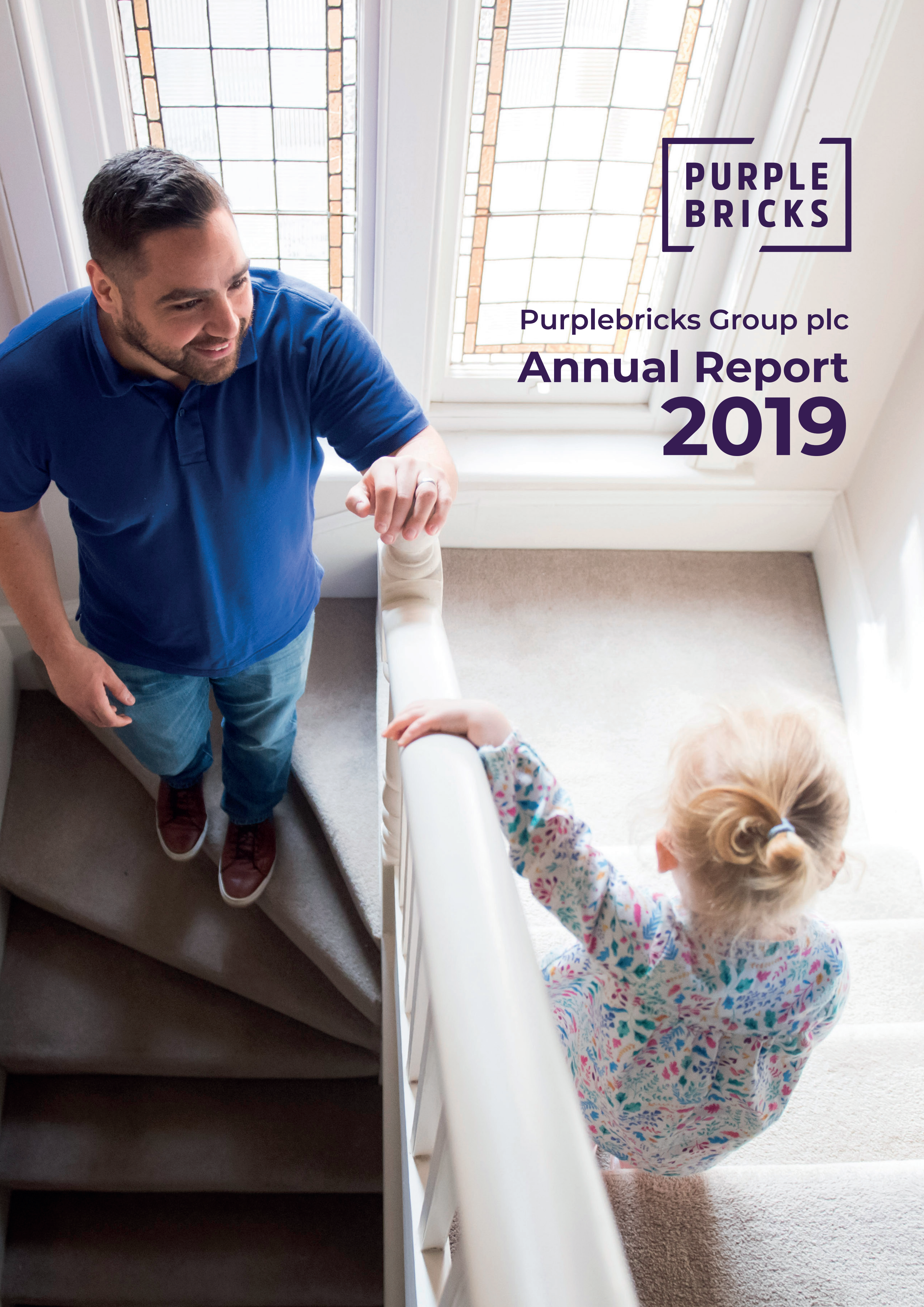
PURPLE BRICKS

Purplebricks Group plc
Annual Report 2019



A leading hybrid real estate agent focused on becoming the only place customers go to buy, sell and let their homes.

Based in the UK, we also operate in Canada and are invested in homeday.de in Germany.

INDEX

FINANCIAL

Revenue
£136.5 million
(FY 2018: £87.8 million[1])

Revenue growth
55%
(FY 2018: 101%[1])

Gross margin up by
200 bps to
58.5%
(FY 2018: 56.5%[1])

Operating loss of
£(52.3) million
(FY 2018: £(27.8) million[1])

Adjusted EBITDA[2]
£(43.1) million
(FY 2018: (£22.6)million[1])

Cash at end of year
£62.8 million
(FY 2018: £152.8m)

OPERATIONAL

UK hybrid market share[3] of
76%
(April 2018: 73%)

3.5x more sales than the number two UK estate agent[4]
(FY 2018: 3.1x)

UK average revenue per instruction[6] up
6%

Completed
£10.4 billion
of UK property,
(FY 2018: £9.7 billion)

Saving customers
£77 million[5]
in commission

Canadian business acquired in July 2018, contributed revenue of
£23.7 million

STRATEGIC

In May 2019, the Company announced the closure of its Australian business and in July 2019 the withdrawal from the US following a strategic review.

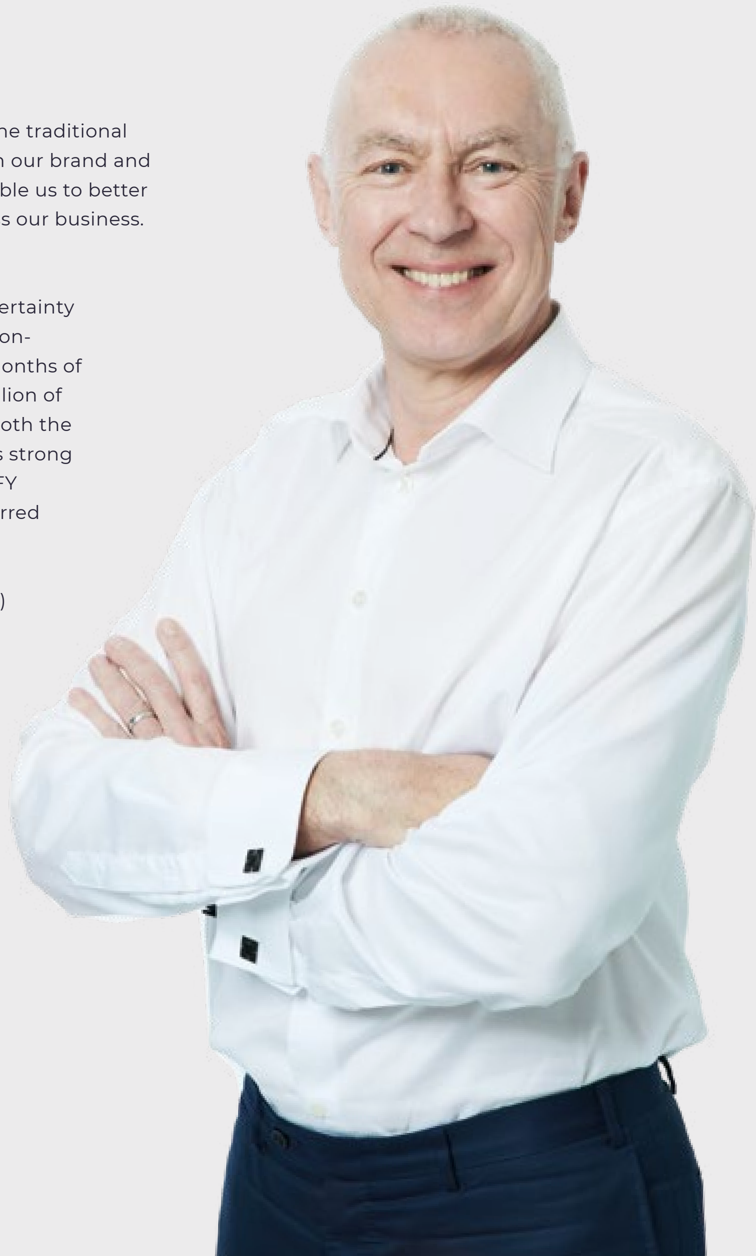
On 7 May 2019, Michael Bruce stepped down, and Vic Darvey was appointed CEO.

1 FY 2018 numbers have been restated under IFRS 15 throughout.
2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements.
3 Source: Rightmove
4 Source: TwentyCi data
5 Fees paid to Purplebricks vs typical commission of 1.3% plus VAT
6 Average revenue per instruction equates to total sales revenue divided by the number of published instructions

CHAIRMAN'S STATEMENT

A year of strong revenue growth despite operational challenges.

Having recently celebrated our fifth anniversary since launching in the UK, there are many things as true today as they were then – that the provision of good customer service, greater transparency, better technology and a low, fair, fixed fee underpinned by operational efficiency will enable us to build a sustainable, profitable business.



Going forward, there is considerable headroom to further disrupt the traditional real estate agency markets in both the UK and Canada. Building on our brand and operational strengths, we will make targeted investments that enable us to better exceed the needs and demands of sellers, buyers and renters across our business.

In FY 2019, Group revenue was up by 55% to £136.5 million (FY 2018: £87.8 million). Despite the soft property market and consumer uncertainty caused by Brexit, the UK performed well with revenue up 21% year-on-year. Canada contributed £23.7 million of revenue in its first nine months of ownership. Our Australian and US businesses contributed £22.7 million of revenue in aggregate (FY 2018: £13.4 million). As discussed below, both the Australian and US businesses will be closed in FY 2020. Despite this strong revenue performance, operating losses increased to £52.3 million (FY 2028: £27.8 million), driven by £52.9 million of operating losses incurred in Australia and the US.

Cash at the year-end was £62.8 million (30 April 2018: £152.8 million) giving significant firepower to execute our strategy and improve our customer offering over the medium term. Our decision to exit the Australian and US markets is expected to significantly reduce cash burn going forward.

For further discussion of financial performance and the position of the Group, please refer to the Chief Financial Officer's report.

Board

The Board is focused on driving the Group's mission to deliver an excellent customer experience through world-class technology and service. Our focus going forward is to ensure that the Group's ambitions are managed against risks, with sustainable growth at the heart of our business.

In May 2019, Michael Bruce announced he was stepping down as Chief Executive Officer and as a Director. As well as being a co-founder of the business, Michael's vision, passion and energy were the driving forces behind our success and the Company becoming the UK's leading hybrid estate agent. Michael leaves with our thanks and best wishes for the future. Subsequent to Michael stepping down, the Bruce family disposed of its remaining 14% stake in the Company to Axel Springer, giving that business a 26.6% holding in Purplebricks.

The Board appointed Vic Darvey as Chief Executive Officer in May 2019 to lead the business for the next phase of development. Vic had joined the business in January 2019 as Chief Operating Officer and brings more than 20 years' experience of leading successful high growth, customer-focused disruptive technology and data driven businesses. Vic has a clear vision of the priorities we need to address to take the Company forward, and this is laid out in his statement below.

Strategy

After the end of the financial year, the Board made the difficult but important decisions to close the Group's operations in Australia and to withdraw from the US. The rationale for these decisions is discussed in the Chief Executive's statement, with an estimate of closing costs included in the Chief Financial Officer's review. Our focus going forward is on our profitable UK business and well-established Canadian operations to drive their full potential.

Governance overview

The Company has been through a number of significant strategic and management changes during the last financial year and progress on the Corporate Governance agenda has therefore been slower than hoped, but the Board remains committed to achieving high standards in this area, and expects that the current simplification of the Group will help to focus efforts. As a fast-growing and relatively young business, we are aware that as we grow we need to maintain a governance infrastructure that is appropriate for our increasing size and profile. The Company has adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") and is accordingly committed to complying with the QCA Code or providing a clear explanation of any areas in which the Company's governance structures and practices differ from the expectations set by the QCA Code.

Distribution policy

Due to the evolution of our business, the Board has concluded that it would be premature to consider returning capital to investors at this time as we continue to focus our financial resources on exploiting the many opportunities we see to realise our potential. As our strategy and financial performance develop, we will look to move to a progressive dividend policy in future years. The Company has retained losses of £85.7m within its reserves, and in order to make a distribution it may be possible in future to make an application to convert non-distributable reserves to distributable reserves.

Paul Pindar Chairman
29 August 2019

BUSINESS MODEL

A hybrid estate agent, such as Purplebricks, has a differentiated, technology-led proposition supported by a team of highly-skilled and knowledgeable home-based Local Property Experts.

This allows us to deliver an exceptionally personalised experience to customers looking to buy, sell or let a property, while also offering pricing transparency and low, fixed fees.

We are the most positively reviewed estate agent in the UK with nearly 67,000 independent reviews on Trustpilot and have also recently been awarded the Gold Service Standard Award by Feefo.

We offer our customers an unrivalled service experience in both the UK and Canada by:

- building on our market-leading technology that enables Local Property Experts to be more productive and deliver a more convenient, transparent and cost-effective service for our customers;
- selecting and training LPEs who embrace our culture and core values and who have the desire and motivation to build their own business alongside ours;
- creating marketing and advertising that engages and drives consumers to want to book a free valuation from Purplebricks and ensures that our messaging is clear, transparent and consistent;
- building on our customer service and product offering by introducing new features, products and services that are relevant to our customers' needs throughout their journey;
- focusing on attracting and retaining the best talent in the industry to provide a great customer experience; and
- building a strong and sustainable business, which is respected by all stakeholders for its professional conduct and delivering on its commitments to customers.

Local Property Experts ("LPEs")

Our business model offers LPEs, who are typically experienced real estate agents, the opportunity of operating and growing their own independent business under the Purplebricks brand. In the UK, the most experienced LPEs are designated as Territory Owners ("TOs"), who have a direct contractual relationship with Purplebricks and are licensed to use Purplebricks' intellectual property and are responsible for the activity of a number of LPEs in their territory.

LPEs play a key role in the Purplebricks model as they are responsible for providing services to customers on behalf of the Group, including valuing the property, preparing an online advertisement including photographs of the property, and attending viewings if required by the customer. Our LPEs aren't based in branches which means they can be on hand 7 days a week, outside of the 9 to 5, to help at every step of the process from the initial valuation of the property all the way through to completion.

One of the key factors in delivering our business model is getting the footprint of LPEs right in each of our markets, so that they and the Purplebricks business as a whole can maximise productivity. We continue to tier our LPEs in the UK which has enabled us to better identify training needs and where necessary make changes to the balance of LPEs.

We are proud to have secured some of the best people in our industry who are entrepreneurial and ambitious to grow their local market and to be part of a business that is changing the way people think about real estate agents and estate agency. They are passionate about providing great customer experiences, selling their homes and saving them money.

In Canada, Representatives in Quebec (where we operate a for-sale-by-owner model providing home owners with the best visibility and support to sell their home) and Local Realtors in Alberta, Manitoba and Ontario are equally as dedicated to supporting our customers through their property transaction and gaining successful customer outcomes.

Build on our market leading technology

Our technology enables us to convert consumer interest generated by our marketing-driven brand awareness into valuations and a decision to instruct.

Bringing together talented LPEs and industry-leading technology is the foundation on which the Purplebricks business was created. We are proud of our technology and the work we are doing to introduce new and innovative features that set us apart from the industry. We strive to make our processes more integrated, convenient, effective and transparent. We have already revolutionised the way sellers and buyers communicate throughout the sales process and are building on developing real time solutions that bring more information to customers and ever more transparency to the home buying process.

We also look to drive LPE productivity. Technology developments also enable us to integrate with carefully selected partners so that we can provide our customers with products relevant to them at the right time in their sales journey and at the same time drive additional revenue streams through cross-sell opportunities.

Create engaging marketing and advertising

Marketing has always been a central element of the Purplebricks strategy. We are committed to creating marketing programmes that engage with consumers to want to book a free valuation from Purplebricks and ensure that our messaging is clear and transparent. We work hard to develop and grow our brand and have made good progress, with our UK prompted brand awareness at 96% and 24% where we operate outside of Quebec in only seven months since introducing the Purplebricks brand into Canada.

In FY 2019, we continued to evolve our "Commisery" campaign focussing on the misery a person feels when they have paid significant commission and have got nothing more for it, taking the message further across more channels. Going forward, we will focus more on customer service outcomes to demonstrate greater social proof of our offering.

Our above the line marketing is complemented by brand and generic pay-per-click activity which is predominantly provided by Google and Bing. We use social media in a targeted way to drive more activity amongst sellers and to test and refine marketing campaigns with digital platforms such as Rightmove in the UK and YouTube, which is expected to drive further brand consideration.

In addition to paid marketing activities, we focus on efficiencies in our valuation conversion funnel and we adapt to ensure that our key messages are resonating with consumers. Our User Experience ('UX') specialists have proved invaluable at helping us achieve greater conversions across our website and through the "book a valuation" funnel.

Central Property Teams

Our Central Property Teams are based in each of our markets and play an important part in generating sales opportunities, providing post-instruction support and ensuring great customer outcomes at every opportunity.

Ancillary services

During our interactions we are able to offer customers relevant additional products and services that complement their journey of selling, buying or letting. We develop and test new and smarter ways of supporting our customers with much more convenient, easy, accessible, stress free and cost-effective products and services.

People and culture

We continue to build an industry-leading culture at Purplebricks and focus on attracting and retaining the best talent in the market. Moving forward, we need to make sure that we have the right mix of capabilities in the business with an appropriate balance of real estate and digital talent.

We have created a strong brand advocacy within our growing business and amongst our customers. Despite a strong desire to grow their business, our people have a tremendous degree of camaraderie, togetherness and a collective brand advocacy that is extremely hard to replicate. The foundations begin for everyone with the recruitment programme and training methodology and continue through the heart of the business.

CHIEF EXECUTIVE'S STATEMENT

We have a strong and differentiated business model, clear brand leadership, and have set out a clear path to becoming the only place customers go to buy, sell and let their homes - unlocking further profitable market share.

Purplebricks has grown rapidly over the last five years to become the largest UK estate agent, with clear brand leadership, an innovative business model and disruptive economics. Whilst the last 12 months have seen challenging trading conditions what's become really clear is that we have a strong and differentiated business model that is hard to replicate.

Brand leadership

We have clear brand leadership in the UK, with awareness currently at 96%[7] and a brand that is more familiar to UK consumers than any other estate agent brand. Our brand strength has been further validated this year with Purplebricks being named the 13th most relevant brand in the UK in the annual Superbrands® insight survey. This is an incredible achievement for such a nascent brand, being considered alongside other leading consumer brands including Google, Amazon, Netflix and PayPal.

Customer value proposition

Purplebricks has an effective model which is a clear "category killer" and we remain hugely focused on becoming "the only place customers go to buy, sell and let their homes". We have an unrivalled value proposition in the marketplace that offers consumers the opportunity to sell their homes for a fair, fixed fee. We are always available, when most high street agents still stick to office hours. Our technology provides complete transparency to the entire buying and selling experience enabling viewings to be booked instantly online and offers to be made and accepted from the palm of your hand around the clock.

Purplebricks' revolutionary process of buying and selling has enabled a market-leading position in the UK in terms of the total properties we represent on the market and the speed at which we sell them. We also enjoy significant market share in Quebec.

Moving forward, we are fully focused on creating a more dynamic customer experience based on real-time analytics, artificial intelligence and Smart CRM delivering a best-in-class experience. This will enable end-to-end service excellence for customers and greater automation and efficiency for our Local Property Experts ("LPEs").

People and culture

We have a stand-out culture at Purplebricks and, as we have grown, we have distilled the best elements of our customer service ethos into our Purple Promises:

- We focus on people, not just property;
- We go the extra mile for every customer, every time;
- We treat everybody fairly and with respect; and
- If we say we will do something, we do it.

We continue to focus on attracting and retaining the best talent in the category and moving forward, we need to make sure that we have the right mix of capabilities in the business with an appropriate balance of real estate and digital talent.

Our sharp focus on talent is reflected in the feedback we receive from customers, and we are proud that we remain the most positively reviewed estate agent in the UK with nearly 67,000 independent reviews on Trustpilot with an excellent or great rating of 9.5 out of 10. To further reinforce our feedback capabilities, we have also launched a second review service with Feefo and I am pleased to say that we have achieved a consistently high score of 4.7/5 and also winning their coveted 'Gold Trusted Service' award in 2019 for maintaining a score of more than 4.5/5 over the previous 12 months.

Technology

We have a differentiated, technology-led proposition driving clear business model advantages and we believe there are significant opportunities for us to scale. As consumer expectations continue to evolve, fuelled by the adoption of 5G, we anticipate that the hybrid model will continue to displace traditional agents. Our aim being to drive higher attachment rates of products in basket, higher engagement through the My Purplebricks app and opportunities to create longer lifetime value through Purplebricks Plus.

As we unlock the next wave of growth, we will be focusing on three areas of product development that will continue to extend our market leadership while using data and technology to reset the service standards of the industry:

- Re-accelerate core growth by delivering rapid innovation of the customer journey;
- Increase LPE productivity by delivering greater automation and efficiency; and
- Start building the foundations of a real-time, mobile-enabled estate agent of the future.

Rapid expansion into international markets over the last few years has been distracting and the product and technology teams have been stretched to the limit. However, recent decisions to exit both the Australian and US markets have given us the opportunity to refocus on our flagship markets of the UK and Canada. There is a huge focus on continuing to take share from incumbent traditional operators and extend our market leadership. However, there is also a recognition that we need to do things differently, none more so than in product and technology.

We will be moving to more agile ways of working, instilling strong product principles and an enduring product vision that lays strong foundations for a data-enabled and digitally-enhanced estate agent of the future.

Strength of balance sheet

Following our fifth anniversary since launch in April 2019, we are now beginning our second phase of growth, and it will be characterised by a more optimal allocation of capital and a laser focus on operational excellence. Withdrawing from the Australian and US markets will significantly reduce operational losses and we expect to remain in a position of positive cash generation across the UK and Canada combined this year. This will be supported by clear, consistent, operational metrics.

7 Source: The Nursery, March 2019

UK

In the UK, we grew the number of instructions and revenue generated despite the market slowing and a number of traditional estate agents reporting a reduction in activity and a decrease in their revenues.

