Purplebricks Group plc

Annual Report 2017

Contents

PURPLE BRICKS
Proper estate agents.
No commission. No commisery.
Instruct us to sell for £849
Book a free valuation
Sellers
Buyers
Landlords
Tenants

> "I would like to thank all of our people for their hard work, dedication, commitment and absolute belief in our customers and our brand. They have created thousands of brand advocates in an industry that is often talked about, criticised and disliked. I would also like to thank our customers who have embraced what we are trying to achieve and have actively helped and supported us in our journey to date.

Michael Bruce
CEO

Company Information

Directors	M P D Bruce J R Davies W E Whitehorn P R M Pindar N S Discombe
Registered company number	08047368
Registered and head office	Suite 7 Cranmore Place Cranmore Drive Shirley West Midlands B90 4RZ
Solicitor to the Company	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Auditor to the Company	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham B4 6AT
Nomad/Broker	Zeus Capital Ltd 41 Conduit Street London W1S 2YQ

Highlights

Revenue up	Gross profit up	Average revenue per instruction	Group Cash Balance
151%	**144%**	**£1,088**	**£71.3 m**
to £46.7m (2016: £18.6m)	to £25.8m (2016: £10.6m)	(April 2016: £901)	(2016: £30.5m)

Financial Highlights

- Revenue increased by 151% to £46.7m (2016:£18.6m)
- Gross profit increased by 144% to £25.8m (2016:£10.6m)
- The Group cash balance increased to £71.3m (2016:£30.5m)
- Average revenue per instruction increased by 21% to £1,088 (2016:£901)
- Operating profit for the UK of £0.2m (2016:£11.9m loss)
- Australia revenue of £3.5m (2016:£nil) ahead of the UK at the same stage in its development with Adjusted EBITDA losses of £6.1m (2016:£nil), after normalising income per instruction.
- Adjusted EBITDA(*1) losses for the UK became an Adjusted EBITDA profit of £1.7m in the year (2016:£9.7m loss)
- Adjusted EBITDA(*1) pre marketing costs for the UK company increased to £16.0m profit (2016:£3.2m loss)
- The Group loss before tax decreased to £6.1m (2016:£11.9m)
- The basic and diluted loss per share reduced to £0.01 (2016:£0.12)

*1 defined as the loss from operating activities excluding amortisation of intangibles, share based payment charges, fundraising costs, fair values on derivatives and depreciation

Highlights

Local Property Experts increased by **156%** to 525 (2016: 205)	UK sold and completed on **£5.80 bn** (2016: £2.77 bn)	Group instructions **5,770** In April 2017	Conversion to Instruction to sale **83%** (2016: £77%)

Operational Highlights

- The number of Local Property Experts grew by 156% to 525 across the Group (2016: 205) at the year end
- Every Local Property Experts' business to be granted share options on a long term incentive scheme
- The value of property sold and completed by the UK in the year was £5.80bn (2016:£2.77bn)
- The pipeline of property sold subject to contract stood at £3.69bn (2016:£1.69bn)
- The UK Company recorded 5,497 instructions in April 2017 (April 2016: 2,827)
- The Group recorded 5,770 instructions in April 2017 (April 2016: 2,827)
- The UK monthly run rate of sales agreed increased to 4,979 in May 2017 (May 2016: 2,386)
- The Group monthly run rate of sales agreed increased to 5,171 in May 2017 (May 2016: 2,386)
- Conversion from instruction to sale was 83% (2016: 77%)
- Online market share increased to 72% (2016: 62%)
- Most reviewed estate agent in the UK with over 20,000 Trustpilot reviews
- Monthly UK website visits has increased to 2.50m in April 2017 (April 2016: 1.23m)
- Announced intention to launch Purplebricks in America

