional items are presented within administration expenses in the consolidated income statement.

8. Earnings per share

	Basic and diluted	
	2020	2019
Total including discontinued operations		
Loss £m	(19.2)	(54.9)
Weighted average number of shares ('000)	306,389	303,090
Basic loss per share (£)	(0.06)	(0.18)
Potentially dilutive shares unissued at year end ('000)	9,738	21,827
Total potentially dilutive shares at reporting date ('000)	316,127	324,917
Loss per share (£) - diluted	(0.06)	(0.18)

Diluted loss per share is equal to the basic loss per share as a result of the Group recording a loss for the year, which cannot be diluted.

	Basic and diluted	
	2020	2019
Continuing operations		
Loss £m	(11.5)	(3.6)
Weighted average number of shares ('000)	306,389	303,090
Basic loss per share (£)	(0.04)	(0.01)
Potentially dilutive shares unissued at year end ('000)	9,738	21,827
Total potentially dilutive shares at reporting date ('000)	316,127	324,917
Loss per share (£) - diluted	(0.04)	(0.01)

Diluted loss per share from continuing operations is equal to the basic loss per share as a loss cannot be diluted.

The table below reconciles the weighted average number of shares ('000):

Weighted average number of shares 2019	303,090
Weighted average issue of new shares under share option schemes	3,299
Weighted average number of shares 2020	**306,389**

9. Investment in jointly controlled entity

	Group	Company
	£m	£m
At 1 May 2019	**10.7**	**11.2**
Equity investments in the year	4.6	4.6
Share of result for the year (see below)	(2.8)	-
At 30 April 2020	**12.5**	**15.8**

In December 2018 Purplebricks Group plc purchased 50% of the ordinary share capital of Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft bmH ("JV HoldCo"), a company incorporated in Germany which held a 26% investment in Homeday GbmH ("Homeday"), another company incorporated in Germany, from AVIV Group GmbH (then called Funfundachtzigste "Media" Vermoegensverwaltungsgesellschaft mbH), a wholly owned subsidiary of Axel Springer SE, a related party of the Company. The other 50% shareholding in JV HoldCo continues to be held by the Axel Springer group.

Purplebricks and the Axel Springer group operate JV HoldCo as a joint venture under a Joint Venture Agreement. 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 GmbH or a return on investment for Purplebricks.

JV HoldCo and the other shareholders of Homeday entered into an Investment Agreement and a Shareholders' Agreement. These agreements set out put and call options under which the remaining shares of Homeday can be acquired in the future by JV HoldCo. These agreements included a milestone target set during 2018 which was achieved in December 2019 and which has led to the acquisition of Homeday by JV HoldCo during the year (see below).

Current year developments

In August 2019, the Joint Venture Agreement, the Investment Agreement and the Shareholders' Agreement were amended and restated in to reflect the progress made by Homeday. Under the amended Investment Agreement, in September 2019, JV HoldCo provided a convertible loan to Homeday of €10m, funded equally by Purplebricks and Axel Springer via an equity investment into JV HoldCo. The €5m provided by Purplebricks to JV HoldCo has led to the increase in investment in the year reflected in the table above.

In November 2019, Axel Springer invested EUR 10m into JV HoldCo in the form of a convertible loan. JV HoldCo then invested the same amount into Homeday in the form of a convertible loan.

Following the achievement of the "AS Capital Increase" "Milestone" target set during 2018 in December 2019, in March 2020 Axel Springer invested a further EUR 20m into JV HoldCo in the form of a convertible loan. Purplebricks did not participate in this round of funding to JV HoldCo. Of this EUR 20m, EUR 5m was invested into Homeday, along with the conversion of existing convertible loans with a principal value of EUR 20m held by JV HoldCo, in exchange for 49,063 newly issued shares of EUR 1 each in Homeday. The other EUR 15m was lent to Homeday in the form of a loan. These transactions took the shareholding of JV HoldCo in Homeday to 54.39% and therefore following these transactions JV HoldCo controls Homeday. JV HoldCo therefore consolidated 100% of the results of Homeday from 1 January 2020, with Purplebricks accounting for a 50% share of those results.

Under the amended 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. The potential liabilities of JV HoldCo under these put and call options has been included in the total consideration calculated at the point of acquisition of Homeday by JV HoldCo.

Accounting approach
Following the achievement of the AS Capital Increase Milestone and the additional investment described above, the JV partners assessed as of the end of December 2019 that the put and call options that exist between JV HoldCo and the minority shareholders of Homeday were virtually certain to be exercised on one side or the other. Therefore JV HoldCo has from 1 January 2020 (the month following the achievement of the Milestone) applied the anticipated acquisition method, on the basis that the minority shareholders will be bought out in the future before access to any dividend stream or other return and therefore do not have present access to the economic returns of Homeday, and has fully consolidated the results of Homeday without any minority interest, but with a liability to the other shareholders representing the estimated future amounts payable to them at their eventual exit.

As part of the acquisition accounting process, in accordance with IFRS3 and IFRS 10, JV HoldCo revalued both its existing 26% shareholding in Homeday and the convertible loans existing as at the acquisition date. Based on the provisional fair value accounting exercise undertaken in the year, gains on these revaluations amounted to £5.2m, of which Purplebricks' share was £2.6m. These gains have been reflected in the income statement of JV HoldCo and in the share of result shown in the table above. The overall share of result is net of Purplebricks' share of Homeday's losses for the period, which amounted to £5.3m, and amortisation of intangible assets arising on acquisition of £0.1m. Therefore the share of net loss which has been accounted for in the year is £2.8m.

As the conversion of Axel Springer's loans to JV HoldCo into shares in JV HoldCo is not reasonably certain as at 30 April 2020, the Group's 50% holding in JV HoldCo continues to be accounted for as a joint venture, under the equity method.

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 AVIV to 107. Media. (in the limited time window (two weeks per year) in which this is possible).

Under the amended Joint Venture Agreement Purplebricks 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 107. Media to declare or pay cash dividends. However, future dividends would be dependent on the future trading and cash generating performance of Homeday.

10. Post balance sheet event

Sale of Canadian business
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 cooperative financial group. Headline consideration was $60.5m Canadian Dollars (£35m) adjusted for working capital and debt, to be verified in line with completion accounts in due course. Part of the proceeds were allocated to the repayment of intra-Group debt owed to Purplebricks Group plc.

The recovery of the non-current intercompany balance shortly post year end is a non-adjusting post balance sheet event.