We were delighted that once again independent analysis from the leading, whole of market, industry data specialists TwentyCi resulted in a number of positive conclusions about our key customer performance metrics for the year ending April 2019:

- We sold more homes: Purplebricks sold Subject to Contract ("SSTC") 3.5x more properties than the next largest UK estate agent (FY 2018: 3.1 times)
- Highest conversion: Purplebricks had the highest level of conversion to SSTC and the lowest withdrawn level of the top 20 estate agency brands in the UK
- Sold faster: Purplebricks sold (SSTC) properties faster than the top 10 largest estate agency brands in the UK – at an average of 52 days
- Secure best price: compared to the top 50 largest traditional estate agency brands whose average instruction price is between £250,000-£300,000, Purplebricks achieved sales that are £9,000 higher on average
- Number one at selling houses: 77% of listings sold (completed, exchanged or SSTC) within 12 months to April 2019; 56% of listings are sold within two months
- Largest market share: Purplebricks lists more properties than any other agent brand on homes up to £1 million, which represents 96.5% of the entire market

In FY 2019, our average revenue per instruction increased to £1,243 (FY 2018: £1,168), and we expect that to be higher in the next financial year as we continue to look at optimising attachment rates for ancillary products and other adjacency opportunities.

We remain optimistic about the potential of our UK business and we believe that there are significant opportunities to extend our market leadership.

Canada

On 6 July 2018, we completed the acquisition of DuProprio, a leading hybrid real estate business in Canada with a significant market share in Quebec and impressive revenue growth in the other provinces in which it operates. The acquisition by Purplebricks is expected to accelerate these opportunities by enhancing the customer experience through its market-leading model and technology, capitalising on an extensive buy-side revenue opportunity and introducing aspects of the Purplebricks business model to operate alongside the highly successful digital service offered by DuProprio.

We will be disciplined in building on the momentum of this established business with three initial areas of focus:

- Continue to automate the experience through technology and process improvements;
- Maintain 20% market share in Quebec; and
- Increase brand awareness and market penetration in the remainder of Canada having rebranded to Purplebricks from ComFree in early 2019.

The business continues to be led by the existing, highly experienced, management team in place at the time of the acquisition.

Australia

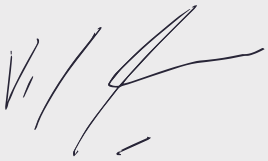
During the two and a half years that Purplebricks operated in Australia, market conditions became increasingly challenging. Despite changes to the business model and the continued hard work and dedication of the team there, we failed to gain the scale needed to succeed. Given the market outlook, and size of the ultimate opportunity, the Board took the decision in May 2019 to run down and close the business, which will be completed by 31 December 2019. A reduced team is in place to ensure a professional wind down of the business and to ensure we continue to deliver great outcomes for our remaining customers.

US

Having launched in the US in September 2017, we expanded rapidly into a total of seven states within a year. Each state required a significant investment in marketing to underpin the brand. Having not seen the revenue growth we had expected, in early May 2019 we put the US business under strategic review, to examine the feasibility of delivering growth in a more effective and cost-efficient manner. Having reviewed a number of alternative business models, the outcome of the strategic review was that while there remains a significant opportunity to disrupt the US market, it would take substantially more management time and resources than the Company is able to commit at this time. Therefore, a decision was taken to withdraw from the US and either sell or close the business.

Most importantly, our people

I would like to take this opportunity to thank all of our incredibly talented people across all our markets in what has been a challenging year – from the external macro environment to a number of significant internal changes. My thanks in particular to our colleagues in Australia and the US, who have remained highly professional and, without exception, always focused on delivering great outcomes for our customers throughout a very difficult period for the business.



Vic Darvey Chief Executive Officer
29 August 2019

GENDER BREAKDOWN OF OUR BOARD, SENIOR MANAGEMENT AND ALL EMPLOYEES AT 30 APRIL 2019

Board membership

0% female

FY 2019: **0** | **7**

Senior management

22% female

FY 2019: **2** | **7**

All employees

46% female

FY 2019: **198** | **233**

Female Male

FINANCIAL REVIEW

Despite market headwinds, our teams have driven increasingly profitable growth in the UK market. Year-end cash of £62.8m provides flexibility and strength to generate significant shareholder value going forward.

The 2019 financial year provided further confirmation of the strength of the increasingly profitable UK business, where revenue increased by 21% to £90.1 million and adjusted EBITDA by 65% to £10.2 million. This is against a backdrop of declining new listings coming to market and a competitive landscape where key traditional players are experiencing a notable shrinkage in their sales businesses. Group operating losses increased from £27.8m to £52.3m, arising entirely from non-UK operations.

Last year was a year of contrasting halves from an international perspective. The year started with significant investment across our international markets to drive awareness and consideration in what were challenging market conditions in both Australia and the US. The effectiveness and returns obtained from this marketing spend was challenged as the second half progressed and led to decisions taken post year-end to close our Australian business and more recently our US operations following an in-depth strategic review. In total, our operating losses in those markets were £52.9 million. In contrast, Canada, acquired in July 2018, progressed in line with management expectations including the launch in January 2019 of an enhanced marketing programme, along with a rebranding to Purplebricks outside of Quebec.

The Group adopted IFRS 15 Revenue from Contracts with Customers in the current year, and has applied the fully retrospective approach permissible under the accounting standard, which required us to restate comparatives as though IFRS 15 had been applied at the time. A reconciliation between IFRS 15 and IAS 18 is given in note 31 to the financial statements.

During the year, revenue for the Group increased by 55% to £136.5 million (FY 2018: £87.8 million). Stripping out revenue from the Canadian acquisition would have resulted in growth of 29%. Gross profit increased by 61% to £79.9 million (FY 2018: £49.6 million), giving a gross profit margin of 58.5%, an improvement of 200bps. Investment in building our brand in the US and establishing the Australian business led to a Group operating loss of £52.3 million (FY 2018 loss: £27.8 million).

The business is supported by a robust balance sheet with a strong cash position. As funding has been raised from shareholders, to date the Group has financed its expansion without taking on debt. The Group had a cash balance at 30 April 2019 of £62.8 million (30 April 2018: £152.8 million).

GROUP

Extract of Consolidated statement of Comprehensive Income

	FY 2019 £m	Restated[1] **FY 2018** £m
Revenue	136.5	87.8
Cost of sales	(56.6)	(38.2)
Gross profit	79.9	49.6
Gross profit margin (%)	58.5%	56.5%
Administrative expenses	(61.0)	(35.3)
Marketing costs	(70.7)	(42.1)
Share of results of Joint Venture	(0.5)	-
Operating loss	**(52.3)**	**(27.8)**

Group Alternative Performance Measures[2]

	FY 2019 £m	Restated[1] **FY 2018** £m
Adjusted EBITDA	(43.1)	(22.6)
Adjusted operating loss	(48.0)	(24.3)
Adjusted operating costs	(51.7)	(30.0)

UK

Extract of consolidated statement of comprehensive income

	FY 2019 £m	Restated[1] **FY 2018** £m
Revenue	90.1	74.4
Cost of sales	(33.3)	(31.3)
Gross profit	56.8	43.1
Gross profit margin (%)	63.0%	57.9%
Administrative expenses	(24.8)	(19.5)
Marketing costs	(26.7)	(21.4)
Operating loss	**5.3**	**2.2**

1 See note 31

2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements.

KPIs

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 new unique visitors to the website in the year.

AVERAGE REVENUE PER INSTRUCTION

equates to total sales revenue 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 SALES

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

UK alternative performance measures[2]	FY 2019 £m	Restated[1] FY 2018 £m
Adjusted EBITDA	10.2	6.2
Adjusted operating profit	7.4	4.6
Adjusted operating costs	**(19.8)**	**(15.5)**

UK KPIs	FY 2019	FY 2018	Change (%)
New users	13,488,000	13,820,000	(2.4)%
Instructions	69,892	64,376	8.6%
Average revenue per instruction	£1,243	£1,168	6.4%
Cost per instruction	£382	£332	15.1%
Marketing as a % sales	29.6%	28.8%	80bps

UK revenue increased by 21% during the year, driven by a 9% increase in the number of instructions and a 6% increase in average revenue per instruction to £1,243 (FY 2018: £1,168).

Revenue was split 56:44 between instruction and ancillary revenue respectively (FY 2018: 57:43). We have seen a further shift towards a greater proportion of ancillary revenue as we successfully sell more products to our customers.

The majority of cost of sales is represented by the earnings of self-employed LPEs. UK Gross profit margin for the year was 63.0% up 510bps from the prior year. 230bps of the increase can be attributable to a change in November 2017 of the UK deferred payment provider, resulting in costs of £1.7 million being recognised within finance costs, rather than within cost of sales as was previously the case. A further 210bps of the increase is attributable to £1.6 million of outsourced property management fees being recorded in cost of sales in FY 2018, whereas the work is now being undertaken in house so the cost is recorded in administrative expenses.

Adjusted operating costs (see definition above) were up 28% to £19.8 million (FY 2018: £15.5 million). At this time last year, we noted an increased level of infrastructure investment to meet the demands of a higher volume, regulatory changes and technology enhancements. The £4.3 million year-on-year increase being as a result of the full year costs of additional headcount added over the previous year across key value-driving areas of the business such as technology, marketing and customer service along with continued investment in those areas as well as in compliance functions.

Marketing costs were £26.7 million (FY 2018: £21.4 million), an increase of 24.8% over the prior year, reflecting continued investment in the UK brand and customer acquisition. Marketing cost per instruction ("CPI") was £382 up from £332, which reflected an unsustainable level of marketing spend from several online competitors along with substantial reductions in commission from traditional firms necessitating a higher than normal level of communication of our value proposition in a shrinking market. Overall marketing costs are expected to fall in FY 2020.

1 See note 31
2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements

Adjusted EBITDA for the year (see definition above) was up by 65% to £10.2 million (FY 2018: £6.2 million).

Depreciation and amortisation was £2.3 million up from £1.6 million, predominantly reflecting a function of the increase in capitalised development costs from prior years. Despite these cost increases, operating profit has improved strongly in the year.

Share-based payment charge was £2.1 million down £0.3 million on the prior year. Options have been granted historically to align the objectives of key employees with the performance of the Group.

Canada from 6 July 2018

Canada alternative performance measures[2]	FY 2019 £m
Adjusted EBITDA	(2.1)
Adjusted operating loss	(2.8)

Canada KPIs[8]	FY 2019 From 6.7.18	FY 2018 6.7.17 - 30.4.18	Change (%)
Instructions	29,112	31,020	(6.2)%
Average revenue per instruction	£776	£671	15.6%
Cost per instruction	£253	£132	91.7%
Marketing as a % sales	31.1%	18.5%	12.6ppt

For the period of ownership from 6 July 2018, our Canadian businesses performed in line with management expectations and generated revenue of £23.7 million and a gross profit of £12.6 million, giving a gross profit margin of 53.2%. Although the number of instructions won in the period of ownership were 6% down on the equivalent period in the prior year, average revenue per instruction was 16% higher. Cost per instruction increased from £132 to £253 as marketing spend was increased significantly, including to support a rebrand to Purplebricks outside of Quebec.

Marketing costs were £7.4 million as we increased the typical level of spend to support faster growth and the rebranding in January to Purplebricks outside of Quebec. While it is too early to conclude on the results and effectiveness of the exercise, early data points show an improving trajectory. Further detail will be provided when our first half results for FY 2020 are released. Overall marketing spend in FY 2019 increased from the prior year when the business was under previous ownership. Over the short to medium term, it is expected that marketing costs will moderate as a percentage of revenue as the new brand identity is established. The operating loss was £3.2 million.

Australia

Extract of consolidated statement of comprehensive income	FY 2019 £m	Restated[1] FY 2018 £m
Revenue	11.4	11.9
Cost of sales	(7.4)	(6.4)
Gross profit	4.0	5.5
Gross profit margin (%)	35.1%	46.2%
Administrative expenses	(10.7)	(7.3)
Marketing costs	(12.1)	(11.4)
Operating loss	(18.8)	(13.2)

Australia alternative performance measures[2]	FY 2019 £m	Restated[1] FY 2018 £m
Adjusted EBITDA	(17.9)	(12.5)
Adjusted operating loss	(17.9)	(12.6)

1 See note 31

2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements

8. The FY 2018 KPI information is for a period before the business was acquired by the Group, however has been included for comparability.

Australia KPIs	FY 2019	FY 2018	Change (%)
New users	831,000	851,000	(2.4)%
Instructions	3,648	4,544	(19.7)%
Average revenue per instruction	£3,026	£3,170	(4.5)%
Cost per instruction	£3,309	£2,533	30.6%
Marketing as a % sales	106%	96%	10ppt

In the face of increasingly difficult market conditions as the year progressed, we changed the management team and business model. Post year-end, the Board concluded that the prospective returns from Australia were no longer sufficient to justify continued investment and took the decision to exit the market in May 2019. A focused, results-orientated team are on the ground implementing our exit strategy, which is based around an orderly process where we stand by our key obligations and help customers successfully sell their properties.

Investments and loans made to the end of FY 2019 were £40.8 million, and with the decision to close our Australian business, we expect total losses and closure costs of between £6 million to £8 million in FY 2020.

US

Extract of consolidated statement of comprehensive income	FY 2019 £m	Restated[1] FY 2018 £m
Revenue	11.3	1.6
Cost of sales	(4.8)	(0.6)
Gross profit	6.5	1.0
Gross profit margin (%)	57.5%	62.5%
Administrative expenses	(16.1)	(8.4)
Marketing costs	(24.5)	(9.4)
Operating loss	(34.1)	(16.8)

US alternative performance measures[2]	FY 2019 £m	Restated[1] FY 2018 £m
Adjusted EBITDA	(33.1)	(16.3)
Adjusted operating profit	(33.2)	(16.3)

US KPIs	FY 2019	FY 2018	Change (%)
Instructions	2,987	724	313%
Average revenue per instruction	£3,956	£2,851	38.8%
Cost per instruction	£8,201	£8,917	8.0%
Marketing as a % sales	217%	588%	(371)ppt

While US revenue for the year grew more than 600%, operating losses increased to £34.1 million, more than doubling over the year reflecting a substantial increase in marketing spend and the establishment of an East Coast office.
Post year-end, following a period under strategic review to examine the feasibility of delivering the next phase of growth in a more effective and cost-efficient manner, a decision to withdraw from the US was made in July 2019. Investments and loans made to the end of FY 2019 were £53.1 million, and while it is a very recent decision, we expect total losses and closure costs of between £4 million to £6 million in FY 2020.

1 See note 31
2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements

Material transactions and exceptional items

Given the outlook in those markets, investments made to date in both Australia and the US, including intercompany receivable balances, £93.9 million in aggregate, were fully impaired as at 30 April 2019. This is reflected in the stand-alone parent company and does not impact Group results. No exceptional items were identified for the year to 30 April 2018.

In January 2019, the Company invested £11.3 million for a 12.9% stake in Homeday.de in Germany as part of a strategic investment alongside Axel Springer.

The acquisition of the Canadian businesses in July 2018 and the agreed minority investment in Homeday.de in Germany mark new milestones for the Group. Both deals back existing management teams, with local knowledge and proven track records.

Discontinued operations

All of the Group's activities were continuing throughout FY 2019 and FY 2018, although post year end the Group announced it was closing its Australian business and more recently its US operations.

Tax

The Group reports a net tax credit of £1.1 million (FY 2018: £0.9 million charge). The tax credit includes a £1.0 million deferred tax credit relating to the recognition of previously unrecognised UK deferred tax assets, as the UK business now expects to make sufficient taxable profits to utilise these deductions; and deferred tax assets arising during the year in Canada. The overall credit position is also enhanced by a current tax credit of £0.3 million for repayable research and development tax credits. No tax impact is recognised in relation to the losses in the US and Australia and therefore the Group's effective tax rate differs significantly from the statutory tax rate. As the UK and Canadian businesses move to profitability in the future this effective tax rate is expected to move to a more normalised rate.

Statement of financial position

The Group has a strong financial position to support its continued growth, including a cash balance of £62.8 million (30 April 2018: £152.8 million) and no debt. As funding has been raised from shareholders to date, the Group has no debt. Net assets of £103.7 million were £46.5 million lower than the comparable figure (30 April 2018: £150.2 million) mostly as a result of a lower year end cash balance partially mitigated by higher levels of goodwill and intangible assets arising from acquisitions.

Cash flow

Operating cash flow, which represents cash generated from, or consumed by operations, after marketing expenditure but before fixed asset expenditure was an outflow of £49.1 million (FY 2018: £16.3 million), of which £51.0 million was consumed in funding adjusted EBITDA losses in Australia and the US. Technology expenditure that is eligible for capitalisation, other capital expenditure and finance income/expenditure accounted for a further outflow of £3.7 million (FY 2018: £3.5 million). Cash spent on acquiring our Canadian business and share of Homeday.de was £38.5 million (FY 2018: £nil). Total cash outflow for the year was £90.3 million (FY 2018: £82.0 million inflow, benefiting from £102 million share issues).

Approved and signed on behalf of the Board

James Davies Chief Financial Officer
29 August 2019

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is an important part of the management process for the Group. Assessing the nature of risks faced, the magnitude of the risk presented to business performance and the manner in which the risk may be mitigated is critical for the business for the long term.

The most significant risks facing the business are set out below:

Risk	Potential impact
Economic	As an estate agency the Group's fortunes are closely linked with those of the housing market and the broader economy as a whole in the countries in which we operate. Economic uncertainty, such as that created in the UK by Brexit, can adversely affect the Group's performance. .
People	An experienced and knowledgeable workforce (including our network of independent Local Property Experts) is required to service customer's needs and drive forward the business. The market for skilled staff and independent contractors remains competitive and a failure to recruit and retain the right people could impact on the Group's ability to succeed.
Reputation	Reading positive references from existing customers is an important part of the decision-making process for a potential customer seeking to instruct the Group. As such, a failure to either deliver a professional service to existing customers or elicit positive reviews could impact our ability to grow.
Financial	Inaccurate financial information may result in sub-optimal decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Group suffering a financial loss.
Competition	The success of The Group is dependent on maintaining scale through market share whilst operating in a competitive sector where there are many alternatives for the customer and the potential for new entrants.
Cyber security and data protection	A security breach could cause significant operational disruption and/or data loss. A loss of control over data could result in private or commercially sensitive data being made available to unauthorised parties and the subsequent reputational impacts could cause a financial loss. GDPR legislation prescribes strict requirements regarding the safeguarding of the personal data of customers and other individuals with whom the Group operates. Non-compliance with GDPR legislation can lead to significant financial penalties.
International risk	In order for The Group to deliver its strategy in international markets we require appropriate knowledge and a relevant, affordable business model.
Legal/ regulatory	As a disruptive business with prominence in its sector, the Group faces the challenge of an evolving legal and regulatory environment and failure to ensure legal, regulatory and ethical compliance would impact the reputation and operations of the Group. Regulators may impose significant fines for non-compliance.
Change	The Group has experienced significant change in leadership, structure and geographical footprint over the course of the last calendar year. As a result the Group faces an increased risk of loss of talent, knowledge and experience, and also potentially litigation.

Risks which have been assessed as more significant year on year

Risks which have been assessed as less significant year on year

Risks where significance is unchanged year on year

Environmental risk

As a digital business, the impact of our owned operations on society and the environment is small in comparison to that of other businesses of similar size. With respect specifically to Greenhouse gas emissions, for FY 2019 the Company was below the size required to report its emissions, but will do so in time as it continues to grow.

Mitigation	Change
The Group closely monitors market conditions and the broader economies in which we operate, and believes the outlook for the UK property market remains positive, despite the continuing uncertainties stemming from the result of the EU referendum. Our cost base is relatively flexible and able to react quickly and effectively to changes in market conditions.	↑
Providing our people with relevant training, great rewards, effective marketing and an effective software platform is a key priority for the business. Recruiting and developing new employees, when required, is undertaken by experienced staff to ensure the correct calibre of individual is identified.	→
The Group strives to maintain its reputation for being a trusted estate agency service provided at a fixed fair price and monitors its customer feedback, both direct and through third party providers, on a real time daily basis.	→
The systems of internal controls deployed within the Group are designed to prevent financial loss. Controls are strongest in areas where management considers the potential exposure to the Group of material loss or misstatement to be at its greatest, such as revenue recognition and cash collection. Processes to improve internal controls and reviews are in place to improve as the business develops.	→
To counter the threat of competitors seeking to win business from us, the Group aims to invest in technology and marketing to ensure that the Group maintains its position as the market leader in the estate agency sector.	→
The Group monitors the resilience of its information systems and other facilities on an ongoing basis introducing updates and upgrades as appropriate. A GDPR working group operates closely with our operational business teams in order to embed compliance into all relevant processes. External advice is sought as appropriate.	↑
The Group continues to provide control and support as we wind down our operations in the US and Australia, and external advisers have been engaged as necessary. Our Canadian operations are well established and are overseen by the Group management team.	↓
The Group reviews upcoming legislation and compliance and has constituted a Compliance SteerCo to oversee and prioritise compliance requirements. The Audit Committee and the Board are regularly appraised of the Group's legal and regulatory challenges.	↑
The Group continues to focus on both the appropriate strategy for its new model and the key roles that are needed to deliver that strategy.	↑

The strategic report on pages 6 to 21 was authorised by the Board of Directors and signed on its behalf by:

Vic Darvey Chief Executive Officer
29 August 2019

James Davies Chief Financial Officer
29 August 2019

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 April 2019.

The corporate governance statement set out on page 27 forms part of this report.

Business review

Matters included in the strategic report and Chief Financial Officer's report

A comprehensive analysis of the Group's future developments is contained in the strategic report and Chief Executive's statement. The business review, details of the Group's performance and KPIs are set out in the Chief Executive's statement and Chief Financial Officer's report. Principal risks and uncertainties are presented on pages 20 and 21.

Financial risk management objectives and policies

The Group uses financial instruments, comprising cash, invoice factoring and various items such as trade debtors and trade creditors that arise directly from operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk. Detailed information regarding the Group's exposure to financial risks as well as the financial risk management strategy employed in order to reduce these risks is set out in note 26 to the financial statements.

Going concern

In adopting a going concern basis for the preparation of the financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 8 and 9 and in note 26 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 20 and 21.

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.

Please see further detail in note 2.3

Post balance sheet events

On 7 May 2019, Vic Darvey was appointed Chief Executive Officer following the resignation of Michael Bruce. On the same date, Purplebricks announced that it was closing its Australian business, and on 3 July 2019, it was announced that the Company was withdrawing from the US market. Further details of these actions are provided in the Chief Executive's statement and in note 30.

The future funding arrangements in respect of the Group's joint venture Homeday have been amended post year end. See note 19 for further details.

Research and development

During FY19 the Groups development of its web based IT platform continued in order to increase the services available to customers. Total expenditure in the period recognised in the income statement was £3,455,000 with a further £2,606,000 capitalised (2018: expenditure of £759,000 and capitalisation of £2,292,000).