	2017		2016		**2017**	2016
	£m	**£m**	£m	£m	**£m**	£m
	H1	**H2**	H1	H2	**FY**	FY
Revenue	**18.7**	**28.0**	7.2	11.4	**46.7**	18.6
Gross profit	**10.4**	**15.4**	4.1	6.5	**25.8**	10.6
Gross profit %	**55.5%**	**55.0%**	56.4%	57.0%	**55.3%**	56.9%
Loss from operating activities	**(2.8)**	**(3.2)**	(6.4)	(5.5)	**(6.0)**	(11.9)
Depreciation and amortisation	**0.2**	**0.4**	0.1	-	**0.6**	0.1
Share based payment	**0.4**	**0.5**	0.3	0.3	**0.9**	0.6
Fundraising costs	**-**	**-**	-	1.5	**-**	1.5
Adjusted Earnings before interest, tax, depreciation and amortisation and share based payment charges	**(2.2)**	**(2.3)**	(6.0)	(3.7)	**(4.5)**	(9.7)

Chairman's statement

Paul Pindar

> It is our first full year as an AIM listed company and we are pleased to announce that Purplebricks is leading significant change in the estate agency market.

Summary

It is our first full year as an AIM listed company and we are pleased to announce that Purplebricks is leading significant change in the estate agency market.

During the year, we continued to focus heavily on building our brand awareness, growing our number of Local Property Experts ("LPEs"), evolving our technology, growing internationally in Australia and shortly launching into the US, and most importantly advancing on our strong reputation for customer service. We have made excellent progress on all fronts.

We continue to attract and retain top quality LPEs across all areas of the country. Our strategy of creating an "ultra local" presence has materially advanced with the recruitment of a further 320 LPEs, an increase of 156% over the corresponding financial year. This additional expertise is providing essential capacity to meet the continued burgeoning demand from our customers. More and more highly skilled estate agents are choosing to join Purplebricks because of our strong reputation and growing market share.

We have continued to invest in high impact marketing with our "commisery" campaign resonating and hitting home with prospective customers. Brand awareness is high and continues to grow alongside our "best in class customer service". As the most positively reviewed estate agent in the UK we are proud to have grown our reviews on independent review site, Trustpilot, from 5,700 at the end of the last financial year to over 20,000, an increase of 251%. Our average rating has increased from 9.4 to 9.5 out of 10. Our customer advocacy continues to blossom despite our rapid growth.

Financials

Trading momentum has been strong throughout the year, with total revenues of £47m representing an increase of 151% on the prior year. The UK has continued to advance with £43.2m of revenue, whilst Australia contributed £3.5m ($6m AUD) in the period following its launch in September 2016. I am pleased to report that the UK made an adjusted EBITDA profit of £1.7m for the full year whilst Australia made an adjusted EBITDA loss of £6.1m and our new US entity a £0.1m loss. Group losses from operating activities reduced to £6.0m from £11.9m the year before demonstrating clear progress whilst continuing to expand internationally. The operating leverage of our low fixed cost business model is now fully apparent with the UK demonstrating EBIT profit at both the operating level and at the adjusted EBITDA level.

Net cash at the year end was £71.3m as a result of the fundraising activities undertaken, the acquisition of a lettings business and also the marked step up in revenue generated during this year. Net assets at 30 April 2017 were £75.4m (2016: £28.1m) with net current assets standing at £66.5m (2016: £27.5m).

Australia

In our last Annual Report, we announced an intention to launch in Australia. In September 2016, we officially launched in Queensland and Victoria. In January 2017, we launched in New

Chairman’s statement

Paul Pindar

South Wales and in March and April, we launched in Perth and Adelaide respectively.

We have had some significant early success and momentum is growing. We committed to an investment of £10m over a two year period with the majority of the investment being in this financial year. We made an adjusted EBITDA loss of £6.1m in the period, or £5.4m at constant currency.

We have recently launched our “commisery” marketing campaign in Australia and, like the UK, we will review our marketing spend, momentum and market share. If we consider it necessary to invest further to grow market share and continue momentum we may choose to do so.

We have added to the strength of the team with the recent appointment of an Operations Director, Deborah Lee, who was formerly at Capita Plc.

US launch

We have recently announced our intention to launch the Purplebricks proposition into the US, a $70bn market. We successfully raised £48.8m, net of fees of £1.2m via a placing on 22 February 2017.

Our market research indicates that our compelling model comprising of high quality customer service allied to a fair, more competitive fee structure and technology that enables sales to progress 24 hours a day will appeal in a market where sellers are currently charged a commission of around 6% to sell their home.

We are excited about our launch and will provide more details in due course on launch dates, regions and service offering. We have a superb management team who are working on our plan with a view to execution in the second half of 2017. Similarly to the UK and Australia, we will launch regionally, with California being the first state, and adapt our timing and offering to the momentum of each market.

As announced at that time, the Directors consider expansion of the Company’s business and the Purplebricks brand into the US real estate market to be the next logical step in the Company’s expansion. The US is one of the world’s largest real estate markets and we estimate that total real estate commission income in the US is in the range of c.US$70 billion annually (compared with US$4.3 billion in the United Kingdom).

The Group believes that the Purplebricks platform and business model is scalable and can adapt to the US market. Given the many comparable trends, sentiment and similarities between the property markets in the US, the UK and Australia, the Group’s expansion strategy will be shaped significantly by the Group’s experience with its successful UK and more recent Australian operations. Although the Group initially intends to strategically roll out across a defined number of US states, the US as a whole represents a material opportunity for future growth in the long term.

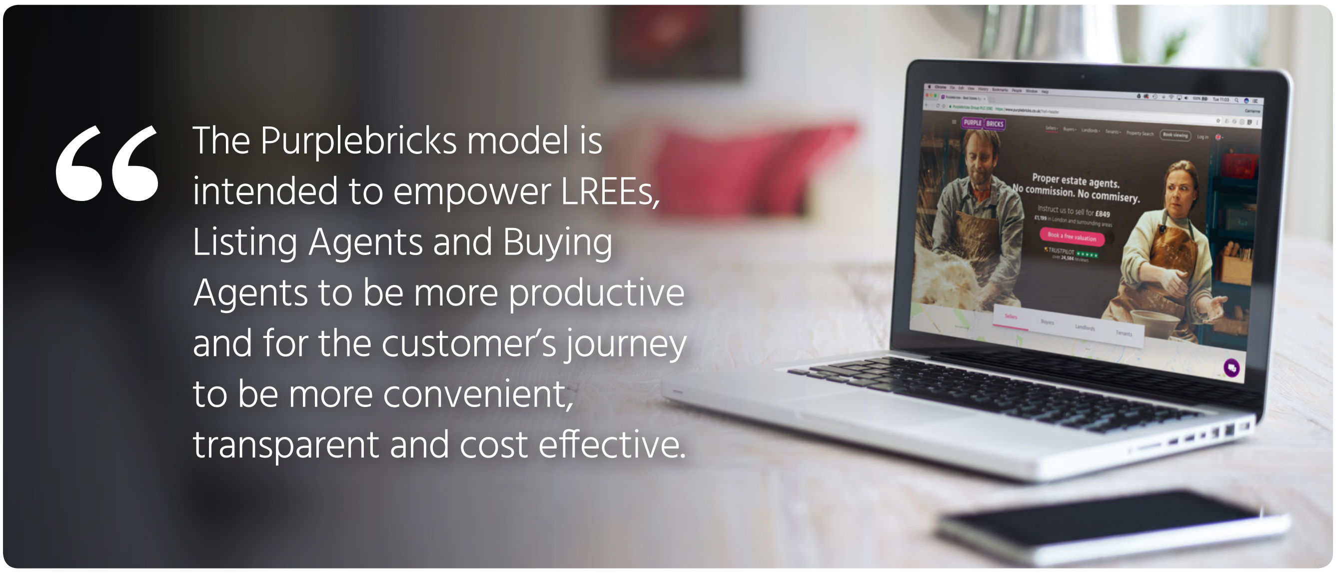
We believe that there is a significant opportunity for our business model to make a meaningful and lasting impact on the US real estate market. It is intended that, initially, the Group will strategically roll out in a defined number of US states, launching in the second half of 2017, before rolling out more widely across other states. The initial expansion into the US is to be funded from the net proceeds of the Placing and will be led by US Chief Executive Office, Eric Eckardt, supported by Founder and Group CEO Michael Bruce and his brother and co-founder Kenny Bruce. Eric has more than 20 years of experience in real estate and finance technology.