Dividend

No dividends were paid in the year and there are none recommended (FY 2018: £nil).

Political donations

The Company and Group made no political donations during the year and proposes to maintain this policy.

Employees

The Group's policy of providing employees with information about the Group has continued and regular meetings are held between management and employees to allow exchanges of information and ideas. As the Group grows, the Group continues to consider ways to encourage the involvement of employees in the Group's performance.

The Group gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

Subsidiaries

Information about the subsidiaries is provided at note 18 to the financial statements.

Investor relations

Primary responsibility for effective communication with shareholders lies with the Chairman, while the Board as a whole is committed to maintaining good communications with the market based on the mutual understanding of objectives. To cement that commitment, during the year the company appointed its first Head of Investor Relations, with a view to establishing a structured programme of communications with existing and potential investors and analysts.

The Chairman, Chief Executive Officer and Chief Financial Officer have regular dialogue with institutional shareholders in order to develop an understanding of their views, which is communicated back to, and discussed with, the Board. The Head of Investor Relations also provides regular reports to the Board on related matters, issues of concern to investors, and analyst's views and opinions. The company endeavours to answer all queries raised by shareholders promptly.

Presentations given to analysts and investors covering the annual and interim results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of the Company's website at www.purplebricksplc.com. Additional shareholder information is also set out on page 84.

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

Shareholders are also encouraged to participate in the Company's annual general meeting, at which the Chairman will present the key highlights of the Group's performance. The Board will be available at the annual general meeting to answer questions from shareholders.

Substantial shareholdings

At 9 July 2019, the Company had been notified in accordance with the Disclosure and Transparency Rules of the FCA, or was aware, that the following held, or were beneficially interested in, 3% or more of the voting rights in the Company's shares at that date:

Shareholder name	Number of shares	% shareholding
Axel Springer SE	81,384,638	26.57%
Woodford Investment Management Ltd	59,002,549	19.26%
Merian Global Investors*	50,862,083	16.60%
Toscafund Asset Management	31, 960,727	10.43%
Paul Pindar and wife	10,827,227	3.53%

*Formerly known as Old Mutual Global Investors (UK) Ltd

Following his resignation as a director on 7 May 2019, Michael Bruce disposed of his shareholding in full to Axel Springer SE.

Directors and directors' interests

The directors who held office during the financial year are set out below:

- Adrian Blair[1]
- Michael Bruce (resigned 7 May 2019)
- James Davies
- Nick Discombe[1] (resigned 31 May 2018)
- Simon Downing[1]
- Paul Pindar[1]
- William Whitehorn* (resigned 30 June 2018)
- Andreas Wiele[1]
- Michael Wroe[1]

Vic Darvey was appointed as Chief Executive Officer and as a director of the Company on 7 May 2019.

Shares held and outstanding share awards

Details of shares held and options to purchase Ordinary shares in the Company granted to the executive directors are set out below. Details of share-based payments are included in note 10 to the financial statements. The share price was 133.4p on 30 April 2019.

Director Name	Description	Outstanding Interest at 1 May 2018	Options Granted During the year	Options Exercised During the year	Outstanding interest at 30 April 2019	Shares held
Adrian Blair	-	-	-	-	-	33,675
Michael Bruce[2]	EMI unapproved options	2,430,551	-	-	2,430,551	33,386,072
James Davies	CSOP	1,000,000	500,000	-	1,500,000	-
Simon Downing	-	-	-	-	-	133,500
Paul Pindar[3]	-	-	-	-	-	10,827,227

Vic Darvey was granted an award over 700,000 shares under the Companies Employee Share Option Plan on 7 January 2019 whilst he was the Group's Chief Operating Officer.

1 Denotes non-executive directors
2 Michael Bruce's shareholding includes those of his wife.
3 Paul Pindar's shareholding includes those of his wife.

OUR BOARD

Non-executive Chairman
Paul Pindar

Paul joined Capita plc in 1987, initially as Finance Director, then Managing Director in 1991 and Chief Executive in 1999. He was the third-longest serving FTSE 100 CEO when he stood down in 2014.

He joined Capita after advising on the £0.3 million management buyout (MBO) while working for 3i Group plc. When he joined Capita, it had 33 employees and annual revenue of £1.3 million. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5 billion.

Since June 2014 he has served as Chairman of Independent Clinical Services following its acquisition by TowerBrook. Since September 2017, Paul has been non-executive Chairman of Literacy Capital plc and is also Chairman of Bookmark Reading Charity's Corporate Partnership Board. Paul was also an early investor in Purplebricks.

Chief Executive Officer
Vic Darvey

Vic is a digital leader with more than 20 years' experience successfully scaling a number of international consumer brands, most recently as Managing Director of MoneySupermarket.com. He has held leadership roles across a number of highly competitive and disruptive businesses, including LastMinute.com. Vic joined Purplebricks in January 2019 as Group Chief Operating Officer and brings a proven record of technology delivery and leadership of cutting-edge data-led, customer-focused, commercial innovation. Vic was appointed Group Chief Executive Officer on 7 May 2019.

Chief Financial Officer
James Davies

James joined Purplebricks in May 2017 from William Hill plc, having been Chief Financial Officer of its digital business since 2015. Prior to this, James was a divisional Chief Financial Officer at Kingfisher plc and was deputy to the Group Finance Director of UBM plc for three years. Before this, James spent five years in the UK M&A team at Deutsche Bank and eight years in the technology team at Close Brothers Corporate Finance. James started his career within the TMT team at Deloitte in London where he qualified as a chartered accountant.

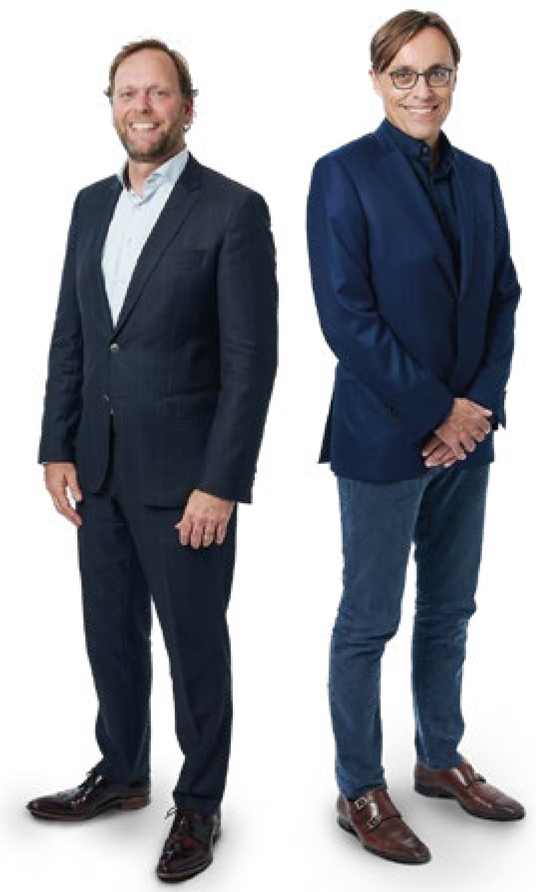
Senior Independent Non-Executive Director
Michael Wroe

Mike Wroe is the former Group Chief Financial Officer of Just Eat plc and was part of the team that led the transformation of Just Eat from a 40-person, venture-backed start-up, through its IPO and transition into becoming a highly successful public business. After qualifying as a Chartered Accountant with Deloitte & Touche, Mike has held over 20 years' Senior Executive experience across a range of both listed and private ecommerce, services and technology businesses with a track record of delivering results in both high growth and rapid change environments.

Mike is the Company's senior independent non-executive director and chairs the Audit Committee and is a member of the Nomination and Remuneration Committees.

Independent Non-Executive Director
Adrian Blair

Adrian joined the Board in April 2018 and is CEO of Receipt Bank, a high growth global Fintech business backed by Insight Ventures. Until 2018, he was Global Chief Operating Officer at Just Eat plc, where he was responsible for all commercial operations in the UK and 12 international markets. He was instrumental over seven years in building Just Eat into one of the most successful technology companies in Europe. He was part of the team that led Just Eat through its listing on the London Stock Exchange in 2014, since when the company has created c.£1bn of shareholder value per year, culminating in promotion to the FTSE 100 in December 2017.



Adrian joined Just Eat from Spotify, where as Director of European Business Development his team forged pioneering partnerships between the music streaming and mobile device industries. Prior to that he spent six years at Google Inc. in a number of senior commercial roles across California and London including Head of eCommerce Partnerships, where his team helped thousands of businesses improve their ROI from AdWords. Before that, Adrian was Head of Business Development at Ask Jeeves Inc., where he developed a network of over 10,000 affiliate websites, helping Ask become a household name in the UK prior to its $1.85bn sale to IAC.

Adrian chairs the Nomination Committee and is a member of the Audit and Remuneration Committees.

Independent Non-Executive Director
Simon Downing

Simon joined the Board in April 2018 and is the founder and Executive Chairman of Civica Group Limited, a leading international provider of specialist software and digital solutions. Simon led the business through its flotation on AIM in 2004, and its subsequent growth and international expansion, completing 25 acquisitions as part of the group expansion. In July 2017, Civica was sold to Partners Group for £1.06 billion and had grown to over 4,000 employees and operations in nine countries.

Simon is currently Chairman of Edenhouse Solutions, a specialist SAP support and consultancy business, and is a Non-executive Director at AdvisorPlus Business Solutions and Datum Datacentres.

In addition to his role at Civica and other board appointments, Simon is a Senior Adviser to OMERS Private Equity, which has in excess of CAD $11 billion of private equity assets under management. He is also a past winner of the EY UK Technology and IT Services Entrepreneur of the Year award.

Simon chairs the Remuneration Committee and is a member of the Audit and Nomination Committees.

Non-Executive Director
Andreas Wiele

Dr Andreas Wiele studied law at Dijon, Salzburg and Munich Universities. He worked first of all as an editor at "Hamburger Morgenpost", before he became assistant to the chairman of the Gruner + Jahr management board in 1988. In 1990 he took over responsibility for the "Capital" project at the Prisma Presse publishing company in Paris, where he became publishing manager of "Capital" and "Geo" in 1991.

In 1994, he moved to New York to join Gruner + Jahr USA Publishing, initially as senior vice-president and general manager of "Family Circle" and "McCall's" and from 1997 onwards as executive vice-president and chief operating officer for the publishing company as a whole.

In 2000, Dr Andreas Wiele was appointed member of the Executive Board of Axel Springer SE as President of the BILD Group and Magazines, in 2014 President Classifieds Media and CEO Axel Springer Digital and Axel Springer Digital Ventures.

Attendance at Board meetings

Participation of Board and Committee members at meetings (and calls) as compared with the number of meetings held:

	Board	Audit[3]	Remuneration[3, 4]	Nomination[3, 5]	Attendance
Paul Pindar					90%[6]
Michael Bruce					100%
James Davies					100%
Mike Wroe					90% [7]
Adrian Blair					100%
Simon Downing					100%
Andreas Wiele					80%
Nick Discombe[1]					100%
Will Whitehorn[2]					-

Key

Board (10 meetings)

Audit Committee (2 meetings)

Remuneration Committee (10 meeting)

Nomination Committee (1 meeting)

Board or committee member not present

Non-Committee member invited to attend part or all of a meeting (although no part of a Remuneration Committee meeting during which time their remuneration was discussed)

Notes

1. Stepped down from the Board on 31 May 2018.
2. Stepped down from the Board on 30 June 2018.
3. Committee memberships were refreshed on 19 September 2018.
4. There were 10 remuneration committee meetings held during the year, seven of which were convened to grant options. It is anticipated that there will be fewer meetings held in FY 2020.
5. Given that four new directors were appointed in FY 2018, it was felt that only one nomination committee meeting was necessary in FY 2019.
6. Paul Pindar was prevented from attending a Board Meeting due to an urgent family matter. Full Board materials were issued to him and he briefed other Board members before the meeting and received a debrief shortly after the Board meeting.
7. Mike Wroe was unable to attend a Board meeting as he was out of the country at the time. Full Board materials were issued to him and he passed on his comments to the Chairman ahead of the meeting.

Research and development

The Group undertakes a continuous programme of development as part of its commitment to lead change in the real estate industry. Development expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development, as disclosed in note 2.17 to the financial statements. All other research and development expenditure is recognised in the statement of comprehensive income as an expense as disclosed in note 8 to the financial statements.

D&O insurance provisions

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

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report and directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

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

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

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

Disclosure of information to auditor

The directors confirm that:

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

Auditor

Following a formal tender process concluded in September 2018, Deloitte LLP was appointed by shareholders as the Group's statutory auditor at the Company's Annual General Meeting in October 2018.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

CORPORATE GOVERNANCE STATEMENT

While the Company is going through a period of significant challenge and change, the Board is committed to achieving high standards of corporate governance, integrity and business ethics.

The Company has adopted the Quoted Companies Alliance Corporate Governance Code and is accordingly committed to complying with the QCA Code or providing a clear explanation of any areas in which the Company's governance structures and practices differ from the expectations set by the QCA Code.

In accordance with best practice, the Board has established an audit committee, a remuneration committee and a nomination committee.

The control environment of the company has developed as the business has grown over the last 5 years. The effectiveness of the control environment is monitored as the business evolves including in respect of overseas operations. The Board is committed to continuous monitoring of the effectiveness of this environment, and to make further investment where required in order to target a best practice control environment. Information regarding the Company's compliance with the 10 principles of the QCA code is set out on our investor website purplebricksplc.com

Audit Committee

The Audit Committee is chaired by Mike Wroe, and its other members are Simon Downing and Adrian Blair. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least three times a year and has unrestricted access to the Company's auditor.

Nomination Committee

The Nomination Committee is chaired by Adrian Blair and its other members are Mike Wroe and Simon Downing. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination Committee is responsible for evaluating the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee meets at least twice a year and otherwise as required.

Remuneration Committee

The Remuneration Committee is chaired by Simon Downing and its other members are Mike Wroe and Adrian Blair. The Remuneration Committee reviews the performance of the Executive Directors and senior management and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company are set by the Board.

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

Remuneration policy

The Company's policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate those directors to achieve the Company's objectives without making excessive payments.

Basic salary and benefits

Base salaries will be reviewed annually by the Remuneration Committee, and adjusted where appropriate to reflect performance, changed responsibilities and/or market conditions.

Service contracts and letters of appointment

The Company's policy is for all of the Executive Directors to have twelve month rolling service contracts. All Non-Executive Directors are salaried. They are not eligible for bonuses, pension benefits, share options or other benefits, save where compulsory by law. The Directors are indemnified to the full extent permitted by statute. Executive and Non-Executive Directors Remuneration is detailed in note 9 to the financial statements.

Long term equity incentive plan

During the year, grants of options were made to senior management (including Executive Directors), staff, and a number of LPEs' companies to align their interests ever more closely with those of shareholders.

Corporate Social Responsibility

Equality, diversity and rights

Purplebricks Group plc maintains a strong commitment to equality and opportunity in our employment policies and practices in the workplace. Through our recruitment and selection processes we seek to attract and retain a diverse and talented workforce. As prescribed by law, we commit that no existing or potential employee will receive less favourable treatment due to their race, creed, nationality, colour, ethnic origin, sexual orientation, gender, gender reassignment, marital status, membership of a trade union, disability, or any other criteria. Whilst the Company does not have a specific human rights policy, it does have statements on Equal Opportunities, Modern Slavery and Anti-bribery that adhere to internationally agreed human rights principles.

Environment

Purplebricks Group plc is committed to minimising the environmental impact of its business operations and seeks to actively manage its carbon footprint. As an online business with very limited physical infrastructure and a marketing model that is largely paperless, the Company has a much-reduced environmental impact as compared to traditional real estate agencies. As a relatively new and fast-growing company we will be constantly reviewing our business model and operations to limit the impact we and our customers make in the course of our business in areas such as energy efficiency, waste, recycling, emissions, transport and printing.

Health and safety

The effective management of health and safety across our business is an integral part of our broader business administration requirements. As the business grows we are committed to ensuring appropriate assessment and suitable control of the health and safety risks arising from our work activities for our employees, our customers and our partners.

Charitable and philanthropic activity

An important part of the Company's culture and ethos is to give back to the public and local communities in which we operate through the commitment of time, resources and fundraising activities. Our employees are active in raising money or supporting fundraising activities for a wide range of causes both local and national.

Any member of staff can nominate a local project for support by the Purplebricks Foundation Committee. The final projects are chosen by the Foundation Committee, made up of members of the management team. The Foundation Committee meets periodically.

This directors' report was approved and signed on behalf of the Board

Vic Darvey Director
29 August 2019

James Davies Director
29 August 2019

Independent auditor's report to the members of Purplebricks Group Plc

Report on the audit of the financial statements

OPINION

In our opinion:

- **the financial statements of Purplebricks Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2019 and of the Group's loss for the year then ended;**
- **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statements;
- the statement of accounting policies; and
- the related notes 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

BASIS FOR OPINION

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

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: ■ Valuation of deferred income relating to instruction revenue in the UK and Australia; ■ Accounting for the acquisition of DuProprio; and ■ Impairment of investments and intercompany receivables held by the parent company.
Materiality	The materiality that we used for the Group financial statements was £2,025,000 which was determined on the basis of 1.5% of Group revenue.
Scoping	The group audit team performed a full scope audit of the parent company and an audit of specified account balances for US based operations, which together represented 73% of Group revenue, 57% of Group loss before tax and 64% of Group net assets. We also requested component auditors perform specified audit procedures on certain account balances and transactions for the Australian and Canadian operations which represented 25% of Group revenue, 40% of Group loss before tax, and 33% of Group net assets. The remaining components were subject to analytical procedures by the group audit team. The overall scope of our audit resulted in us performing audit procedures over 98% of Group revenue, 97% of Group loss before tax, and 97% of Group net assets.
First year audit transition	The year ended 30 April 2019 is our first as auditor of the Group. We were appointed as auditors on 19 October 2018, having been independent since prior to 1 May 2018, and commenced our transition from the date of appointment. The transition has included: ■ establishing a detailed audit transition plan; ■ holding a Group audit planning meeting with our component audit teams; ■ performing Group audit team oversight, including visits where considered necessary, to components throughout the transition process; ■ reviewing the previous Group auditor's audit file; and ■ reviewing historic accounting policies and accounting judgements through discussion with management and review and challenge of management's papers and supporting documentation. This process built our understanding of the Group which informed our risk assessment process, from which we identified the risks of material misstatement to the Group's financial statements. We presented our audit plan and transition observations to the Group's senior management and to the Audit Committee throughout the transition process, including issuing a transition update report in December 2018 and a transition report and audit plan in April 2019.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where: ■ the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or ■ the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

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

Last year the previous auditor's report contained three key audit matters which are not included in our report this year: valuation of intangible assets, recoverability of deferred tax assets and completeness of equity transactions. We have assessed each of these items during the course of the audit, and concluded that these were not key audit matters in the current period. The other key audit matter in the previous auditor's report was revenue recognition. We have included a revenue recognition key audit matter in the current year, and this is focussed on the valuation of deferred income.

<table>
<tr><th colspan="2">Valuation of deferred income relating to instruction revenue in the UK and Australia</th></tr>
<tr><td>Key audit matter description</td><td>Following the adoption of IFRS 15 in the period, the Group was required to reassess how revenue for instruction services should be recognised. This has resulted in instruction revenue being recognised using a measure of performance under IFRS 15, compared to primarily being recognised at a point in time under IAS 18. The impact of this is disclosed in note 2.4.1 and note 31 to the financial statements.

There are two key judgements made in determining the revenue recognition for instruction revenue, being the period over which to recognise revenue and the measure of performance used to determine when the performance obligations have been met.

Judgement has been used to determine the period over which to recognise instruction revenue, which has been disclosed as a key source of estimation uncertainty in note 3.4 to the financial statements. The performance measure over which revenue is recognised is based on the expected time taken from instruction of a new property until the point at which a sale completes. This expectation is set with reference to historical experience.

The measure of performance used has been determined on a portfolio basis, using the average time taken for a property sale to complete, which is described in the accounting policies section in pages 44 to 47.

The methodology employed for UK instruction revenues assumes that the housing market will continue to operate in a steady state. Given the uncertainty created by the decision for the UK to exit the European Union, industry analysts are concerned that this may lead to a slow down in the UK housing market, which could increase the time it takes for properties to sell. An increase in the time it takes for properties to sell would lead to a reduction in instruction revenues recognised as the fees would be spread over a longer period, resulting in more revenue deferred into the next financial year.

Refer to notes 2.4.1, 6 and 21 for the Group accounting policy, management's consideration of critical accounting judgements and disclosure note respectively.</td></tr>
<tr><td>How the scope of our audit responded to the key audit matter</td><td>For the UK component, our procedures involved:
■ assessing the design, implementation and testing of operating effectiveness of key IT controls over key systems used to retain sales information;
■ using internal data analytics specialists who analysed the underlying data used to calculate the average period taken to sell a property in the UK; and
■ developing an independent expectation of the value of deferred income, and using this to recalculate the value of revenue to be deferred at 30 April 2019.

For the other components, our procedures involved:
■ assessing the design and implementation of management review controls used in relation to the judgement taken in determining the period over which to defer revenue, and the appropriateness of the measure of the performance used;
■ working with internal data analytics specialists who analysed the underlying data used to calculate the average period taken to sell a property in the US and Australia;
■ Challenging the appropriateness of the measure of performance used in Canada by comparing this to alternative measures of performance; and
■ Recalculating the value of the deferred income balance.</td></tr>
<tr><td>Key observations</td><td>Based on our work we are satisfied that the accounting for deferred income is in line with accounting standards and is materially appropriate.</td></tr>
</table>

Accounting for the acquisition of DuProprio	
Key audit matter description	This is a new key audit matter for 2019 following the acquisition of DuProprio, an established Canadian business, which completed in July 2018. The Purchase Price Allocation ("PPA") in respect of an acquisition is inherently judgemental. There is a risk that if management use inappropriate methodologies or assumptions within the PPA exercise, the intangible assets will be misstated. We have included the key audit matter in our audit report due to the quantum of the balance, its highly judgemental nature, and the fact that it had a substantial impact on our overall audit strategy. DuProprio was acquired for £30.9 million in cash. The excess of consideration over the fair value of net assets acquired has resulted in the recognition of £1.7 million customer contract intangibles, £13.6 million for the DuProprio brand, £2.9 million in relation to internally generated IT intangibles and £13.0m of goodwill being recognised on the Group balance sheet. Refer to the notes 2.18, 3.1 and 15a for the Group accounting policy, management's consideration of critical accounting judgements and disclosure note respectively.
How the scope of our audit responded to the key audit matter	Our procedures involved: ■ assessing the design and implementation of the key controls over acquisition accounting; ■ using internal specialists to review the methodology and assumptions employed by management's experts in calculating the fair value of the intangibles and considering the completeness of intangibles identified; ■ obtaining the underlying cash flow forecasts, discussing them with management, and challenging the reasonableness and consistency of the underlying forecasts; ■ agreeing the value of consideration payable to contractual agreements and to bank statements; and ■ reviewing the associated disclosures to ensure that they are in accordance with IFRS 3. In addition to the above, during the measurement period, we considered whether the Group's retrospective adjustments to the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date were reflected in the valuation. We also challenged the appropriateness of any change to goodwill or the income statement.
Key observations	We concur that the acquisition has been appropriately accounted for under IFRS 3 and that the assumptions and methodology used in valuing the identified intangible assets are reasonable.

Impairment of investments and intercompany receivables held by the parent company	
Key audit matter description	In February 2019, the Group issued a trading update that stated that the performance of the Australian and US businesses performance was behind expectations. Subsequent to this, on the 7 May 2019, the Group confirmed it was to close its operations in Australia and scale back its operations in the US. This represents an indicator of impairment under IAS 36. At 30 April 2019, before recognising any impairment, the parent company held investments in and loans receivable from its Australian subsidiary of £40.8 million and its US subsidiary of £53.1 million. Of these balances, impairment charges of £40.8 million and £53.1 million were recorded for Australia and the US respectively following the completion of management's assessment of the recoverable amount of each business. As a result of the performance of the Australian and US businesses, and the level of additional funding that would have been required had the decision not been made to close each component, management fully impaired the investment and receivable balances. This judgement was made because insufficient future cash flows are expected in order to recover the carrying value of these investments in and receivables from these entities. The Board took the decision to close the Australian business on 7 May 2019, and to close the US business on 2 July 2019. The indicators of impairment existed at the balance sheet date, therefore no changes were required to the conclusions reached above following the completion of the strategic reviews of both the Australian and US operations on the basis that the receivable and investments balances were fully impaired. Refer to notes 2.12, 3.2 and 16 for the Group accounting policy, management's consideration of critical accounting judgements and disclosure note respectively.

How the scope of our audit responded to the key audit matter	Our procedures involved: ■ assessing the design and implementation of the controls around the impairment review process and management's forecasting process; ■ auditing the clerical accuracy of management's impairment model; ■ considering the appropriateness of the key inputs to the model, including long term growth rates, discount rates and period over which future cash flows will be generated; ■ assessing whether any additional provisions are required as part of the assessment of expected credit losses on intercompany receivables in line with the requirements of IFRS 9; and ■ reviewing the disclosures made in relation to key sources of estimation uncertainty (IAS 1) and assessing whether the relevant disclosure requirements of IAS 36 have been complied with.
Key observations	Based on the work performed, we concur with the Directors' conclusions that the carrying value of the investments in and receivables from the US and Australian business should be impaired in full. We concur that the disclosures made in the financial statements are appropriate.

OUR APPLICATION OF MATERIALITY

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

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

	Group financial statements	Parent company financial statements
Materiality	Materiality has been set at £2,025,000 for the current year. In 2018, the previous auditor used a materiality of £1,395,000.	Materiality has been set at £1,570,000 for the current year. In 2018, the previous auditor used a materiality of £1,046,000.
Basis for determining materiality	We set materiality for the current year at 1.5% of revenue. In 2018 the previous auditor set materiality on the same basis.	The materiality for the Purplebricks Group plc (the partner company) audit was capped at 78% of group materiality on the basis of the relative size of this component to the group as a whole. This represents 1.8% of revenues generated by the company.
Rationale for the benchmark applied	We consider revenue to be the most appropriate benchmark. The Group remains loss making due the ongoing investments in new markets and therefore revenue was considered to be the most representative benchmark to use. The Directors also deem revenue growth to be one of their key indicator when assessing the performance of the Group.	The UK business is the largest trading component of the Group. We consider revenue to be the most appropriate benchmark due to the high levels of growth achieved in the period. The Directors also deem revenue growth to be their key indicator when assessing the performance of the company and the components of the Group.

We set performance materiality for the Group at £1,215,000 which represents 60% of our materiality. We use performance materiality to determine the extent of our testing; it is lower than materiality to reflect our assessment of the risk of errors remaining undetected by our sample testing and uncorrected in the financial statements. In determining performance materiality we considered the quality of the control environment and whether we were able to rely on controls; the market announcements amending revenue expectations that have been issued in the last 12 months; and the significant changes in the Group as they focus on simplifying the strategy.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £101,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. In 2018, the previous auditor communicated all audit differences above £69,750. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

The overall scope of our audit resulted in us performing audit procedures over 98% of Group revenue, 97% of Group loss before tax, and 97% of Group net assets.

Canada

The Canadian component accounts for over 17% of the Group's revenue and was subject to an audit of specified account balances and transactions determined by the group audit team using a component materiality of £1.1 million. The component auditor in Canada, who was directed and supervised by the group audit team, performed the audit of the Canada component.

Australia

The Australian component accounts for over 8% of the Group's revenue and was subject to specified audit procedures determined by the group audit team using a component materiality of £0.8 million. The component auditor in Australia, who were directed and supervised by the group audit team, performed the audit of the Australian component.

US

The US component accounts for over 8% of the Group's revenue and was subject to an audit of specified account balances and transactions determined by the group audit team using a component materiality of £0.8 million. The audit work on the US component was performed by the group audit team.

Parent company and consolidation

The parent company accounts for over 65% of the Group's revenue and was subject to a full scope audit using component materiality of £1.57 million, which was performed by the group audit team. At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team follows a programme of planned visits to the auditors of each of the significant components of the Group not audited by the group audit team. In years when we do not visit a significant component, we will include the component audit team in our team briefing, discuss their risk assessment and review documentation of the findings from their work and joining the component audit close meetings by telephone. In the current year, the group audit partner visited the Canadian component auditor.

OTHER INFORMATION

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

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

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

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

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.

uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
29 August 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2019

	Note	2019 £000	Restated[1] 2018 £000
Revenue	6	136,513	87,787
Cost of Sales		(56,626)	(38,208)
Gross profit		79,887	49,579
Administrative and establishment expenses		(61,016)	(35,195)
Marketing costs		(70,650)	(42,142)
Share of results of joint venture		(536)	-
Loss from operating activities	8	(52,315)	(27,758)
Finance income	13	817	292
Finance expense	14	(4,456)	(1,724)
Loss on ordinary activities before taxation		(55,954)	(29,190)
Taxation on loss on ordinary activities	11	1,093	(887)
Loss for the year		(54,861)	(30,077)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(95)	(490)
Total other comprehensive income		(95)	(490)
Total comprehensive loss		**(54,956)**	**(30,567)**
Earnings per share			
Basic and diluted loss per share	12	(18p)	(11p)

The accompanying accounting policies and notes form an integral part of these financial statements.
All losses and other comprehensive income relate to continuing operations and are attributable to equity shareholders of the parent.

1 See note 2.2

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 APRIL 2019

	Note	2019 £000	Restated[1] 2018 £000	Restated[1] 2017 £000
Non-current assets				
Goodwill	15	19,486	2,606	2,606
Intangible assets	16	21,887	4,434	2,757
Property, plant and equipment	17	1,960	1,054	718
Investment in joint venture	19	10,713	-	-
Deferred tax asset	11	7,120	3,068	3,087
		61,166	11,162	9,168
Current assets				
Tax receivable		1,163	306	-
Trade and other receivables	20	27,446	19,192	11,258
Derivative financial instruments	22	10	-	-
Cash and cash equivalents		62,767	152,846	71,330
		91,386	172,344	82,588
Total Assets		152,552	183,506	91,756
Current liabilities				
Trade and other payables	21	(24,960)	(16,300)	(7,859)
Deferred income	21	(19,348)	(16,842)	(9,370)
Derivative financial instruments	22	-	(44)	(104)
		(44,308)	(33,186)	(17,333)
Net current assets		47,078	139,158	65,255
Total assets less current liabilities		108,244	150,320	74,423
Non-current liabilities				
Deferred tax liabilities	11	(4,519)	(142)	(244)
Net assets		103,725	150,178	74,179
Equity				
Share Capital	23	3,031	3,019	2,705
Share premium	24	177,352	176,400	74,901
Share-based payments reserve	25	8,605	4,545	1,669
Foreign exchange reserve	25	(469)	(374)	116
Retained earnings		(84,794)	(33,412)	(5,212)
Total Equity		**103,725**	**150,178**	**74,179**

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2019 and were signed on its behalf by:

Vic Darvey Director

James Davies Director

Company registration number 08047368

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

1 See note 2.2

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 APRIL 2019

	Note	2019 £000	Restated[1] 2018 £000	Restated[1] 2017 £000
Non-current assets				
Intangible assets	16	4,362	3,565	1,614
Property, plant and equipment	17	812	743	564
Investment in subsidiaries	18	31,874	22,150	3,574
Investment in jointly controlled entities	19	11,249	-	-
Deferred tax asset	11	6,139	2,893	2,893
		54,436	29,351	8,645
Current assets				
Tax receivable		296	306	-
Trade and other receivables	20	19,178	30,931	17,419
Derivative financial instruments	22	10	-	-
Cash and other cash equivalents		57,617	149,684	69,941
		77,101	180,921	87,360
Total Assets		131,537	210,272	96,005
Current liabilities				
Trade and other payables	21	(13,582)	(9,427)	(6,996)
Deferred income	21	(14,702)	(13,498)	(8,470)
Derivative financial instruments	22	-	(44)	(104)
		(28,284)	(22,969)	(15,570)
Net current assets		48,817	157,952	71,790
Total assets less current liabilities, being net assets		103,253	187,303	80,435
Equity				
Share Capital	23	3,031	3,019	2,705
Share premium	24	177,352	176,400	74,901
Share-based payments reserve	25	8,605	4,545	1,669
Retained earnings		(85,735)	3,339	1,160
Total Equity		**103,253**	**187,303**	**80,435**

The Company reported a loss for the financial year ended 30 April 2019 of £92,554,000 (2018: profit of £302,000 (restated[1]))

These financial statements were approved and authorised for issue by the Board of Directors on 29 August 2019 and were signed on its behalf by:

Company registration number 08047368
The accompanying accounting policies and notes form an integral part of these financial statements.

Vic Darvey Director

James Davies Director

1 See note 2.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2019

	Share Capital £000	Share Premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Retained Earnings £000	Total Equity £000
At 1 May 2018 - Restated[1]	3,019	176,400	4,545	(374)	(33,412)	150,178
Exercise of options	12	952	(203)	-	203	964
Tax in respect of share options	-	-	-	-	3,276	3,276
Share-based payment charge	-	-	4,263	-	-	4,263
Transactions with owners	12	952	4,060	-	3,479	8,503
Loss for the year	-	-	-	-	(54,861)	(54,861)
Exchange differences on translation of foreign operations	-	-	-	(95)	-	(95)
Total comprehensive loss	-	-	-	(95)	(54,861)	(54,956)
At 30 April 2019	**3,031**	**177,352**	**8,605**	**(469)**	**(84,794)**	**103,725**

FOR THE YEAR ENDED 30 APRIL 2018

	Share Capital £000	Share Premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Restated[1] Retained Earnings £000	Restated[1] Total Equity £000
At 1 May 2017 as previously reported	2,705	74,901	1,669	116	(3,984)	75,407
Effect of initial adoption of IFRS 15[2]	-	-	-	-	(1,228)	(1,228)
At 1 May 2017 restated	2,705	74,901	1,669	116	(5,212)	74,179
Issue of shares	278	99,722	-	-	-	100,000
Cost of share issue charged to share premium account	-	(650)	-	-	-	(650)
Exercise of options	36	2,427	(582)	-	582	2,463
Tax in respect of share options	-	-	-	-	1,295	1,295
Share-based payment charge	-	-	3,458	-	-	3,458
Transactions with owners	314	101,499	2,876	-	1,877	106,566
Loss for the year	-	-	-	-	(30,077)	(30,077)
Exchange differences on translation of foreign operations	-	-	-	(490)	-	(490)
Total comprehensive loss	-	-	-	(490)	(30,077)	(30,567)
At 30 April 2018 - Restated	**3,019**	**176,400**	**4,545**	**(374)**	**(33,412)**	**150,178**

1 See note 2.2
2 See note 31

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2019

	Share Capital	Share Premium	Share-based payment reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000
At 1 May 2018	3,019	176,400	4,545	3,339	187,303
Exercise of options	12	952	(203)	203	964
Tax in respect of share options	-	-	-	3,277	3,277
Share-based payment charge	-	-	4,263	-	4,263
Transactions with owners	12	952	4,060	3,480	8,504
Loss for the year	-	-	-	(92,554)	(92,554)
Total comprehensive loss	-	-	-	(92,554)	(92,554)
At 30 April 2019	**3,031**	**177,352**	**8,605**	**(85,735)**	**103,253**

FOR THE YEAR ENDED 30 APRIL 2018

	Share Capital	Share Premium	Share-based payment reserve	Restated[1] Retained Earnings	Restated[1] Total Equity
	£000	£000	£000	£000	£000
At 1 May 2017 as previously reported	2,705	74,901	1,669	2,194	81,469
Effect of initial adoption of IFRS 15[2]				(1,034)	(1,034)
At 1 May 2017 restated	2,705	74,901	1,669	1,160	80,435
Issue of shares	278	99,722	-	-	100,000
Cost of share issue charged to share premium account	-	(650)	-	-	(650)
Exercise of options	36	2,427	(582)	582	2,463
Tax in respect of share options	-	-	-	1,295	1,295
Share-based payment charge	-	-	3,458	-	3,458
Transactions with owners	314	101,499	2,876	1,877	106,566
Profit for the year	-	-	-	302	302
Total comprehensive loss	-	-	-	302	302
At 30 April 2018	**3,019**	**176,400**	**4,545**	**3,339**	**187,303**

1 See note 2.2
2 See note 31

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2019

	Note	2019 £000	Restated[1] 2018 £000
Loss for the year after taxation		(54,861)	(30,077)
Adjustments for:			
Amortisation of intangible assets	16	3,704	1,256
Depreciation	17	822	425
Share-based payment charge	10	4,263	3,458
Interest income	13	(763)	(232)
Interest expense	14	50	-
Fair value movement in respect of derivatives	22	(54)	(60)
Share of result of joint venture		536	-
Taxation	11	(1,093)	906
Operating cash outflow before changes in working capital		(47,396)	(24,324)
Movement in trade and other receivables		(6,573)	(7,934)
Movement in trade and other payables		4,944	8,441
Movement in deferred income		1,024	7,473
Cash utilised in operations		(48,001)	(16,344)
Taxation paid		(1,036)	-
Interest paid		(50)	-
Net cash outflow from operating activities		(49,087)	(16,344)
Investing activities			
Purchase of property, plant and equipment	17	(1,146)	(761)
Development expenditure capitalised	16	(2,606)	(2,292)
Purchase of intangible assets	16	(671)	(641)
Interest income		763	232
Investment in joint venture	19	(11,249)	-
Acquisition of subsidiary net of cash acquired	15a	(27,290)	-
Net cash outflow from investing activities		(42,199)	(3,462)
Financing activities			
Proceeds from issue of shares	23	964	102,462
Costs of issue of shares		-	(650)
Net cash inflow from financing activities		964	101,812
Net (decrease)/increase in cash and cash equivalents		(90,322)	82,006
Effect of foreign exchange rates		243	(490)
Cash and cash equivalents at beginning of year		152,846	71,330
Cash and cash equivalents at the end of the year		**62,767**	**152,846**

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

1 See note 2.2

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2019

	Note	2019 £000	Restated[1] 2018 £000
(Loss) / profit for the year after taxation		(92,554)	302
Adjustments for:			
Amortisation of intangible assets	16	1,903	975
Impairment of investments in subsidiaries and intercompany receivables	18	96,919	-
Depreciation	17	399	313
Share-based payment charge		2,830	2,369
Interest income		(760)	(235)
Fair value movement in respect of derivatives	22	(54)	(60)
Taxation		(182)	989
Operating cash inflow before changes in working capital		8,501	4,653
Movement in trade and other receivables		(3,262)	(3,190)
Movement in trade and other payables		4,154	6,538
Movement in deferred income		1,203	922
Cash inflow from operations		10,596	8,923
Taxation received		223	-
Net cash inflow from operating activities		10,819	8,923
Investing activities			
Purchase of property, plant and equipment	17	(468)	(491)
Development expenditure capitalised	16	(2,606)	(2,292)
Purchase of intangible assets	16	(94)	(633)
Acquisition of jointly controlled entity	19	(11,249)	-
Loans to subsidiaries		(59,251)	(9,793)
Interest income		760	235
Investment in subsidiaries	18	-	(18,018)
Acquisition of subsidiary	18	(30,942)	-
Net cash outflow from investing activities		(103,850)	(30,992)
Financing activities			
Proceeds from issue of shares	23	964	102,462
Costs of issue of shares		-	(650)
Net cash inflow from financing activities		964	101,812
Net (decrease)/increase in cash and cash equivalents		(92,067)	79,743
Cash and cash equivalents at beginning of year		149,684	69,941
Cash and cash equivalents at the end of the year		**57,617**	**149,684**

1 See note 2.2

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

On 2 July 2018 the Group acquired 100% of the share capital of 9059-2114 Quebec Inc., which heads a group of companies operating one of Canada's leading commission-free real estate brands, DuProprio, giving the Group an established presence in a new market.

For the year ending 30 April 2019 the following subsidiaries of the Company were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

Subsidiary Name: BFL Property Management Limited
Companies House Registration Number: 06734084

The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the strategic report on pages 6 to 21.

These financial statements are presented in British Pounds, which is the currency of the primary economic environment in which the Company operates and are rounded to the nearest £000. Foreign operations are included in accordance with the policies set out in note 2.

2. Summary of significant accounting policies

2.1 BASIS OF PREPARATION AND CONSOLIDATION

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Standards). The financial statements have also been prepared in accordance with IFRS Standards adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

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

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

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.
- The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

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

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

2.2 RESTATEMENT

Following the adoption of IFRS 15 Revenue from Contracts with Customers, the Group has restated the statement of comprehensive income, the statement of financial position, the statement of cash flows and the statement of changes in equity. More information of the impact of this are set out in notes 2.4.1 and note 31.

Prior period error

In the current period, the Group and Company has reclassified cash flows relating to interest income in the statement of cash flows. In the prior period, this cash flow was reflected within cash flow from financing activities. As interest income arises on funds held on deposit, this is presented within cash flow from investing activities.

In addition to this, the Group and Company has reclassified cash flows relating to debt factoring finance costs in the statement of cash flows. In the prior period, these cash flows had been presented within cash flows from financing activities. Receivables are sold at a discount to face value on non-recourse terms, with the discount representing the costs charged by the factor. The factor settles the debt to the Group on a net basis, after deducting fees. As no cash flows arise from these transactions, because the costs charged by the factor are deducted from the gross payment, the cash flows have been removed from the statement of cash flows.

In the current period the company has reclassified cash flows in respect of loans to subsidiaries in the statement of cash flows. In the prior period, these cash flows were presented within cash flows resulting from movements in trade and other receivables and payables.

Extract from statements of cash flows	**GROUP 2018**	**COMPANY 2018**
	£000	£000
Operating cash (outflow)/inflow before changes in working capital previously reported	(19,589)	8,351
Increase in the loss before tax due to adoption of IFRS 15 (see note 31)	(3,011)	(1,974)
Decrease due to removing the adjustment for debt factoring finance costs	(1,724)	(1,724)
Operating cash (outflow)/inflow before changes in working capital (restated)	(24,324)	4,653
Cash flows from investing activities previously reported	(3,694)	(21,434)
Reclassification of interest income from cash flows from financing activities	232	235
Reclassification of loans to subsidiaries	-	(9,793)
Cash flows from investing activities (restated)	(3,462)	(30,992)
Cash flows from financing activities previously reported	100,320	100,323
Increase due to removal of cash outflows from debt factoring finance costs	1,724	1,724
Reclassification of interest income to cash flows from investing activities	(232)	(235)
Cash Flows from financing activities (restated)	101,812	101,812

2.3 GOING CONCERN

The financial statements have been prepared on the going concern basis. The directors have prepared a monthly forecast to August 2020, which on the basis of the assumptions made, shows that the Group and parent company can operate with its existing resources. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance that may arise as a result of current economic conditions and other risks faced by the Group show that the parent is likely to continue being cash generative during the year ending April 2020 and to August 2020, partially offsetting net cash consumption by the Group's international operations and by the costs of closing the Group's US and Australia business as set out in note 30.

Accordingly, the directors believe that it is appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2.4 NEW ACCOUNTING STANDARDS ADOPTED IN THE YEAR

2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers

Revenue recognition

The Group has adopted IFRS 15 Revenue from Contracts with Customers in these financial statements.

An explanation of how the Group has applied IFRS 15, including the judgements taken in the application of the standard, is set out below.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It has replaced IAS 18 Revenue. As the overall value of the adjustments on adoption of IFRS 15 to the Group's previously reported results is significant, in order to ensure comparability of current period reported results against the restated results of comparative periods, the Group has adopted the standard using the fully retrospective method, with the effect of initially applying the standard recognised at the beginning of the comparative period, ie 1 May 2017.

Accordingly, the information presented for the year to 30 April 2018 has been restated.

- The effect of initially applying this standard mainly arises from:
- later recognition of instruction fee revenue, and associated cost of sales, following identification of the relevant performance obligations and when and how revenue relating to these is allocated and recognised,
- earlier recognition of revenue from Conveyancing referrals and Brokerage activities, and associated cost of sales, following assessment of the relevant performance obligations and when and how revenue relating to these is recognised.

Please see the tables set out at note 31 for further information.

Table 1 summarises the impact of transition to IFRS 15 on retained earnings at 1 May 2017.

Tables 2a and 2b summarise the impact of adopting IFRS 15 on the Group's previously reported statement of comprehensive income for the year ended 30 April 2018.

Tables 3a, 3b and 3c summarise the impact of adopting IFRS 15 on the Group's previously reported statement of financial position for the years ended 30 April 2018 and 30 April 2017.

Table 4 summarises the impact of adopting IFRS 15 on the Group's previously reported earnings per share for the year ended 30 April 2018.