The Group will look to attract some of the most experienced real estate agents in the US property industry who want to run their own business, as many of Purplebricks’ existing LPEs do. The Directors believe that real estate agents in the US will want to become LREEs (Local Real Estate Experts), given the compelling customer proposition and the benefits of the Purplebricks model. The Purplebricks model should allow agents to spend more time focusing on looking after customers and selling homes, rather than a significant proportion of their time being taken up prospecting for the next listing. This is possible because a sustained marketing and advertising campaign is intended to drive listing appointments to the LREEs. The Purplebricks platform and business model is designed to result in improved LPE productivity which provides LREEs the opportunity to earn more revenue than they would as a traditional real estate agent.

The Group’s technology should help to ensure that Purplebricks deliver a high quality service to customers. The Purplebricks platform will, once rolled out, provide US customers, LPEs, Listing Agents and Buying Agents with a reliable means of engaging in the process of buying and selling real estate at all times of the day and night. The platform is accessible 24 hours a day, seven days a week with the click of a button. Buyers,

Chairman’s statement

Paul Pindar



sellers, LREEs, Listing Agents and Buying Agents will be able to safely and securely communicate with one another through the Purplebricks platform or, if they wish, communicate with Purplebricks. The Purplebricks model is intended to empower LREEs, Listing Agents and Buying Agents to be more productive and for the customer’s journey to be more convenient, transparent and cost effective.

The recruitment and training of local LREEs and the adaptation of the Purplebricks platform and business model for the US will be coupled with an advertising and marketing strategy built upon the Group’s successful brand led strategies in the UK and Australia. The Directors consider advertising and marketing to have played a significant part in the growth of the Group’s existing business, with Purplebricks having become the most recognised real estate agency brand in the UK property market in less than three years.

Board and people

Our strong results would not have been possible without the enthusiasm and commitment shown by our colleagues this year. On behalf of the Board, I would like to thank them sincerely for their hard work in growing our business whilst maintaining our strong culture of customer service.

We recently announced the departure of Neil Cartwright, our CFO, through ill health. Neil has been a great force within the team and will be sadly missed. We also announced the appointment of James Davies as Neil’s replacement. James has a strong track record and comes highly recommended and after strong competition for his services. Our Board continues to be supported by a very strong management team.

Dividend

As a young and fast growing Group with a substantial market opportunity, we intend to focus our financial resources on realising our potential in full. As we progress our strategy and our financial performance, we will look to move to a progressive dividend policy in future years.

The year ahead

After a successful first financial year as a public company we are pleased with the investments we have made, the growth of our technology and LPE numbers, the engagement our marketing has generated, the increased awareness of our brand and our success so far in Australia and intended launch into the US. We look forward with considerable optimism and are pleased to report that the year has started well, with more and more customers choosing our full service hybrid agency model.

Paul Pindar
Chairman
28 June 2017

Strategic Report

Principal activity and strategy

The principal activity of the business is estate agency.

At the core of our strategy is a commitment to our customers and our people.

We will continue to offer an exceptional experience by:

- selecting and training Local Property Experts that enhance our culture and core values and have the desire and motivation to build their own business;
- building upon our market leading technology that helps Local Property Experts be more productive and which delivers a much more convenient, transparent and cost effective service for our customers;
- creating marketing and advertising that interests, engages and inspires consumers to want to book a free valuation from Purplebricks and ensures that our messaging is clear and transparent to enable consumers to swiftly instruct us to sell their home;
- building upon our customer service and product offering by growing our Data Sales Unit and introducing new products and services that are relevant to our customers' needs throughout their journey;
- maintaining a progressive and fun working environment where our people care about our customers, our brand and our business and can grow personally and professionally, and
- building a strong, sustainable and profitable business, which is respected by all stakeholders for its professional conduct and making good on its promises.

Our strategy for growth is based upon the above core commitments.

Increase our footprint of Local Property Experts

We are extremely privileged to have secured some of the best people in our industry who have a strong desire to be part of a business that is changing the way people think about estate agents and estate agency. They are passionate about customer experience, giving customers that "light bulb moment" where they have met an estate agent, who has promised a service, delivered on that service, sold their house and saved them lots of money.