Table 5 summarises the impact of adopting IFRS 15 on the Group's previously reported brokerage and lettings revenue for the year ended 30 April 2018.

Table 6 summarises the impact of adopting IFRS 15 on the Group's previously reported consolidated statement of cash flows for the year ended 30 April 2018.

Tables 7a and 7b summarise the impact of transition to IFRS 15 on the Company statement of financial position as at 30 April 2018 and 30 April 2017.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's various services are set out below. Under IFRS 15, revenue is recognised when control of the services passes to the customer. The Group is required to use judgement in determining the timing of the transfer of control – at a point in time or over time – for each service type.

Contracts with customers

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

- Instructions ("a")
- Conveyancing ("b")
- Brokerage ("c")
- Lettings – landlord setup services ("d")
- Lettings – monthly management services ("e")

The adjustments arising on the adoption of IFRS 15 in respect of categories "a" and "b" are set out in the tables at the end of this note. As the adjustments arising on categories "c", "d" and "e" are not material, they have been presented together in an "Other" category in these tables.

Instructions ("a")

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

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

Although the services are priced separately, the overall revenue for each contract of this type is attributable to this single Performance Obligation and is recognised as the services as a whole are provided. Revenue is recognised on an output basis over time, as the estate agency services are performed. This method reflects the fact that the customer receives benefit from the Group's performance as the service is provided to the customer. The Group has assessed that the starting point for provision of service is the customer's instruction to the Group, and the ending point is either the completion of sale or the customer's decision to withdraw from sale.

A key estimate within the Group's accounting policy for revenue from instructions is the length of the period over which estate agency services are performed. The Group utilises analysis of historical data to ascertain the length this period, which covers both a marketing period and a post sales support period. If the length of the average service period increased by 5%, then there would be a corresponding decrease in revenue of £0.7 million for the year to 30 April 2019.

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

Australian Model

During the year ended 30 April 2019, the Group's Australian business has introduced a revised business model under which the instruction fee is split into two elements. These elements are (i) an upfront fee, which is non-refundable and which is recognised over time on an input basis, and (ii) a success fee, which is due only on settlement of a successful sale of the property. Each fee is in respect of the performance obligation to provide estate agency services.

Variable consideration in respect of the success fee is recognised over time on an input basis as the Group fulfils its performance obligation, over the expected service period, at the fair value of expected consideration receivable. The expected fair value of consideration received is estimated based on historical experience. The Group monitors the rate of sales of properties marketed at each reporting date, in order to restrict the revenue recognised under this method to an amount at which it is highly probable that reversal will not occur.

US Model

During the year ended 30 April 2019, the Group US business introduced a revised business model under which the up front instruction fee is no longer required, with payment due only on settlement of a successful sale of the property. The success fee is recognised when a sale is unconditionally agreed.

Previous accounting policy and impact of adoption of IFRS 15

Under the Group's previous accounting policy, instruction fees were recognised as the Group's obligations were completed. Instruction fee revenue was allocated to obligations occurring before listing and obligations after listing. A significant proportion of the obligations, based on an assessment using an input method occurred prior to listing, and therefore a significant portion of the total transaction price was recognised at or before listing.

Therefore, on adoption of IFRS 15, the amount of reported deferred income in respect of instruction fees has increased, and the amount of reported revenue has decreased. The amount of prepaid cost of sales recognised as an asset in the statement of financial position has increased, and the amount of reported costs of sales has decreased. The impact of the relevant adjustments is shown within the tables below. The impact on reported revenue the year ended 30 April 2018 is show in the table below.

Year ended 30 April 2018	£000
Instruction revenue as previously reported	66,597
Impact of adoption of IFRS 15	(6,301)
Instruction revenue as restated	**60,296**

Conveyancing ("b")

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

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

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

As part of the Group's work on the adoption of IFRS 15, the Group's relationship with its customers in respect of Conveyancing revenue has been re-assessed with a view to confirming whether the Group is principal or agent in the underlying transactions. The Group's view remains that, as previously, it is acting as an agent of the third party partner which contracts directly with the seller of the property and which invoices that seller directly. Therefore it is appropriate for the Group to recognise as revenue only the referral fee earned from the third party partner, which is the customer of the Group.

Previous accounting policy and impact of adoption of IFRS 15

Under the Group's previous accounting policy, conveyancing referral fees were recognised at the completion of the property sales that would give rise to them, ie when the receipt of each individual fee due became certain.

Therefore, on adoption of IFRS 15, the amount of reported accrued income has increased, and the amount of reported revenue has also increased. The amount of accrued cost of sales, which will become payable on completion of the transaction and which are reported within accruals, has increased. The impact of the relevant adjustments is shown within the tables below.

The impact on reported revenue for the year ended 30 April 2018 is show in the table below.

Year ended 30 April 2018	£000
Conveyancing revenue as previously reported	15,414
Impact of adoption of IFRS 15	152
Instruction revenue as restated	**15,566**

Brokerage ("c")

The Group also provides, in the US and in parts of Canada, Buyside brokerage and Escrow services. These services are provided to customers who are both sellers and buyers of residential properties, with the performance obligation in each case being to assist the customer in bringing the transition to a successful conclusion. Revenue, in the form of commission, becomes due in respect of these transactions on successful completion of a property sale.

Customers receive benefit from the Group's services as they are performed over time between an instruction to act on the customer's behalf and completion of the property transaction. Therefore revenue in respect of these services is recognised under IFRS 15 over time on a straight line basis as the Group fulfils its performance obligation. Revenue is recognised at the fair value of the expected consideration which will be receivable, taking into account historical transaction completion rates. The fair value of consideration is a key estimate and therefore the Group monitors the rate of sales of properties marketed at each reporting date, in order to restrict the revenue recognised under this method to an amount at which it is highly probable that reversal will not occur.

Previous accounting policy and impact of adoption of IFRS 15

Under the Group's previous accounting policy, brokerage and escrow fees were recognised at completion of the underlying property sales.

Therefore, on adoption of IFRS 15, the amount of reported accrued income has increased, and the amount of reported revenue has also increased. The amount of accrued cost of sales, which will become payable on completion of the transaction and which are reported within accruals, has increased. The impact of the relevant adjustments is shown within the tables below .

The impact on reported revenue for the year ended 30 April 2018 is show within "other" revenue in table 5 in note 31.

Lettings landlord setup services (d)

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

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

All revenue is therefore attributable to this single Performance Obligation. This revenue is recognised over time on a straight line basis between the instruction to list the property to let and tenant move in, as the customer receives the benefits of the Landlord Setup Services are performed.

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

Previous accounting policy and impact of adoption of IFRS 15

Under the Group's previous accounting policy, Landlord Setup fees were recognised only at tenant move in when consideration in respect of each individual contract became certain.

Therefore, on adoption of IFRS 15, the amount of reported accrued income has increased, and the amount of reported revenue has increased. The impact of the relevant adjustments revenue for the year ended 30 April 2018 is shown within "Other" revenue in table 5 in note 31.

Lettings monthly management services (e)

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

In respect of fees charged to landlords in exchange for the ongoing management of their rental properties the Group's performance obligation is to provide management services over a period of time. There is no change under IFRS 15 to the Group's previous accounting policy of recognising these fees over the period of the tenancy.

2.4.2 IMPLEMENTATION OF IFRS 9

Financial Instruments

The Group adopted IFRS 9 Financial Instruments on 1 May 2018.

The adoption of IFRS 9 has had no impact on the Group's statement of financial position or results as previously disclosed.

The change of moving from a historical credit loss model to an expected credit loss model for calculating bad debt provisions had no material impact on the financial statements.

2.5 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.6 FOREIGN CURRENCIES

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

2.7 FOREIGN EXCHANGE ON CONSOLIDATION

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

2.8 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, being the Chief Operating Decision Maker, using geographical segments being UK, Australia, USA and Canada. The financial information reviewed by the Board is materially the same as that reported under IFRS.

2.9 PENSION BENEFITS

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

2.10 TAXATION

Current tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that remain unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Repayable tax credits relating to research and development expenditure arising under the HMRC R&D regime for small and medium sized businesses are recognised within current tax.

Deferred tax

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

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

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

2.11 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are held at cost less accumulated depreciation and impairment charges.

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

The useful lives over which these assets are depreciated are:

- Computer equipment – over 3 years
- Motor vehicles – over 3 years
- Fixtures and fittings – over 5 years

2.12 INVESTMENTS IN SUBSIDIARIES

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

2.13 JOINT VENTURES

Under IFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor rather than the legal structure of the joint arrangement. During the year the Group has entered into a joint venture in respect of Homeday as described earlier in the report.

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

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

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

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

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

2.14 BUSINESS COMBINATIONS AND GOODWILL

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

Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-Based Payments at the acquisition date (see below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

2.15 LEASES

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any to be borne by the lessee.

All other leases are treated as operating leases. Payments under operating lease agreements are recognised as an expense on a straight line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred. The Group does not act as a lessor.

See Note 4 for a description of the new leasing standard IFRS 16 which will be adopted in next year's financial statements.

2.16 CASH AND CASH EQUIVALENTS

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

2.17 INTERNALLY DEVELOPED INTANGIBLE ASSETS

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

An internally generated intangible asset arising from the Group's development activity is recognised in the statement of financial position when the Group can demonstrate the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.

- its intention to complete the intangible asset and use or sell it.

- its ability to use or sell the intangible asset.

- how the intangible asset will generate probable future economic benefits.

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

The useful lives over which these assets are amortised are:

- Computer software – straight line over 3 years
- Capitalised software – straight line over 3 years
- Amortisation is included within administrative expenses.

2.18 INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost). See note 15 for details of such acquisitions.

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

- The useful lives over which these assets are amortised are:
- customer relationships – straight line over 5 years
- patents and trademarks – straight line over 18 months
- certain intangible assets, such as brands, are deemed to have an indefinite life, held at cost and not amortised but rather tested annually for impairment.

2.19 IMPAIRMENT

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

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

2.20 FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. See note 26 for further details.

Financial assets

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

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

For trade and other receivables, the amount of credit loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

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

Impairment testing of trade receivables is described in note 20.

Credit risk management - Sale of receivables

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

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

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

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

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables. As discussed under "Sale of Receivables" above, credit risk is managed in the UK via a non-recourse receivable sale arrangement and a similar arrangement applies in Australia. In the US, at present the Group manages "pay later" receivables itself by monitoring the aggregate amount and duration of exposure to any one customer.

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

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

Trade receivables across the Group have been assessed with regard to credit risk characteristics which vary from country to country and according to the nature of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced within over a period of 12 months before 30 April 2019.

The expected loss rates derived from the assessment described above are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

Financial liabilities and equity

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

Equity instruments

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

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk via foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 22.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

2.21 SHARE-BASED PAYMENTS

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

2.22 SHARE-BASED PAYMENTS RESERVE

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

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 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

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period 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 discussed 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 developing intangible assets which meet the criteria for capitalisation in IAS 38. Because the amounts spent on the development team are material, 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, in a -7% or +5% change to adjusted operating costs for this year ended. Further details are included at note 16.

3.2 IMPAIRMENT

Determining whether the carrying value of goodwill, investments or intercompany balances are below their recoverable value and therefore impaired requires an estimation of the value in use of the cash-generating units to which value has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. The assumptions and sensitivities applied by management in determining whether there is any impairment are set out in notes 15, 16 and 20.

3.3 MEASUREMENT OF DEFERRED TAX ASSETS

The Group has potential deferred tax assets, principally in the form of tax losses and potential tax deductions relating to the exercise of share-based payments, but 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 issue of estimation in respect of deferred tax assets, therefore, relates to the uncertainty inherent in forecasting future taxable profits in each territory. The decision to recognise deferred tax assets, has been made after taking into account forecasts of future taxable profits sensitised for downside risk. If our view of future taxable profits were to change materially in future, either positively or negatively, then this could have a material impact on the income statement credit or charge. Depending on the length of the forecast period taken into account and the scale of the downside reduction applied, at the extreme, the amount of the recognised deferred tax asset could range from 0% to 100% of the balance recognised being £7,120,000.

3.4 REVENUE RECOGNITION

In relation to instruction revenue which is recognised over time, the Group estimates the average period taken from instruction to completion. This estimate directly impacts the period over which revenue is recognised.

The terms of the UK's departure from the EU following the referendum in 2016 ('Brexit') remain uncertain, and could have an impact on the UK property market. This could impact the time taken to sell properties in the UK market, which would impact the timing of revenue recognition for the Group. Due to the uncertainty of the impact of Brexit on the wider UK economy, it is impractical to determine the impact on the timing of revenue recognition in the UK business at the date of this report.

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 financial statements.

3.5 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. Further detail is set out in the revenue recognition policy above.

4. New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits	Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
IFRIC 23	Uncertainty over Income Tax Treatments
IFRS 16	Leases

IFRS 16 Leases (effective 1 January 2019)

Nature of change

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on the balance sheet, and lease expense is reclassified from operating expenditure to depreciation and finance cost. The only exceptions to this change in method are for short-term and low-value leases.

Impact

The Group has reviewed its current leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of £4.3m, principally in relation to land and buildings (see note 28). Of these commitments, approximately £0.1m relate to short-term leases or to low value leases which will both be recognised on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately £1.3m on 1 May 2019 and lease liabilities of £1.3m. No significant impact on recognised deferred tax is expected. Overall net assets will not be significantly affected, however net current assets will be around £0.4m lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit after tax will not be significantly affected. Adjusted EBITDA used to measure segment results is expected to increase by approximately £0.5m, as the operating lease payments were included in adjusted EBITDA, but the depreciation of the right-of-use assets and interest on the lease liability are excluded from this measure. Operating cash flows will increase, and financing cash flows decrease, by offsetting amounts of approximately £0.5m as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Mandatory application date / date of adoption by Group

The Group will apply the standard from 1 May 2019. The Group intends to apply the cumulative catch-up approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption.

5. Alternative performance measures

The Group makes use of a number of alternative performance measures in assessing the performance of the business. The definition of 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 and share-based payment charges and non-recurring costs.

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.
- 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.
- Non-recurring costs: a one-off item which exists only in a single accounting period. We believe adjusting for such non-recurring items improves comparability period on period.

Reconciliation

Please see segmental reporting in note 7.

Adjusted operating costs

Definition

Adjusted operating costs are administrative and establishment expenses, adjusted by adding back depreciation, amortisation and share-based payment charges and non-recurring costs.

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 non-recurring costs from this measure is consistent with that set out above in the "Adjusted EBITDA" section.

Reconciliation

GROUP	2019 £m	2018 £m
Administrative expenses	(61.0)	(35.2)
Depreciation & amortisation	4.5	1.7
Share-based payment charge	4.3	3.5
Non-recurring costs	0.5	-
Adjusted operating costs	**(51.7)**	**(30.0)**

UK	2019 £m	2018 £m
Administrative expenses	(24.7)	(19.5)
Depreciation & amortisation	2.3	1.6
Share-based payment charge	2.1	2.4
Non-recurring costs	0.5	-
Adjusted operating costs	**(19.8)**	**(15.5)**

Adjusted operating profit/loss

Definition

Profit or loss from operating activities, adding back share-based payment charges.

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

GROUP	2019 £m	2018 £m
Operating loss	(52.3)	(27.8)
Share-based payment charge	4.3	3.5
Adjusted operating loss	**(48.0)**	**(24.3)**

UK	2019 £m	2018 £m
Operating profit	5.3	2.2
Share-based payment charge	2.1	2.4
Adjusted operating profit	**7.4**	**4.6**

CANADA	2019 £m	2018 £m
Operating profit	(3.2)	-
Share-based payment charge	0.4	-
Adjusted operating loss	**(2.8)**	**-**

AUSTRALIA	2019 £m	2018 £m
Operating profit	(18.8)	(13.2)
Share-based payment charge	0.9	0.6
Adjusted operating loss	**(17.9)**	**(12.6)**

US	2019 £m	2018 £m
Operating profit	(34.1)	(16.8)
Share-based payment charge	0.9	0.5
Adjusted operating loss	**(33.2)**	**(16.3)**

Like-for-like UK gross profit margin

Definition

Gross margin adjusting for significant items which are not directly comparable period on period.

Relevance to strategy

Gross profit margin of the UK operating segment under IFRS in FY 19 is not directly comparable to gross profit margin in FY 18 due to commercial changes in the business model which affect both the level of costs in the business and where these are recognised within the income statement.

The adjustments made to gross profit are in respect of:

I. costs relating to the former deferred payment provider, which were recognised in FY 18 in cost of sales – deferred payment provider costs under the new commercial arrangement are recognised as finance costs.

II. costs relating to an outsourced property management service within the Lettings business recognised in FY 18 as cost of sales – these activities are now undertaken by an in-house team, the costs of which are presented within administrative expenses.

The table below sets out the calculation of gross profit margin under IFRS and as adjusted in the "like-for-like UK gross profit margin" alternative performance measure. The alternative performance measure is considered a helpful additional measure as it provides insight into underlying performance between FY 18 and FY 19 on a more comparable basis. Adjustment has been made to FY 18 only to achieve this comparability.

Reconciliation

UK Gross Profit Margin under IFRS	FY 19 £'000	FY 18 £'000
Revenue	90,125	74,353
Cost of sales	(33,338)	(31,276)
Gross profit	56,787	43,077
Gross profit margin	**63.0%**	**57.9%**

Like-for-like UK Gross Profit Margin	FY 19 £'000	FY 18 £'000
Revenue	90,125	74,353
Cost of sales	(33,338)	(31,276)
Deferred payment provider costs	-	1,662
Lettings outsourced property management service	-	1,555
Like-for-like cost of sales	(33,338)	(28,059)
Like-for-like gross profit	56,787	46,294
Like-for-like gross profit margin	**63.0%**	**62.3%**

Group revenue growth excluding Canada

Group revenue growth excluding Canada, which is not defined in IFRS, is a measure which is used by the board and management for planning and reporting.

Definition

Total revenue for the year excluding revenue from the Canada operating segment, which arose in the year by acquisition, divided by total revenue for the prior year.

Relevance to strategy

The measure allows year on year comparison of the revenue generating performance in the current year of operating segments which existed in the prior year, without the effect of acquisitions in the year.

Reconciliation

	FY 19 £m
Total Revenue for FY 19	136.5
Revenue arising from Canada acquisition	(23.7)
Revenue for FY 19 excluding Canada	112.8
Revenue for FY 18	87.8
Group revenue growth excluding Canada	28.5%

6. Revenue

Revenue by contract type	2019 £000	Restated[1] 2018 £000
Instructions	83,404	60,296
Conveyancing	19,877	15,566
Other	33,232	11,925
Total revenue	**136,513**	**87,787**

7. 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 including the 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, Australia, the US and Canada. During the year, no customer contributed 10% or more of the Group's revenues (2018: none). The following is an analysis of the Group's revenue and results by reporting segment:

Year ended 30 April 2019	UK £'000	Australia £'000	US £'000	Canada £'000	Arising on Consolidation £'000	Consolidated £'000
Revenue	90,126	11,375	11,333	23,679	-	136,513
Cost of sales	(33,339)	(7,377)	(4,858)	(11,052)	-	(56,626)
Gross profit	**56,787**	**3,998**	**6,475**	**12,627**	**-**	**79,887**
Gross profit margin (%)	**63%**	**35%**	**57%**	**53%**		**59%**
Administrative expenses	(24,748)	(10,721)	(16,105)	(8,478)	(964)	(61,016)
Marketing expenses	(26,708)	(12,071)	(24,497)	(7,374)	-	(70,650)
Share of results of joint venture	-	-	-	-	(536)	(536)
Operating profit/(loss)	**5,331**	**(18,794)**	**(34,127)**	**(3,225)**	**(1,500)**	**(52,315)**
Depreciation & amortisation	2,334	57	71	768	1,302	4,532
Share-based payments	2,098	862	943	360	-	4,263
Non-recurring acquisition costs	467	-	-	-	-	467
Adjusted EBITDA	**10,230**	**(17,875)**	**(33,113)**	**(2,097)**	**(198)**	**(43,053)**

Year ended 30 April 2018 - Restated[1]	UK £'000	Australia £'000	US £'000	Consolidated £'000
Revenue	74,352	11,879	1,556	87,787
Cost of sales	(31,275)	(6,406)	(527)	(38,208)
Gross profit	**43,077**	**5,473**	**1,029**	**49,579**
Gross profit margin (%)	**58%**	**46%**	**66%**	**56%**
Administrative expenses	(19,487)	(7,306)	(8,402)	(35,195)
Marketing expenses	(21,387)	(11,355)	(9,400)	(42,142)
Operating profit/(loss)	**2,203**	**(13,188)**	**(16,773)**	**(27,758)**
Depreciation & amortisation	1,601	58	22	1,681
Share-based payments	2,369	593	496	3,458
Adjusted EBITDA	**6,173**	**(12,537)**	**(16,255)**	**(22,619)**

1 See note 2.2

	2019 £'000	Restated[1] 2018 £'000
Non current assets		
UK	77,184	29,469
Australia	141	139
US	164	90
Canada	4,485	-
Consolidation adjustments	(20,808)	(18,536)
Total	**61,166**	**11,162**
Total assets		
UK	228,935	211,892
Australia	5,016	3,835
US	4,558	3,326
Canada	9,918	-
Consolidation adjustments	(95,875)	(35,547)
Total	**152,552**	**183,506**
Total liabilities		
UK	28,115	24,429
Australia	32,617	12,645
US	49,003	12,109
Canada	7,231	-
Consolidation adjustments	(68,139)	(15,855)
Total	**48,827**	**33,328**

8. Loss from operating activities

Loss from operating activities for the year has been arrived at after charging:

	2019 £'000	2018 £'000
Auditor's remuneration:		
Audit of group financial statements	135	85
Audit of subsidiaries	45	17
Amounts received by auditors and their associates in respect of:		
Current statutory auditor:		
Services related to corporate finance transactions earned prior to appointment as statutory auditor	36	-
Former statutory auditor:		
Amounts received by auditors and their associates in respect of:		
Taxation compliance	-	30
Taxation advisory	-	110
Taxation legal services	-	7
Bad Debt expense	988	-
Foreign Exchange (gains)/losses	(516)	-
Depreciation and other amounts written off PPE:		
Owned, in respect of continuing activities	822	425
Amortisation of development costs	1,713	936
Amortisation of software	461	39
Amortisation of other intangibles	1,530	281
Aggregate charge against income in respect of research & development costs not eligible for capitalisation	3,455	759
Rentals payable under plant and machinery operating leases	62	55
Leasehold property rentals	1,291	569

1 See note 2.2

The aggregate charge in respect of research and development represents the total cost incurred during the year, less amounts capitalised in accordance with IAS 38: Intangible Assets. Amounts capitalised are shown in note 16.

Deloitte LLP became the Group's statutory auditor for the year ended 30 April 2019. Grant Thornton LLP was the Group auditor for the year ended 30 April 2018. Total fees payable to Deloitte in the current financial year were £216,000. Auditor's remuneration for the year ended 30 April 2018 was paid to Grant Thornton LLP.

9. Staff costs

The average number of persons employed by the Group during the year was as follows:

	2019 no.	2018 no.
Sales & Marketing	911	376
Technical	144	99
Administration	186	94
	1,241	**569**

The aggregate payroll costs of the persons employed by the Group, including the directors, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	30,779	18,936
Social security	2,562	1,771
Pension	602	71
Share-based payment charge	4,263	2,458
	38,206	**23,236**

The average number of persons employed by the Company during the year was as follows:

	2019 no.	2018 no.
Sales & Marketing	337	261
Technical	84	77
Administration	44	48
	465	**386**

The aggregate payroll costs of the persons employed by the Company, including the directors, were as follows:

	2019 £'000	2018 £'000
Wages and salaries	11,278	9,149
Social security	1,455	1,166
Pension	202	71
Share-based payment charge	2,098	1,404
	15,033	**11,790**

The following table provides details of remuneration paid to directors of the Company.

	2019 £'000	2018 £'000
Salaries or fees, including bonus	732	477
Employers national insurance	91	59
Share-based payment charge	438	651
	1,261	**1,187**

The highest paid director received remuneration of £688,000 (2018: £811,000) during the year.
No director had a material interest in any contract in relation to the business of the Group.
No director exercised share options during the current or preceding financial year.
In addition to the 9 directors (2018: 10), 18 senior management (2018: 9) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 27 individuals (2018: 19 individuals):

	2019 £'000	2018 £'000
Salaries or fees, including bonuses and employers national insurance	3,962	1,835
Share-based payment charge	1,002	1,410
	4,964	**3,245**

The remuneration of the Directors for the years ended 2019 and 2018 was as follows:

Year ended 30 April 2019	**Short-term employee benefits** £'000s	**Post employment benefits** £'000s	**Share-based payments charge** £'000s	**Total** £'000s
Executive directors				
M Bruce	250	-	23	273
J Davies	273	-	415	688
Non- executive directors				
P Pindar	30	-	-	30
N Discombe	3	-	-	3
W Whitehorn	5	-	-	5
A Blair	56	1	-	57
S Downing	56	-	-	56
M Wroe	61	1	-	62
Total	**734**	**2**	**438**	**1,174**

Michael Bruce stepped down from his role as an executive director of the group on 7 May 2019. His termination payments will be disclosed in the financial statements for the year ended 30 April 2020.

Year ended 30 April 2018	**Short-term employee benefits** £'000s	**Post employment benefits** £'000s	**Share-based payments charge** £'000s	**Total** £'000s
Executive directors				
M Bruce	150	-	38	188
J Davies	199	-	612	811
N Cartwright	38	-	1	39
Non- executive directors				
P Pindar	30	-	-	30
N Discombe	30	-	-	30
W Whitehorn	30	-	-	30
Total	**477**	**-**	**651**	**1,128**

10. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI), an employee share ownership plan (ESOP) and a licensee share option plan (LSOP).

Under these approved plans, a total of 19 schemes have been granted, of which a total of 18 schemes are currently operating.

The vesting conditions for schemes 1, 2 and 4 are based on length of service, with 25% of the options vesting on or after the 12 month anniversary of the employee's start date, and a further 6.25% vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee or licensee's start date.

The vesting conditions for schemes 6 to 19 are based on future service from the date of grant, with between 25% and 33% of the options vesting on or after either the 12 or 24 month anniversary of the grant, and a further vesting every three months thereafter so that options vest in full on the 48 month anniversary of the date of grant to the employee or the licensee.

The Company also operates an unapproved executive incentive plan (Scheme 5). The vesting conditions are based on length of service with 25% of the options vesting on or after the 12 month anniversary of the employee's start date and a further 6.25% vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee's start date.

Performance conditions in respect of each scheme relate to length of service.

Details of the total number of shares under option at the period end and conditions on qualification and exercise are set out below:

Grant date	Sch No	Type of scheme	No. of option holders	No. of options	Exercise Price	Earliest exercise date	Remaining contractual life
09.01.2015	1	EMI	1	48,721	£0.01	09.01.2015	see below
10.07.2015	2	EMI	3	201,090	£0.13	10.07.2015	see below
10.08.2015	4	EMI	8	138,056	£0.13	10.08.2015	see below
06.11.2015	5	EMI	4	3,361,660	£0.01	06.11.2016	see below
29.06.2016	6	ESOP/LSOP	60	2,355,650	£1.29	29.06.2017	7.2 years
05.12.2016	7	ESOP/LSOP	155	2,322,258	£1.25	05.12.2017	7.6 years
04.01.2017	8	ESOP	2	387,500	£1.40	04.01.2018	7.7 years
05.03.2017	9	ESOP/LSOP	100	1,562,502	£3.10	05.03.2018	7.9 years
29.06.2017	10	ESOP/LSOP	2	1,400,000	£3.05	29.06.2018	8.2 years
06.09.2017	11	ESOP/LSOP	27	403,000	£4.69	06.09.2018	8.4 years
19.12.2017	12	ESOP/LSOP	67	1,986,400	£3.79	19.12.2018	8.6 years
05.03.2018	13	ESOP/LSOP	18	402,500	£4.15	05.03.2019	8.9 years
24.07.2018	14	ESOP/LSOP	118	2,882,500	£2.81	24.07.2019	9.2 years
02.08.2018	15	ESOP	1	500,000	£2.87	02.08.2020	9.3 years
03.09.2018	16	ESOP	2	225,000	£2.95	03.09.2020	9.3 years
20.11.2018	17	ESOP	4	375,000	£1.73	20.11.2022	9.6 years
07.01.2019	18	ESOP/LSOP	112	2,775,000	£1.65	07.01.2020	9.7 years
23.01.2019	19	ESOP	1	500,000	£1.59	23.01.2020	9.7 years

1,247,338 share options were exercised during the period (2018: 3,472,967)

The number and weighted average exercise price of share options are as follows:

	30 April 2019 Weighted average exercise price	30 April 2019 Number of options	30 April 2018 Weighted average exercise price	30 April 2018 Number of options
Outstanding at start of period	£1.85	20,072,961	£1.04	19,715,516
Granted during the period	£2.26	7,519,500	£3.79	5,418,000
Exercised during the period	£0.77	(1,247,338)	£0.71	(3,472,967)
Lapsed during the period	£2.24	(4,518,285)	£1.60	(1,587,588)
Outstanding at end of period	£1.97	21,826,838	£1.85	20,072,961
Exercisable at end of period	£1.16	7,241,657	£0.70	3,932,788

The weighted average share price at the date of exercise of options was £2.20.
The weighted average remaining contractual life of the options is 8.2 years (2018: 8.5 years)

Options outstanding at 30 April 2019 for schemes 1 and 5 have an exercise price of £0.01 (30 April 2018: £0.01). The weighted average remaining contractual life of the options is 6.5 years (30 April 2018: 7.5years).

Options outstanding at 30 April 2019 for schemes 2 and 4 have an exercise price of £0.13 (30 April 2018: £0.13). The weighted average remaining contractual life of the options is 6.1 years (30 April 2018: 7.1 years).

Fair value assumptions in respect of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value are summarised below.

	30 April 2019	30 April 2018
Weighted average share price at the date of grant	£2.26	£4.08
Weighted average exercise price	£2.26	£3.78
Weighted average contractual life (years)	10	10
Weighted average expected volatility	36.3%	31.5%
Weighted average risk free interest rate	1.5%	1.5%
Total fair value of options granted (£'000)	£3,824	£6,776

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of the Group's own historical volatility and of volatility used by listed companies in the same sector.

Charge to consolidated statement of comprehensive income

The charge to consolidated statement of comprehensive income, included within administrative expenses, comprises;

	30 April 2019 £'000	30 April 2018 £'000
Share-based payment charge	4,263	3,458

Credit to consolidated statement of changes in equity

	30 April 2019 £'000	30 April 2018 £'000
Tax credit with respect to share-based payments	(3,276)	(1,295)

11. Taxation

	2019 £'000	2018 £'000
Current tax credit/(charge) - Group		
Current year	(199)	(1,053)
Adjustments in respect of prior years	(37)	(242)
R&D tax credit relating to prior years	296	306
Total current tax	60	(989)
Deferred tax credit - Group		
Current year	1,033	63
Adjustments in respect of prior year	-	39
Total deferred tax	1,033	102
Total credit/(charge) for the year	**1,093**	**(887)**

Reconciliation of effective tax rate

The tax credit/(charge) for the period differs from the standard rate of corporation tax in the UK during the year of 19% (FY 2018: 19%). The differences are explained below. The tax reconciliation for the prior year has been re-analysed to amalgamate certain items to give a better understanding of key factors affecting the tax position.

	2019 £'000	Restated[1] 2018 £'000
Loss before taxation	(55,954)	(29,190)
Less share of loss of post-tax earnings of equity accounted investments	536	-
Loss before taxation of equity accounted investments	(55,418)	(29,190)
Tax calculated at UK corporate tax rate of 19% (FY 18: 19%)	10,529	5,546
Effects of:		
Differences between UK and non-UK corporate tax rates	3,201	1,743
Non-deductible and non-taxable items	(329)	(281)
Utilisation of previously unrecognised deferred tax assets	205	64
Other changes in unrecognised deferred tax assets	(12,772)	(7,907)
Changes in tax rates	-	(155)
Deferred tax prior year adjustment	-	39
Current tax prior year adjustment	(37)	(242)
R&D tax credit relating to prior years	296	306
Total credit/(charge) for the year	**1,093**	**(887)**

UK: The UK corporation tax rate for the year was 19% (FY 18: 19%). A reduction in the rate to 17% from 1 April 2020 has been substantively enacted. Additionally, new legislation which will restrict the use of brought forward losses has been substantively enacted in the UK. Whilst it is not expected that this legislation will affect the ability to use brought forward UK tax losses, it may extend the period over which they can be utilised.

Deferred tax assets / liabilities are measured at the rate at which they are expected to reverse or be used.

Other changes in unrecognised deferred tax assets primarily reflects non-recognition of deferred tax assets in respect of losses made in the USA and Australia.

Tax included in changes in equity

GROUP	2019 £'000	2018 £'000
Deferred tax	3,013	-
Current tax	263	1,295
Total tax credit	**3,276**	**1,295**

The tax credits to equity represent the use as current year deductions, or recognition as deferred tax assets, of tax deductions related to share option schemes, which are in excess of related income statement expenses.

Recognised deferred tax assets and liabilities

GROUP	2019 £'000	2018 £'000
Assets	7,120	3,068
Liabilities	(4,519)	(142)
Net deferred tax assets	**2,601**	**2,926**

1 See note 31

GROUP 2019	ASSETS Tax losses	ASSETS Fixed asset timing differences	ASSETS Other timing differences	ASSETS Share-based payments	LIABILITIES Fixed asset timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May	3,068	-	-	-	(142)	2,926
Acquisition of subsidiaries	305	(39)	74		(4,738)	(4,398)
Included in the income statement	(163)	195	(56)	736	321	1,033
Included in equity	2,900	-	-	113	-	3,013
Currency variations	(14)	-	-	1	40	27
At 30 April	**6,096**	**156**	**18**	**850**	**(4,519)**	**2,601**

GROUP 2018	ASSETS Tax losses	ASSETS Fixed asset timing differences	ASSETS Other timing differences	ASSETS Share-based payments	LIABILITIES Fixed asset timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May	3,020	48	19	-	(244)	2,843
Included in the income statement	67	(48)	(19)	-	102	102
Currency variations	(19)	-	-	-	-	(19)
At 30 April	**3,068**	**-**	**-**	**-**	**(142)**	**2,926**

COMPANY 2019	ASSETS Tax losses	ASSETS Fixed asset timing differences	ASSETS Other timing differences	ASSETS Share-based payments	LIABILITIES Fixed asset timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May	2,893	-	-	-	-	2,893
Included in the income statement	(619)	104	11	736	-	232
Included in equity	2,900	-	-	113	-	3,013
Currency variations	-	-	-	1	-	1
At 30 April	**5,174**	**104**	**11**	**850**	**-**	**6,139**

COMPANY 2018	ASSETS Tax losses	ASSETS Fixed asset timing differences	ASSETS Other timing differences	ASSETS Share-based payments	LIABILITIES Fixed asset timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May	2,836	38	19	-	-	2,893
Included in the income statement	57	(38)	(19)	-	-	-
At 30 April	**2,893**	**-**	**-**	**-**	**-**	**2,893**

A proportion of the total potential deferred tax assets in the UK, Australia and the US have not been recognised due to insufficient certainty that there will be relevant profits available in the near future to utilise them. The unrecognised element of these deferred tax elements is given below.

The value of the future deduction for share-based payments (options) is dependent on the share price at the point of exercise, therefore its value is highly uncertain. A significant proportion of the value of any future credit for the recognition or use of these unrecognised deferred tax assets would be taken to equity, rather than to the Income statement.

Unrecognised deferred tax assets

GROUP	2019		Restated[1] 2018	
	Gross Value	Unrecognised Tax value	Gross Value	Unrecognised Tax value
	£'000	£'000	£'000	£'000
Tax losses	89,937	22,282	50,257	11,316
Share-based payments	-	-	19,442	3,305
Fixed asset timing differences	24	5	520	90
Other timing differences	1,810	402	4,350	891
	91,771	**22,689**	**74,569**	**15,602**

COMPANY	2019		Restated[1] 2018	
	Gross Value	Unrecognised Tax value	Gross Value	Unrecognised Tax value
	£'000	£'000	£'000	£'000
Tax losses	-	-	18,214	3,096
Share-based payments	-	-	19,442	3,305
Fixed asset timing differences	-	-	507	86
Other timing differences	-	-	3,007	511
	-	**-**	**41,170**	**6,998**

12. Earnings per share

	BASIC AND DILUTED	
	2019	Restated[1] 2018
Loss £'000	(54,861)	(30,077)
Weighted average number of shares ('000)	303,090	273,072
Loss per share (£)	(0.18)	(0.11)

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.

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

Weighted average number of shares 2018	273,072
Weighted average issue of new shares and exercise of options	30,018
Weighted average number of shares 2019	**303,090**

In addition to the above, there are 21,826,838 share options which could have a dilutive potential, but as these shares are anti-dilutive they have not been included in the weighted average number of shares used to calculate the diluted loss per share.

13. Finance income

	2019	2018
	£'000	£'000
Interest income	763	232
Fair value gains in respect of derivatives	54	60
Finance income	**817**	**292**

1 See note 31

14. Finance expense

	2019 £'000	2018 £'000
Interest expense	50	-
Loss on factored receivables	4,406	1,724
Finance expense	**4,456**	**1,724**

15. Goodwill

	BFL £'000	DuProprio £'000	Group £'000
Cost			
At 1 May & 30 April 2018	2,606	-	2,606
Acquisition of subsidiary	-	16,880	16,880
As at 30 April 2019	2,606	16,880	19,486
Carrying amount:			
At 30 April 2019	**2,606**	**16,880**	**19,486**
At 30 April 2018	2,606	-	2,606

Please refer to note 18 for details of the impairment assessments performed in respect of the carrying amount of goodwill.

15a Acquisition of subsidiary

On 6 July 2018, the Group obtained control of 1005 9059-2114 Quebec Inc. by acquiring 100% of its issued share capital. This company heads a group of companies operating as DuProprio, which owns and operates one of Canada's leading commission free real estate service networks as an online offering with similar aspects to Purplebricks. Goodwill of £16,880,000 arose on the acquisition.

	£'000
Trade and other receivables	2,356
Cash and cash equivalents	3,652
Other assets	678
Property, plant and equipment	582
Customer relationships	1,730
DuProprio brand	13,266
Proprietary technology	2,884
Deferred income tax liabilities	(4,829)
Trade and other payables	(4,111)
Deferred revenues	(2,146)
Total identifiable net assets	14,062
Goodwill	16,880
Total consideration	30,942
Satisfied by:	
Cash	30,942
Net cash outflow arising on acquisition:	
Cash consideration	30,942
Less: cash and cash equivalents acquired	(3,652)
Net cash outflow	**27,290**

DuProprio contributed £23.7 million revenue and £3.2 million to the Group's loss for the period between the date of acquisition and the reporting date. If the acquisition of DuProprio had been completed on the first day of the financial year, Group revenues would have been £142.3 million and loss for the year £55.7 million.

16. Intangible assets

GROUP	Internally generated intangible	Capitalised Software	Patents and trademark	Customer relationships	Proprietary Tech	Brand	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
Balance at 1 May 2017	1,936	193	100	1,071	-	-	-	3,300
Addition	-	641	-	-	-	-	-	641
Internally developed	2,292	-	-	-	-	-	-	2,292
Balance at 30 April 2018	4,228	834	100	1,071	-	-	-	6,233
Addition	-	217	-	-	-	-	454	671
Acquisition of subsidiary	-	-	-	1,730	2,884	13,266	-	17,880
Internally developed	2,606	-	-	-	-	-	-	2,606
Balance at 30 April 2019	**6,834**	**1,051**	**100**	**2,801**	**2,884**	**13,266**	**454**	**27,390**
Amortisation								
Balance at 1 May 2017	(513)	(3)	(6)	(21)	-	-	-	(543)
Amortisation for the year	(936)	(39)	(67)	(214)	-	-	-	(1,256)
Balance at 30 April 2018	(1,449)	(42)	(73)	(235)	-	-	-	(1,799)
Amortisation for the year	(1,713)	(461)	(27)	(499)	(791)	-	(213)	(3,704)
Balance at 30 April 2019	(3,162)	(503)	(100)	(734)	(791)	-	(213)	(5,503)
Net carrying value								
Balance at 30 April 2019	**3,672**	**548**	**-**	**2,067**	**2,093**	**13,266**	**241**	**21,887**
Balance at 30 April 2018	2,779	792	27	836	-	-	-	4,434

The internally generated intangible asset relates to capitalised development costs in respect of the customer facing Purplebricks software platform. The intangible asset in respect of brand acquired has been deemed to have an indefinite life and is tested annually for impairment. All other intangible assets are amortised over their useful economic lives. Indefinite-lived intangible assets comprise those trademarks for which there is no foreseeable limit to the period over which they are expected to generate net cash inflows. These are considered to have an indefinite life, given the strength and durability of our brands and the level of marketing support. The nature of the industry we operate in is such that brand obsolescence is not common, if appropriately supported by advertising and marketing spend.

In the case of the internally developed intangible asset, amortisation is charged on a straight line basis over three years. The useful economic life of the customer relationships is five years. Capitalised software is amortised over three years on a straight line basis. The remaining useful lives of each asset are in keeping with the amortisation policy.

COMPANY	Internally generated intangible	Capitalised Software	Total
	£'000	£'000	£'000
Balance at 1 May 2017	1,936	194	2,130
Addition	-	634	634
Internally developed	2,292	-	2,292
Balance at 30 April 2018	4,228	828	5,056
Addition	-	94	94
Internally developed	2,606	-	2,606
Balance at 30 April 2019	**6,834**	**922**	**7,756**
Amortisation			
Balance at 1 May 2017	(513)	(3)	(516)
Amortisation for the year	(936)	(39)	(975)
Balance at 30 April 2018	(1,449)	(42)	(1,491)
Amortisation for the year	(1,713)	(190)	(1,903)
Balance at 30 April 2019	**(3,162)**	**(232)**	**(3,394)**
Net carrying value			
Balance at 30 April 2019	**3,672**	**690**	**4,362**
Balance at 30 April 2018	2,779	786	3,565

17. Property, plant and equipment

GROUP	Computer equipment £'000	Furniture & fittings £'000	Motor vehicles £'000	Leasehold Improvements £'000	Total £'000
Cost					
Balance at 1 May 2017	680	264	22	-	966
Additions	490	271	-	-	761
Balance at 30 April 2018	1,170	535	22	-	1,727
Recognised on acquisition of subsidiary (see note 15a)	429	136	-	17	582
Additions	659	319	-	168	1,146
Disposals	-	(25)	(12)	-	(37)
Balance as 30 April 2019	**2,258**	**965**	**10**	**185**	**3,418**
Depreciation					
Balance at 1 May 2017	(199)	(48)	(1)	-	(248)
Charge for the year	(309)	(109)	(7)	-	(425)
Balance at 30 April 2018	(508)	(157)	(8)	-	(673)
Charge for the year	(597)	(184)	(14)	(27)	(822)
Accumulated depreciation on disposal	-	25	12	-	37
Balance as 30 April 2019	**(1,105)**	**(316)**	**(10)**	**(27)**	**(1,458)**
Net book value					
At 30 April 2019	**1,153**	**649**	**-**	**158**	**1,960**
At 30 April 2018	662	378	14	-	1,054

COMPANY	Computer equipment £'000	Furniture & fittings £'000	Total £'000
Cost			
Balance at 1 May 2017	640	154	794
Additions	282	210	492
Balance at 1 May 2018	922	364	1,286
Additions	355	113	468
Balance as 30 April 2019	**1,277**	**477**	**1,754**
Depreciation			
Balance at 1 May 2017	(194)	(36)	(230)
Charge for the year	(263)	(50)	(313)
Balance at 1 May 2018	(457)	(86)	(543)
Charge for the year	(305)	(94)	(399)
Balance as 30 April 2019	**(762)**	**(180)**	**(942)**
Net book value			
At 30 April 2019	**515**	**297**	**812**
At 30 April 2018	465	278	743

18. Investment in subsidiaries

COMPANY	£'000
Cost	
1 May 2018	22,150
Acquisitions	30,942
Share-based payment charge in respect of employees of subsidiaries	1,433
At 30 April 2019	54,525
Impairment charge for the year	
Charge arising in the year	(22,651)
At 30 April 2019	(22,651)
Carrying amount	
At 30 April 2019	**31,874**
At 30 April 2018	22,150

The Group consists of a Parent Company, Purplebricks Group plc, incorporated in the UK and a number of subsidiaries held directly by Purplebricks Group plc, which operate and are incorporated around the world.

The Company holds 100% of the share capital and voting rights in respect of all subsidiaries.