Our Local Property Experts are entrepreneurial, ambitious to grow their territory and to meet the demand which continues to grow for our hybrid offering. As a result we are accelerating our recruitment programme and increasing our footprint of experts across the UK in order to grow our share of instructions in local markets. We are finding that more and more talented, professional estate agents want to be part of what Purplebricks is seeking to achieve. The pool of applicants continues to grow and as a result the number of people suitable to represent the Purplebricks brand is increasing. Our main focus though is on maintaining that first class, driven quality of individual. We are pleased to report that the industry has a large number of high quality people to choose from.

Build upon our market leading technology

Bringing together first class Local Property Experts and industry leading technology is the foundation upon which the Purplebricks business has been created. We are very proud of our technology and indeed the work we are doing to introduce new and innovative features that set us apart from anyone else in the industry. The recent release of the Purplebricks buyers App has proven remarkably successful. Our App has now been downloaded by 110,000 selling and buying customers. We have added further resource to the App team and will be introducing new and innovative features during the course of this year. We continue to ensure that everything we do makes the process even more integrated, convenient, effective and transparent. We have already revolutionised the way sellers and buyers communicate throughout the process and continue to build on the work we have started.

We continue to add advanced changes and new features that are engaging, informative, supportive for our customers and which make our LPEs more productive. We are also focused on engaging ways of increasing revenue with targeted and timely technology driven cross sales opportunities. There are smarter, more effective ways of selling some products and services with the use of our technology platform.

We have increased our technology team and are starting to become a hub of technical interest for developers across the UK.

Create engaging marketing and advertising

Advertising has always been a central element of the Purplebricks Group plc strategy. We continue to work hard to grow our brand and the progress in just three years has been outstanding. Purplebricks Group plc continues to lead the front of mind awareness (amongst all estate agents) for people thinking of selling their home according to The Nursery, one of the UK's leading independent research and planning agencies*.

* Based on 1,131 respondents in a survey

Strategic Report

Continued

We continue to grow brand recognition across all TV and radio advertising compared with a year ago. We are confident that the team has built upon their early success with the introduction of their new campaign, which launched in May 2017. Our new campaign titled "commisery" will continue and will focus on the misery a person feels when they have paid a commission and got nothing more for it.

Our above the line marketing is complemented by brand and generic pay-per-click activity which is predominantly provided by Google and Bing. We are also looking at better ways of using social media in a targeted way to drive more activity amongst sellers. We continue to test and refine marketing campaigns with Rightmove, which we hope will raise further awareness and recognition and create opportunities for customers to experience our service.

In addition to paid activities we continue to drive efficiencies in our valuation conversion funnel and to analyse trends amongst our database of hundreds of thousands of sellers and buyers in order 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. We have added to the team to continue to build on the great work that has been started and the results we are seeing. We also make use of PR as part of our strategy of driving home our messaging and how we wish our brand to be best represented.

We will continue to create marketing and advertising that interests, engages and inspires consumers to want to book a free valuation from Purplebricks and ensure that our messaging is clear and transparent to enable consumers to swiftly instruct us to sell their home.

Central Property Team and Data Sales

Our Central Property Team and Data Sales Team continue to grow as activity grows as part of our strategy to increase valuations and drive down the cost per acquisition of every customer. They play an important part in generating valuation opportunities and growing other revenue streams. Every day we generate thousands of data points from people registering with Purplebricks, arranging a viewing direct, online or via the property portals and from buyers making offers and agreeing sales. We are steadily increasing revenue generating opportunities from data and as our people develop and we place them into dedicated product and service streams, we will start to see the unit make a significant financial contribution.

Introduce new products and services

We believe that a major part of selling is being in the right place at the right time. Our model of combining people and technology places us in the best possible position to be in the right place at the right time. As a result we want to be able to offer customers relevant additional products and services that complement their journey of selling, buying or letting. We continue to look at new and smarter ways of supporting our customers with much more convenient, easy, accessible, stress free and cost effective products and services. We will add new products and services once we are satisfied that they add value for our customers and will be delivered with the Purplebricks culture and ethos. We want to create lifetime value for our customers and everything we do as part of our strategy is working towards this.

Our culture is our business

Our people create our culture and our technology and our people deliver it. As a starting point the founders wanted to create a Purplebricks that cared about its people, that had a progressive and fun working environment and as a consequence our people cared about our customers, our brand and our business and they could grow personally and professionally. We have achieved these founding principles to date and continue to ensure that the same principles are applied as we scale.