Impairment Review

Australia and US – assessment of carrying value of cost of investment in the Company statement of financial position

During the year, the performance of the Group's operations in Australia and the United States was below expectation. After the year end, following strategic reviews, as set out earlier in the annual report, a decision was made to close operations in Australia, and in the US, each to be effected in FY 20.

The closure of the Australian operations is expected to result in a net cash outflow during FY 20. Therefore, the cost of investment in the Australian business and the intercompany receivables due from Australia have been impaired to zero in the accounts of Purplebricks Group plc, on a fair value less costs of disposal basis. This has resulted in an impairment charge in the company of £40,837,000 including £10,832,000 in respect of cost of investment. This impairment has no effect on the consolidated accounts.

The carrying value of US assets has been assessed on a value in use basis. Forecasts for FY 20 indicate a cash outflow. At the balance sheet date, cashflow forecasts for beyond FY 21 were subject to significant uncertainty. Therefore, management have taken the decision to impair in full all investment and intercompany receivable balances as at 30 April 2019. This has resulted in an impairment charge in the company of £53,082,000 including £8,819,000 in respect of cost of investment. This impairment has no effect on the consolidated accounts.

BFL

The acquisition of BFL Property Management Limited ("BFL") in March 2017 gave rise to a cost of investment in the company balance sheet of £3.6 million, and a goodwill amount in the consolidated balance sheet of £2.6 million. As required by IAS 36, the carrying value of indefinite lived assets is tested annually for impairment. This assessment has been performed at the current reporting date for both the cost of investment in BFL and for goodwill relating to BFL on a value in use basis.

BFL trading since acquisition has been in line with expectations at the time of acquisition, and as anticipated the Lettings business of Purplebricks Group plc has benefited from the expertise acquired with BFL. Over time, contracts with landlords held by BFL have been replaced as they naturally come to an end with contracts with Purplebricks Group plc. Therefore, part of the value of the acquired business is now at 30 April 2019 represented by synergies within the Group, rather than purely in contracts held by the acquired company. No new contracts are currently being entered into in the name of BFL.

BFL - assessment of carrying value of goodwill in the consolidated statement of financial position

The goodwill arising on the acquisition of BFL has been allocated to the cash generating unit represented by the Group's UK lettings business as a whole. This is because following the integration of BFL staff into the wider UK lettings business, the activity in lettings relating to BFL cannot be distinguished from the wider lettings business.

The recoverable amount of the UK lettings business is determined from the value in use calculation which uses cashflow projections based on financial budgets approved by the directors covering a five year period, revenue growth rate of 5% and a pre-tax discount rate of 8.5%. Cashflows beyond that five year period have been extrapolated using a steady growth rate of 2.5%. This rate does not exceed the average long-term growth rate for the relevant markets.

The discounted cash flow calculation prepared in respect of the UK lettings business based on historical trends within this business indicates significant headroom over the carrying value of goodwill attributable to the BFL CGU. The key assumptions within this calculation include the rate of revenue growth and the discount rate. This calculation indicates a recoverable value of £12,524,000 for this CGU, and headroom over the carrying value of goodwill of £9,918,000.

A change in discount rate of 1.0% has an effect of less than £2.0m on the DCF valuation and still shows significant headroom.

A change in revenue growth rate of 5.0% has an effect of less than £0.5m on the DCF valuation.

BFL - assessment of carrying value of cost of investment in the Company statement of financial position

In assessing the carrying value of cost of investment, a discounted cash flow calculation has been prepared which takes into account only contracts held by BFL and not the synergies in the wider Group.

Due to the reduction in the size of the business conducted within BFL since acquisition as a result of the partial transfer of trade as described above, and as this transfer of trade is expected to continue in future years, the cash flow forecasts indicate that a partial impairment of the cost of investment is required. This impairment amounts to £3.0m. This impairment results from management decisions taken as to the operation of the wider Lettings business rather than resulting from lower than expected performance of BFL post acquisition.

Assumptions within this calculation include the rate of revenue growth and the discount rate.

A change in discount rate of 1.0% has an effect of less than £0.1m on the DCF valuation.

A change in contract loss rate of 5.0% has an effect of less than £0.2m on the DCF valuation.

The expected future continued transfer out of BFL contracts may well lead to a further impairment of cost of investment in BFL in future periods. Management will continue to review the carrying value of BFL at future reporting dates in order to assess whether a further impairment has become necessary.

Canada - assessment of carrying value of cost of investment in the Company statement of financial position and goodwill in the consolidated statement of financial position

The acquisition of the Canada based DuProprio business during the year gave rise to a cost of investment in the company balance sheet of £30,942,000, and a goodwill amount in the consolidated balance sheet of £16,880,000 and other intangible assets with indefinite lives totalling £13,266,000. As required by IAS 36, the carrying value of goodwill is tested annually for impairment. This assessment has been performed at the current reporting date on a fair value less costs of disposal basis.

Trading since acquisition has been in line with expectations at the time of acquisition. Management have prepared a fair value calculation based on a revenue multiple valuation approach. This multiple, as well as estimates of costs of disposal, has been based on historical experience. This approach indicates a recoverable value of £33.5 million, indicating headroom over the carrying value of cost of investment of £2.5 million, and (adjusting for underlying net assets of the Canada business) over carrying value of goodwill attributable to the Canada CGU and brand value of £1.3 million.

Sensitivity analysis performed has included assessment of the impact of using an alternative revenue multiple and effects of a change in foreign exchange rates. This analysis indicates that conditions which would require an impairment of goodwill and other indefinite lived intangible assets are an increase in foreign exchange rate of 4% or decrease in revenue multiple of 4%, which are not considered to be likely.

The Group consists of a Parent Company, Purplebricks Group plc, incorporated in the UK and a number of subsidiaries held directly by Purplebricks Group plc, which operate and are incorporated around the world.

Summary of Company level impairments

	£'000
Impairment of investments	
US	8,819
Australia	10,832
BFL	3,000
	22,651
Impairment of intercompany balances	
US	44,263
Australia	30,005
	74,268
	96,919

The Company holds 100% of the share capital and voting rights in respect of all subsidiaries, which are listed below.

Name of subsidiary	Country of incorporation	Country of operation	Nature of business	Registered office
BFL Property Management Limited	United Kingdom	United Kingdom	Residential lettings	(1)
Purplebricks Australia Pty Limited	Australia	Australia	Real estate agency	(2)
Purplebricks Franchising Pty Limited	Australia	Australia	Real estate agency	(2)
Purplebricks Services Pty Limited	Australia	Australia	Real estate agency	(3)
Mein Foxton Pty Ltd	Australia	Australia	Real estate agency	(2)
Hendra Pepper Pty Ltd	Australia	Australia	Real estate agency	(2)
Folkestone Mein Pty Ltd	Australia	Australia	Real estate agency	(2)
Pepper Mein Pty Ltd	Australia	Australia	Real estate agency	(2)
Purplebricks New Zealand Limited	New Zealand	New Zealand	Dormant	(4)
Purplebricks Inc	USA	USA	Real estate agency	(5)
Centerpoint Closing Services LLC	USA	USA	Real estate agency	(5)
Purplebricks Title Agency Inc	USA	USA	Real estate agency	(6)
9059-2114 Quebec Inc	Canada	Canada	Real estate agency	(7)
ByTheOwner Inc / DuProprio Inc	Canada	Canada	Real estate agency	(7)
DP Immobilier Quebec Inc	Canada	Canada	Real estate agency	(7)
CF Real Estate Ontario Inc	Canada	Canada	Real estate agency	(7)
CF Real Estate Max Inc	Canada	Canada	Real estate agency	(7)
Comfree - Commission Free Realty Inc	Canada	Canada	Real estate agency	(7)
CF Real Estate First Inc	Canada	Canada	Real estate agency	(7)
CF Real Estate Maritimes Inc	Canada	Canada	Real estate agency	(7)
8495122 Canada Inc	Canada	Canada	Real estate agency	(8)
VR Estate Inc	Canada	Canada	Real estate agency	(9)

Registered office

(1) Suite 7, Cranmore Place, Cranmore Drive, Shirley, West Midlands B90 4RZ, United Kingdom
(2) Level 1 372 Elizabeth Street, Surry Hills, NSW 2010, Australia
(3) The Executive Centre (Perth) Pty Ltd, Level 25, 108 St Georges Terrace, Perth, WA 6000
(4) 97b Orakei Road, Remuera, Auckland, 1050 , New Zealand
(5) 400 Spectrum Center Drive, Ste. 360, Irvine, California 92618
(6) 875 Concourse Parkway, Ste. 135, Maitland, Florida 32751
(7) 300 - 8389 ave Sous-le-Vent, Lévis (Québec) G6X 1K7, Canada
(8) 4000 - 1 Place Ville-Marie, Montréal (Québec) H3B-4M4 Canada
(9) Thompson Dorfman Sweatman LLP, 1700-242 Hargrave Street, Winnipeg, Manitoba Canada

19. Investment in jointly controlled entity

	GROUP £'000	COMPANY £'000
Opening Balance as at 1 May 2018	-	-
Additions	11,249	11,249
At 30 April 2019	11,249	11,249
Share of Result of joint venture		
Opening Balance as at 1 May 2018	-	-
Share of result for the year	(536)	-
At 30 April 2019	(536)	-
Carrying amount:		
At 30 April 2019	**10,713**	**11,249**
At 30 April 2018	-	-

On 20 December 2018 PBG plc purchased 50% of the share capital of Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft bmH ("JV HoldCo"), a company incorporated in Germany which holds a 25.88% investment in Homeday GbmH, another company incorporated in Germany, from Funfundachtzigste "Media" Vermogensverwaltungsgesellschaft mbH, a wholly owned subsidiary of Axel Springer SE. The other 50% shareholding continues to be held by the Axel Springer group.

Purplebricks and Axel Springer operate JV HoldCo as a joint venture under a joint venture agreement. Consideration for the purchase was £11,249,000.

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. Following the investment, Dr. Andreas Wiele, President Classifieds Media Axel Springer SE, and James Davies, CFO of Purplebricks, have each taken a seat on the Advisory Board of Homeday.

The Group's holding in JV HoldCo is accounted for under the equity method.

Axel Springer has the right 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 have entered into an Investment Agreement and a Shareholders' Agreement.

As at 30 April 2019, Purplebricks had a potential obligation under the Investment Agreement, conditional on the future performance of Homeday, to provide further capital and loan funding to Homeday of up to EUR 20 million in 2019. Purplebricks had the option to settle this potential future liability either in cash or by the issue of a variable number of new shares in Purplebricks Group plc.

Post year end, the Joint Venture Agreement, the Investment Agreement and the Shareholders' Agreement were amended and restated in August 2019 to reflect the progress made by Homeday. Under the amended Investment Agreement, JV HoldCo provided a convertible loan to Homeday of €10m, funded equally by Purplebricks and Axel Springer. 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 make further investments in Homeday through JV HoldCo on its own. The same applies if both, Purplebricks and its joint venture partner, choose not to participate in further funding of Homeday through JV HoldCo and other shareholders of Homeday decide to make further investments in Homeday.

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 future periods leading up to the exercise dates of the options in 2021 and 2024. 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.

As it is not sufficiently possible at this stage to determine whether Purplebricks will decide to make any further investments, no range of potential purchase prices is provided at this stage.

As a start up entity, Homeday is currently loss making as the business makes significant investments in marketing. Homeday forecasts to become profitable as these investments translate into activity and revenue growth. Trading of Homeday has been in line with expectations at the time of acquisition.

The registered office of Einhundertsiebte “Media” Vermogensverwaltungsgesellschaft bmH is Axel-Springer-Strasse 65, 10888, Berlin, Germany

The registered office of Homeday GbmH is Prinzessinnenstrasse 26, 10969, Berlin, Germany

20. Trade and other receivables

	GROUP		COMPANY	
	2019	Restated[1] 2018	2019	Restated[1] 2018
	£’000	£’000	£’000	£’000
Trade and other receivables	6,163	4,258	563	2,010
Amount owed by group undertakings	-	-	1,389	16,407
Prepayments	11,562	8,502	9,040	6,227
Accrued income	9,721	6,432	8,186	6,287
	27,446	**19,192**	**19,178**	**30,931**

In order to manage both liquidity requirements and credit risk in the UK and Australia, the Group operates committed facilities with a third party finance house. Further detail is set out in the accounting policy detailed in note 2.20.

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

As the level of business conducted in the US and in Australia in the prior year was relatively low, and as at 30 April 2018, no trade receivables were overdue, no credit loss provision was held at a Group or Company level at that date. Based on the experience of operating in these markets, and the business model operated at the date of transition to IFRS 9, no credit loss provision was created at this date on adoption of IFRS 9, which requires the use of an expected loss model rather than the incurred loss model which was previously used by the Group. During the current financial year, both the level of trading outside of the UK, and the changes in business model used in the US and Australian markets (see note 2.4.1) has changed the credit loss profile of the Group, such that a credit loss provision has become necessary as at 30 April 2019.

As the Group recognises accrued income at the expected value of consideration receivable, no credit loss provision against accrued income is considered necessary.

Amounts owed by group undertakings to the Company bear interest at 3.75% above LIBOR and are repayable upon demand by the Company. See further detail in respect of these amounts as provided in note 27.

The movement in loss allowances for trade receivables during the year was as follows:

	GROUP	COMPANY
	£’000	£’000
Opening loss allowance at 1 May 2018	-	-
Increase in loan loss allowance recognised in profit or loss during the year	988	242
Receivables written off during the year as uncollectible	(123)	(123)
Loss allowance at 30 April 2019	**865**	**119**

GROUP

As at 30 April 2019	**Current**	**0-30 days past due**	**31-60 days past due**	**60+days past due**	**Total**
	£’000	£’000	£’000	£’000	£’000
Gross carrying amount	3,846	850	729	1,603	7,028
Loss allowance	-	-	(80)	(785)	(865)
Net carrying amount	**3,846**	**850**	**649**	**818**	**6,163**
Expected loss rate	0.0%	0.0%	11.0%	49.0%	12.3%

1 See note 31

GROUP

As at 30 April 2018	Current £'000	0-30 days past due £'000	31-60 days past due £'000	60+days past due £'000	Total £'000
Gross carrying amount	4,258	-	-	-	4,258
Loss allowance	-	-	-	-	-
Net carrying amount	**4,258**	**-**	**-**	**-**	**4,258**
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%

COMPANY

As at 30 April 2019	Current £'000	0-30 days past due £'000	31-60 days past due £'000	60+days past due £'000	Total £'000
Gross carrying amount	401	5	9	267	682
Loss allowance	-	-	-	(119)	(119)
Net carrying amount	**401**	**5**	**9**	**148**	**563**
Expected loss rate	0.0%	0.0%	0.0%	44.6%	17.4%

COMPANY

As at 30 April 2018	Current £'000	0-30 days past due £'000	31-60 days past due £'000	60+days past due £'000	Total £'000
Gross carrying amount	2,010	-	-	-	,2,010
Loss allowance	-	-	-	-	-
Net carrying amount	**2,010**	**-**	**-**	**-**	**2,010**
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%

Summary of movements in accrued income	GROUP £'000	COMPANY £'000
Balance at 1 May 2018	6,432	6,287
Revenue recognised prior to invoice	(13,299)	(14,108)
Amounts invoiced	16,588	16,007
Balance at 30 April 2019	**9,721**	**8,186**

21. Trade and other payables

	GROUP		COMPANY	
	2019 £'000	Restated[1] **2018** £'000	**2019** £'000	Restated[1] **2018** £'000
Trade payables	11,326	8,206	7,054	3,378
Other taxation and social security	2,345	2,038	886	1,988
Other creditors	163	-	60	-
Accruals	11,126	6,056	5,582	4,061
	24,960	16,300	13,582	9,427
Deferred income	19,348	16,842	14,702	13,498
	44,308	**33,142**	**28,284**	**22,925**

All trade and other payables are short-term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

1 See note 2.2

Summary of movements in deferred income	GROUP £'000	COMPANY £'000
Balance at 1 May 2018	16,842	13,498
Payments received	85,909	52,177
Revenue recognised net of refunds	(83,403)	(50,973)
Balance at 30 April 2019	**19,348**	**14,702**

22. Derivative financial instruments

The Group enters into contracts for foreign exchange forwards in order to secure a protected AUS:GBP and USD:GBP exchange rate in respect of the Group's requirement to fund net cash outflows in these currencies.

	GROUP AND COMPANY	
	2019 £'000	2018 £'000
Foreign exchange forward contracts - carried at fair value through profit or loss		
Liability at start of period	(44)	(104)
Gain in movement in fair value through profit or loss	54	60
Asset / (liability) at end of period	**10**	**(44)**
Of which; less than 1 year	10	(44)

Notional amounts at 30 April 2019: £13,604,000 (20 April 2018 £3,936,000). Outstanding forward contracts mature at various dates up to seven months after the balance sheet date (2018 : at various dates up to six months after the balance sheet date).

Further details of derivative financial instruments are provided in 26.

23. Share capital

	Number	Nominal value	2019 £'000	2018 £'000
Allotted, issued and fully paid:				
Class:				
Ordinary	303,090,347	£0.01	3,031	3,019
			3,031	**3,019**

During the year the Company issued a total of 1,247,338 shares of £0.01p each at par, for total consideration of £964,000. (2018: 31,242,098 shares of £0.01p each at par, for total consideration of £102,463,000.)

The table below summarises the movements of the number of shares at the beginning and end of the period:

	Ordinary shares
Ordinary shares at 1 May 2018	301,843,009
Shares issued during the period	1,247,338
Ordinary shares at 30 April 2019	**303,090,347**

1 See note 2.2

24. Share premium

	£'000
Balance at 1 May 2017	74,901
Premium arising on issue of equity shares	99,722
Cost of share issue	(650)
Premium arising on exercise of share options	2,427
Balance at 30 April 2018 and 1 May 2018	176,400
Premium arising on exercise of share options	952
Balance at 30 April 2019	**177,352**

25. Reserves

Share-based payment reserve

The share-based payment reserve represents all current and prior period share-based payment charges less the exercise of share options.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses.

Share premium

The amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of shares issued to them.

Foreign exchange reserve

The foreign exchange reserve records exchange differences arising from the translation of the financial statements of foreign operations. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement.

26. Financial instruments

Capital risk management

Capital management objectives are to ensure the Company's ability to continue as a going concern and to provide a return to shareholders.

The capital structure of the Company currently consists of cash and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company's Audit Committee reviews the capital structure as part of its risk analysis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital.

The Company is not subject to externally imposed capital requirements.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Derivative financial instruments

The Group held the following financial assets at each reporting date:

	GROUP		COMPANY	
	2019 £'000	Restated[1] **2018** £'000	**2019** £'000	Restated[1] **2018** £'000
Financial assets held at amortised cost:				
Trade and other receivables	6,163	4,258	563	2,010
Amounts owed by group undertakings	-	-	1,389	16,407
Accrued income	9,721	6,432	8,186	6,287
Cash and cash equivalents	62,767	152,846	57,617	149,684
	78,651	**163,536**	**67,755**	**174,388**

1 See note 2.2

	GROUP		COMPANY	
	2019	Restated[1] 2018	2019	Restated[1] 2018
	£'000	£'000	£'000	£'000
Financial assets held at fair value through profit and loss:				
Derivative financial instruments	10	-	10	-
	78,661	**163,536**	**67,765**	**174,388**

The Group held the following financial liabilities at each reporting date:

	GROUP		COMPANY	
	2019	Restated[1] 2018	2019	Restated[1] 2018
	£'000	£'000	£'000	£'000
Financial liabilities held at amortised cost:				
Trade payables	11,326	8,206	7,054	3,378
Other creditors	163	-	60	-
Accruals	11,126	6,056	5,582	4,061
	22,615	**14,262**	**12,696**	**7,439**

	GROUP		COMPANY	
	2019	Restated[1] 2018	2019	Restated[1] 2018
	£'000	£'000	£'000	£'000
Financial liabilities held at fair value through profit and loss:				
Derivative financial instruments	-	44	-	44
	22,615	**14,306**	**12,696**	**7,483**

Fair value of financial instruments

Carrying value of the instruments in the financial assets and financial liabilities tables approximates to their fair value.

During the year it was the policy of the Group to enter into USD and AUD forward foreign exchange contracts to manage currency risk in relation to the Group's cash funding requirements for its US and Australian subsidiaries. Derivatives were not designated in hedge relationships.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All derivative financial instruments are level 2. During each of the reporting periods, there were no transfers between valuation levels.

Financial risk management

The Group is exposed through its operations to the following financial risks:

- Liquidity risk
- Interest rate risk
- Credit risk
- Foreign currency risk

The Group's policies for financial risk management are outlined below.

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and by monitoring forecast and actual cash flows to ensure cash is available to meet financial liabilities as they fall due. Sufficient cash is retained in immediate access accounts whilst cash which is surplus to short term requirements is deposited in notice accounts. Sensitivities are applied to cash forecasts to ensure the Company has early warning of any manifestation of liquidity risk.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities excluding derivatives which are disclosed in note 22. The table includes principal only cash flows in respect of trade and other payables.

1 See note 31

Trade and other payables	GROUP		COMPANY	
	2019	Restated[1] 2018	2019	Restated[1] 2018
	£'000	£'000	£'000	£'000
Trade payables, other creditors and accruals due within one month	16,961	10,696	9,522	5,579
Trade payables, other creditors and accruals due within three months	5,654	3,566	3,174	1,860
Trade payables, other creditors and accruals	**22,615**	**14,262**	**12,696**	**7,439**

Interest rate sensitivity analysis

Interest rate risk is the risk that the value of the future cash flows of a financial instrument will fluctuate due to changes in market rates. At the year end date there was no material exposure to movement in interest rates.

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables.

Trade receivables across the Group have been assessed with regard to credit risk characteristics which vary from country to country and according to the nature of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced within over a period of 12 month before 30 April 2019.

The expected loss rates derived from this assessment are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.

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

In order to manage both liquidity requirements and credit risk in the UK and Australia, the Group operates committed facilities with a third party finance house, whereby customer receivables in respect of customers who utilise the Group's "pay later" option are sold immediately to the finance house. The Group has assessed the credit risk of the counterparty as low. See note 2.20 for further details.

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

In the US, at present the Group manages "pay later" receivables itself by monitoring the aggregate amount and duration of exposure to any one customer. As amounts due from each individual customer are small, there is no concentration of credit risk.

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

Foreign currency risk management

A significant part of the Group's transactions are carried out in pound sterling (GBP). Exposures to currency exchange rates arise from the Group's trading activity carried out by its overseas operations, which is primarily denominated in Australian dollars (AUD), US dollars (USD) and Canadian dollars (CAD). The Company holds AUD, USD and CAD denominated loans with its respective subsidiaries arising from intercompany funding arrangements.

To mitigate the Group's exposure to foreign currency transaction risk, planned non-GBP funding requirements in relation to its non-UK subsidiaries are monitored and forward foreign exchange contracts are entered into in relation to those expected cashflows. The Group does not enter into forward exchange rate contracts to mitigate the exposure to foreign currency translation risk on the carrying value of its non-GBP loan receivables. The loans carry a commercial rate of interest. Additionally, the Group does not hedge translation risk in relation to the financial statements of its overseas subsidiaries.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed in the table below. The sensitivity of profit in regards to the Group's financial assets and financial liabilities and the AUD/GBP, USD/GBP and CAD/GBP exchange rates is also disclosed.

The table below sets out assets and liabilities held in foreign currencies and the impact in GBP of changes in the respective foreign exchange rates. The assumed percentage changes in AUD/GBP, USD/GBP and CAD/GBP exchange rate are determined based on historical market volatility and estimates of potential future volatility.

1 See note 31

30 April 2019	AUD	USD	CAD	AUD	US	CAD
	$'000	$'000	$'000	+/- 10% (£'000)	+/- 7% (£'000)	+/- 10% (£'000)
Trade and other receivables	3,875	1,662	6,759	209	89	386
Cash and cash equivalents	2,434	2,909	1,988	132	156	114
Trade and other payables	(4,241)	(5,433)	(10,204)	(229)	(292)	(583)
	2,068	**(862)**	**(1,457)**	**112**	**(47)**	**(83)**

30 April 2018	AUD	USD		AUD	US	
	$'000	$'000		+/- 9% (£'000)	+/- 11% (£'000)	
Trade and other receivables	2,668	1,311		132	105	
Cash and cash equivalents	2,064	1,881		102	150	
Trade and other payables	(5,255)	(5,426)		(259)	(434)	
	(523)	**(2,234)**		**(25)**	**(179)**	

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to currency risk as at 30 April 2019

27. Related party transactions

Related party transactions occur as a result of funding provided to the wholly owned subsidiaries for the purposes of marketing and support from the UK.

Company - balances with subsidiary undertakings

Trade Receivables	As at 30 April 2019	As at 30 April 2018
	£'000	£'000
Purplebricks Australia PTY Limited	30,005	7,348
Provision	(30,005)	-
Purplebricks Inc.	44,263	8,550
Provision	(44,263)	-
BFL Property Management Limited	192	509
DuProprio Inc.	1,197	-
	1,389	**16,407**

During the year Purplebricks Group plc lent £22,657,000 to Purplebricks Australia PTY Limited (2018 : £51,000) and £35,713,000 to Purplebricks Inc (2018 : £8,550,000). During the year the Company provided management services to Canada which have been recharged in the period. Movements in the balance with BFL relate to intragroup cash sweeps.

The background to the provisions held against intercompany balances is set out in note 18.

On 20 December 2018 PBG plc purchased 50% of the share capital of Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft bmH ("JV HoldCo"), a company incorporated in Germany which holds a 25.88% investment in Homeday GbmH, another company incorporated in Germany, from Funfundachtzigste "Media" Vermogensverwaltungsgesellschaft mbH, a wholly owned subsidiary of Axel Springer SE. The other 50% shareholding continues to be held by the Axel Springer group.

Purplebricks and Axel Springer operate JV HoldCo as a joint venture under a joint venture agreement. Consideration for the purchase was £11,249,000. See note 19 for further information.

Other related party transactions

Directors' remuneration and key management personnel disclosures can be found in note 9.

On 21 December 2018, Michael Bruce, Chief Executive Officer, purchased 167,925 shares in the Company; Simon Downing, Non-Executive Director, purchased 133,500 shares in the Company; and Adrian Blair, Non-Executive Director, purchased 33,675 shares in the Company, in each case at £1.48 per share.

Axel Springer SE, an entity closely associated with Dr. Andreas Wiele, Non-executive Director, purchased 3,000,000 shares in the Company on 9 July 2018 at £3.07 per share and 43,662,417 shares on 3 June 2019 at £1.00 per share.

Michael Bruce sold 4,444,444 shares in the Company on 25 April 2018 at 360p per share.

During the year Isabel Bruce, a person closely associated with Michael Bruce, received a salary from the company of £11,000 (FY 2018: £41,000)

28. Commitments

As at 30 April 2019, Purplebricks had a potential obligation under its Investment Agreement with Homeday, conditional on the future performance of Homeday, to provide further capital and loan funding to Homeday of up to EUR 20 million in 2019. See note 19 for further details. Capital commitments, approved by the Board and existing at 30 April 2019 amounted to £nil (2018:£nil). Total commitments under non-cancellable operating leases are as follows:

GROUP	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payable:				
Within one year	1,474	62	697	48
In the second to fifth years	2,503	112	1,349	43
After five years	340	-	-	-
	4,317	**174**	**2,046**	**91**

COMPANY	2019		2018	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Payable:				
Within one year	490	24	403	28
In the second to fifth years	1,010	19	1,009	23
After five years	3	-	-	-
	1,503	**43**	**1,412**	**51**

Operating leases relate to land, buildings and other assets, such as vehicles and IT equipment, used to support the operational requirements of the Company.

29. Ultimate controlling party

There is no ultimate controlling party as no one investor has a majority shareholding.

30. Post balance sheet event

Closure of overseas operations

On 7 May 2019, the Group announced that it had chosen to exit the Australian market and put the Australian business into an orderly run-down with immediate effect, pending closure. Since 8 May 2019, no new instructions have been taken in Australia and the business is focused on settling sales for customers under existing instructions, implementing an orderly reduction in staff numbers and curtailing relationships with suppliers and contractors. The run-down process remains ongoing.

Through the run-down process, the Group is monitoring Australian "net closure costs" which it defines as revenue earned since 8 May 2019, net of costs of serving existing customers, exiting supplier and contractor relationships, employee costs, customer refunds costs and other associated closure costs. Whilst employee costs and the costs of exiting supplier and contractor relationships can be estimated with a reasonable degree of accuracy, the principal uncertainty in measuring net closure costs relates to the quantum of revenue and associated costs. Given the uncertainty around these factors, the Group currently estimates net closure costs in the range of £6 million – £8 million.

The Group also announced on 3 July 2019, that it has chosen to cease investment in the US. This will result in a closure of the business via an orderly run-down, or a sale of all or part of the US operation if a suitable purchaser is identified. No new instructions will be taken by the business from 3 July 2019. The US workforce is being rationalised and the core remaining team will be focused on selling properties which are listed and curtailing relationships with suppliers and contractors, with close oversight from the Group. Since the decision to cease investment is a recent one, the closure costs are yet to be fully quantified and depend on various factors. However, initial preliminary estimates indicate that net closure costs of the US business will be between £4 million - £6 million.

The Australia and US operations represent in their entirety the segments as disclosed in note 7.

Other than normal accruals for services rendered and goods received, no specific provision for closure costs has been made in the financial statements for the year ended 30 April 2019.

Homeday

As set out in note 19, as at 30 April 2019, Purplebricks had a potential obligation to its joint venture Homeday GmbH under an Investment Agreement, conditional on the future performance of Homeday, to provide further capital and loan funding to Homeday of up to EUR 20 million in 2019. Purplebricks had the option to settle this potential future liability either in cash or by the issue of new shares in Purplebricks Group plc.

Post year end, the Joint Venture Agreement, the Investment Agreement and the Shareholders' Agreement were amended and restated in August 2019 to reflect the progress made by Homeday. Under the amended Investment Agreement, JV HoldCo provided a convertible loan to Homeday of €10m, funded equally by Purplebricks and Axel Springer. 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. Further detail is set out in note 19.

Compliance

The Company is currently engaged in discussion with HMRC following an Anti Money Laundering (AML) compliance inspection during the year, from which a number of findings were noted in relation to non compliance with certain aspects of this legislation. At the balance sheet date and the date of this annual report the Company is unable to reliably estimate the financial impact of these findings and related ongoing discussions, therefore in accordance with IAS 37.14 herewith discloses a contingent liability in respect of these matters.

The Company or its subsidiaries are not involved currently in any legal, arbitration or governmental proceedings, including the aforementioned discussion with HMRC, which may have, or have had in the 12 months preceding the date of this report, a material effect on the financial position or profitability of the Company and its subsidiaries.

31. Revenue recognition – transition to IFRS 15

Table 1 Impact of transition to IFRS 15 on retained earnings at 1 May 2017

	£000
Retained earnings as previously stated	(3,984)
Increase in deferred income relating to estate agency services	(7,055)
Increase in accrued income relating to conveyancing services	3,015
Increase in prepaid expenses relating to estate agency services	3,288
Increase in accrued expenses relating to conveyancing services	(504)
Other effects of the implementation of IFRS 15	29
Retained earnings as restated	**(5,211)**

Table 2a Condensed statement of comprehensive income for the year ended 30 April 2018
IFRS 15 adjustments by geographical segment

	Under previous accounting policies £'000	UK £'000	AUS £'000	USA £'000	Canada £'000	As restated under IFRS 15 £'000
Revenue	**93,697**	**(3,765)**	**(1,661)**	**(484)**	**-**	**87,787**
Cost of sales	(41,107)	1,791	880	228	-	(38,208)
Gross Profit	**52,590**	**(1,974)**	**(781)**	**(256)**	-	**49,579**
Administrative and establishment expenses	(35,195)	-	-	-	-	(35,195)
Marketing costs	(42,142)	-	-	-	-	(42,142)
Loss from operating activities	(24,747)	(1,974)	(781)	(256)	-	(27,758)
Finance income	60	-	-	-	-	60
Finance expense	(1,492)	-	-	-	-	(1,492)
Loss on ordinary activities before taxation	(26,179)	(1,974)	(781)	(256)	-	(29,190)
Taxation on loss on ordinary activities	(887)	-	-	-	-	(887)
Loss for the period	(27,066)	(1,974)	(781)	(256)	-	(30,077)
Items that may subsequently be reclassified to profit and loss						
Exchange differences on translation of foreign operations	(490)	-	-	-	-	(490)
Total other comprehensive income	(490)	-	-	-	-	(490)
Total comprehensive loss	**(27,556)**	**(1,974)**	**(781)**	**(256)**	**-**	**(30,567)**

Table 2b
Condensed statement of comprehensive income for the year ended 30 April 2018
IFRS 15 adjustments by contract type

	Under previous accounting policies £000	Instructions £000	Conveyancing £000	Other £000	As restated under IFRS 15 £000
Revenue	93,697	(6,301)	153	238	87,787
Cost of sales	(41,107)	3,013	(26)	(88)	(38,208)
Gross Profit	**52,590**	**(3,288)**	**127**	**150**	**49,579**
Administrative and establishment expenses	(35,195)	-	-	-	(35,195)
Marketing costs	(42,142)	-	-	-	(42,142)
Loss from operating activities	**(24,747)**	**(3,288)**	**127**	**150**	**(27,758)**
Finance income	60	-	-	-	60
Finance expense	(1,492)	-	-	-	(1,492)
Loss on ordinary activities before taxation	**(26,179)**	**(3,288)**	**127**	**150**	**(29,190)**
Taxation on loss on ordinary activities	(887)	-	-	-	(887)
Loss for the period	**(27,066)**	**(3,288)**	**127**	**150**	**(30,077)**
Items that may subsequently be reclassified to profit and loss					
Exchange differences on translation of foreign operations	(490)	-	-	-	(490)
Total other comprehensive income	**(490)**	**-**	**-**	**-**	**(490)**
Total comprehensive profit/(loss)	**(27,556)**	**(3,288)**	**127**	**150**	**(30,567)**

Table 3a Condensed statement of financial position as at 30 April 2017 - IFRS 15 adjustments by contract type

	Under previous accounting policies	Instructions	Conveyancing	Other	As restated under IFRS 15
	£000	£000	£000	£000	£000
Non-current assets					
Goodwill	2,606	-	-	-	2,606
Intangible assets	2,757	-	-	-	2,757
Property, plant and equipment	718	-	-	-	718
Deferred tax asset	3,087	-	-	-	3,087
	9,168	**-**	**-**	**-**	**9,168**
Current assets					
Trade and other receivables	4,865	3,288	3,105	-	11,258
Cash and other cash equivalents	71,330	-	-	-	71,330
	76,195	**3,288**	**3,105**	**-**	**82,588**
Current liabilities					
Trade and other payables	(7,301)	-	(558)	-	(7,859)
Deferred income	(2,307)	(7,063)	-	-	(9,370)
Derivative financial instruments	(104)	-	-	-	(104)
	(9,712)	(7,063)	(558)	-	(17,333)
Net current assets	66,483	(3,775)	2,547	-	65,255
Total assets less current liabilities	75,651	(3,775)	2,547	-	74,423
Non-current liabilities					
Deferred tax liabilities	(244)	-	-	-	(244)
Net assets	**75,407**	**(3,775)**	**2,547**	**-**	**74,179**
Equity					
Share capital	2,705	-	-	-	2,705
Share premium	74,901	-	-	-	74,901
Share-based payments reserve	1,669	-	-	-	1,669
Foreign exchange reserve	116	-	-	-	116
Retained earnings	(3,984)	(3,775)	2,547	-	(5,212)
Total equity	**75,407**	**(3,775)**	**2,547**	**-**	**74,179**

Table 3b Condensed statement of financial position as at 30 April 2018 - IFRS 15 adjustments by geographical segment	**Under previous accounting policies**	**UK**	**AUS**	**USA**	**Canada**	**As restated under IFRS 15**
	£000	£000	£000	£000	£000	£000
Non-current assets		-	-	-	-	
Goodwill	2,606	-	-	-	-	2,606
Intangible assets	4,434	-	-	-	-	4,434
Property, plant and equipment	1,054	-	-	-	-	1,054
Deferred tax asset	3,068	-	-	-	-	3,068
	11,162	**-**	**-**	**-**	**-**	**11,162**
Current assets						
Tax receivable	306	-	-	-	-	306
Trade and other receivables	9,380	8,406	1,100	306	-	19,192
Cash and other cash equivalents	152,846	-	-	-	-	152,846
	162,532	**8,406**	**1,100**	**306**	**-**	**172,344**
Current liabilities						
Trade and other payables	(15,624)	(658)	-	(18)	-	(16,300)
Deferred income	(3,467)	(10,755)	(2,076)	(544)	-	(16,842)
Derivative financial instruments	(44)	-	-	-	-	(44)
	(19,135)	**(11,413)**	**(2,076)**	**(562)**	**-**	**(33,186)**
Net current assets	143,397	(3,007)	(976)	(256)	-	139,158
Total assets less current liabilities	154,559	(3,007)	(976)	(256)	-	150,320
Non-current liabilities						
Deferred tax liabilities	(142)	-	-	-	-	(142)
Net assets	**154,417**	**(3,007)**	**(976)**	**(256)**	**-**	**150,178**
Equity						
Share capital	3,019	-	-	-	-	3,019
Share premium	176,400	-	-	-	-	176,400
Share-based payments reserve	4,545	-	-	-	-	4,545
Foreign exchange reserve	(374)	-	-	-	-	(374)
Retained earnings	(29,173)	(3,007)	(976)	(256)	-	(33,412)
Total equity	**154,417**	**(3,007)**	**(976)**	**(256)**	**-**	**150,178**

Table 3c Condensed statement of financial position as at 30 April 2018 - IFRS 15 adjustments by contract type	**Under previous accounting policies**	**Instructions**	**Conveyancing**	**Other**	**As restated under IFRS 15**
	£000	£000	£000	£000	£000
Non-current assets					
Goodwill	2,606	-	-	-	2,606
Intangible assets	4,434	-	-	-	4,434
Property, plant and equipment	1,054	-	-	-	1,054
Deferred tax asset	3,068	-	-	-	3,068
	11,162	**-**	**-**	**-**	**11,162**
Current assets					
Tax receivable	306	-	-	-	306
Trade and other receivables	9,380	6,300	3,167	345	19,192
Cash and other cash equivalents	152,846	-	-	-	152,846
	162,532	**6,300**	**3,167**	**345**	**172,344**
Current liabilities					
Trade and other payables	(15,624)	-	(530)	(146)	(16,300)
Deferred income	(3,467)	(13,356)	-	(19)	(16,842)
Derivative financial instruments	(44)	-	-	-	(44)
	(19,135)	**(13,356)**	**(530)**	**(165)**	**(33,186)**
Net current assets	143,397	(7,056)	2,637	180	139,158
Total assets less current liabilities	154,559	(7,056)	2,637	180	150,320
Non-current liabilities					
Deferred tax liabilities	(142)	-	-	-	(142)
Net assets	**154,417**	**(7,056)**	**2,637**	**180**	**150,178**
Equity					
Share capital	3,019	-	-	-	3,019
Share premium	176,400	-	-	-	176,400
Share-based payments reserve	4,545	-	-	-	4,545
Foreign exchange reserve	(374)	-	-	-	(374)
Retained earnings	(29,173)	(7,056)	2,637	180	(33,412)
Total equity	**154,417**	**(7,056)**	**2,637**	**180**	**150,178**

Table 4 Impact of the adoption of IFRS 15 on the Group's reported earnings per share for the year ended 30 April 2018

Earnings per share restated	Basic and diluted **As previously stated**	**Increase in loss on adoption of IFRS 15**	Basic and diluted **As restated**
Loss for the period (£000)	(27,066)	(3,011)	(30,077)
Weighted average number of shares	273,072,000	-	273,072,000
Loss per share (£)	(0.10)		(0.11)

Table 5 Impact of adoption of IFRS 15 on brokerage and lettings revenue for the year ended 30 April 2018

	£000
Other revenue as previously reported	11,686
Impact of adoption of IFRS 15	48
	11,734

Table 6
Impact of adoption of IFRS 15 on consolidated statement of cash flows for the year ended 30 April 2018 - IFRS 15 adjustments by contract type

	Under previous accounting policies	IFRS 15 adjustments	Other restatements see note 2.2	As restated
	£000	£000	£000	£000
Loss for the year after taxation	**(27,066)**	**(3,011)**	**-**	**(30,077)**
Operating cash outflow before changes in working capital	(19,589)	(3,011)	(1,724)	(24,324)
Movement in trade and other receivables	(4,515)	(3,419)	-	(7,934)
Movement in trade and other payables	8,323	118	-	8,441
Movement in deferred income	1,161	6,312	-	7,473
Net cash utilised in operating activities	(14,620)	-	(1,724)	(16,344)

Table 7a
Company statement of financial position as at 30 April 2018 - IFRS 15 adjustments by contract type

	Under previous accounting policies	Instructions	Conveyancing	Other	As restated under IFRS 15
	£000	£000	£000	£000	£000
Non-current assets					
Intangible assets	3,565	-	-	-	3,565
Property, plant and equipment	743	-	-	-	743
Investment in subsidiaries	22,150				22,150
Deferred tax asset	2,893	-	-	-	2,893
	29,351	**-**	**-**	**-**	**29,351**
Current assets					
Tax receivable	306	-	-	-	306
Trade and other receivables	22,524	8,128	279	-	30,931
Cash and other cash equivalents	149,684	**-**	**-**	**-**	149,684
	172,514	**8,128**	**279**	**-**	**180,921**
Total assets	**201,865**	**8,128**	**279**	**-**	**210,272**
Current liabilities					
Trade and other payables	(8,767)	-	(530)	(130)	(9,427)
Deferred income	(2,743)	(10,736)	-	(19)	(13,498)
Derivative financial instruments	(44)	**-**	**-**	**-**	(44)
	(11,554)	**(10,736)**	**(530)**	**(149)**	**(22,969)**
Net current assets	**160,960**	**(2,608)**	**(251)**	**(149)**	**157,952**
Total assets less current liabilities, being net assets	**190,311**	**(2,608)**	**(251)**	**(149)**	**187,303**
Equity					
Share capital	3,019	-	-	-	3,019
Share premium	176,400	-	-	-	176,400
Share-based payments reserve	4,545	-	-	-	4,545
Retained earnings	6,347	(2,608)	(251)	(149)	3,339
Total equity	**190,311**	**(2,608)**	**(251)**	**(149)**	**187,303**

Table 7b Company statement of financial position as at 30 April 2017 - IFRS 15 adjustments by contract type	**Under previous accounting policies**	**Instructions**	**Conveyancing**	**Other**	**As restated under IFRS 15**
	£000	£000	£000	£000	£000
Non-current assets					
Intangible assets	1,614	-	-	-	1,614
Property, plant and equipment	564	-	-	-	564
Investment in subsidiaries	3,574	-	-	-	3,574
Deferred tax asset	2,893	-	-	-	2,893
	8,645	**-**	**-**	**-**	**8,645**
Current assets					
Tax receivable	-	-	-	-	-
Trade and other receivables	11,245	3,068	3,015	91	17,419
Cash and other cash equivalents	69,941	**-**	**-**	**-**	69,941
	81,186	**3,068**	**3,015**	**91**	**87,360**
Total assets	**89,831**	**3,068**	**3,015**	**91**	**96,005**
Current liabilities					
Trade and other payables	(6,437)	-	(504)	(55)	(6,996)
Deferred income	(1,821)	(6,649)	-	-	(8,470)
Derivative financial instruments	(104)	**-**	**-**	**-**	**(104)**
	(8,362)	**(6,649)**	**(504)**	**(55)**	**(15,570)**
Net current assets	**72,824**	**(3,581)**	**2,511**	**36**	**71,790**
Total assets less current liabilities, being net assets	**81,469**	**(3,581)**	**2,511**	**36**	**80,435**
Equity					
Share capital	2,705	-	-	-	2,705
Share premium	74,901	-	-	-	74,901
Share-based payments reserve	1,669	-	-	-	1,669
Retained earnings	2,194	(3,581)	2,511	36	1,160
Total equity	**81,469**	**(3,581)**	**2,511**	**36**	**80,435**

COMPANY INFORMATION

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Paul Pindar, Chairman
Vic Darvey, Chief Executive Officer (appointed 7 May 2019)
James Davies, Chief Financial Officer
Adrian Blair
Simon Downing
Andreas Wiele
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Board members' photography by Matt Leete. mattleete.com
Cover: Customers, the Hamed family, Nottingham UK on their move day, spring '19

Purplebricks is committed to the environmental issues reflected in this Annual Report. The cover is printed on Fedrigoni Symbol digital satin and the text pages on Condat digital silk which are FSC certified and ECF (Elemental Chlorine Free) from a FSC chain-of-custody certified mill. Printed in the UK by PSW Paper & Print Ltd.

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