Following our listing, the businesses of our founding Local Property Experts as well as a number of employees have been awarded share options in Purplebricks Group plc that will vest in part each year and in full over the coming years. We intend to extend awarding of share options to more LPEs' businesses and employees with the objective of everyone having some form of reward for their efforts in growing our business into the future in accordance with our admission document.

We have created a strong brand advocacy within our growing business and our customers. We work in a progressive and fun environment where, 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.

Strategic Report

Chief Executive's Statement

Review of the year

This has been a very successful year in the early development of the Purplebricks model and brand. We continue to go from strength to strength and have materially grown our national footprint and have built a growing brand awareness and reputation for delivering customers a more convenient, transparent and cost effective service. Customers continue to respond to our hybrid model, having sold properties in the UK this financial year worth £5.80 billion and agreed a further £3.69 billion of sales that are currently in our pipeline, sold subject to contract. Our company is now in a strong position to become the Number one estate agent in the UK for listings and sales.

UK

In the UK, the average number of monthly instructions continues to grow despite traditional operators reporting a slowdown in activity. If we compare April 2016 with this year we achieved 2,670 more instructions in the month which represents an increase of over 94% taking the total to 5,497 instructions for April 2017. We are winning share from the traditional estate agents and have increased our share of the "non-traditional" market from 62% to 72% by April 2017.

We are also enjoying continued success at selling the properties we take to the market in the UK. The monthly run rate in May 2016 was 2,386. I am pleased to report that this monthly run rate has increased to 4,979 in May 2017. This represents an increase of 108% compared with a year ago. Our conversion from instruction to sale is currently 83%. We have increased our revenue per instruction to £1,035.

We believe we are the most visited estate agency website in the UK. Our customers benefit from this extensive traffic with increased competition amongst purchasers. Our website visits increased to 2.5m per month and page views rose to 14.4m per month. Unique visitors also increased to 1.3m per month and the "book a free valuation" funnel conversion rose by 86.0%. In a recent Which! Report they concluded that "online agents" sell properties 38 days faster than traditional estate agents and reduced the price on the properties they sold less than traditional estate agents. Purplebricks was considered the best at selling for more than the asking price amongst all "online agents" and equally as successful as traditional estate agents. Purplebricks also reduced their asking prices by 5% or more significantly fewer instances than traditional and online estate agents.

Our on-going strength in trading is heavily dependent on our success in continuing to attract and retain first class, professional, experienced and highly motivated Local Property Experts ("LPEs"). Winning more instructions and selling more properties in a business with a strong customer focused culture is highly attractive to professional entrepreneurial LPEs who are running their own businesses and are working hard to quickly build a local, scalable, profitable, business. We are really pleased to be considerably ahead of plan, finishing the year with 448 LPEs, a year on year increase of over 118%. We have built a much stronger, scalable recruitment and training infrastructure which enables us to recruit and train many more LPEs going forward.

Marketing has also been a key element to the success and future growth of the business. During the year Ed Hughes (formerly of comparethemarket) replaced Joby Russell who took up the role of Chief Marketing Officer ("CMO") in Australia. Ed has advanced the development of our marketing strategy and team. We introduced the "commisery" campaigns which have been very successful and extremely well received by customers. We have introduced localised versions to Australia in May 2017 and have shot a number of new commercials ("Commisery stage 2") that aired in the UK from May 2017.

Our investment in marketing has helped drive the growth of our brand recognition, valuations, instructions, sales and revenue. We firmly believe that we have hit upon a campaign, have developed a plan and built a team that can materially change the market share and future financial performance of the business. We also firmly believe that we must grasp the opportunity to make Purplebricks the most successful estate agent ever in the UK and build upon that success in Australia and thereafter in the US. The business, team and infrastructure are in the best place they have ever been to capitalise.

We committed to spending a further £1.5m in marketing during the course of H2 2017 and as a result the business has grown further, faster. We will continually review marketing spend to make the most of the opportunities that present themselves.

Culturally we have a strong focus on customer support which is testament to the number of houses we are selling, the speed at which they are transacting through the legal process and the level of concentrated help customers receive where issues arise with any aspect of their sale. We are proud of the dedicated, focused support we provide whenever it is required. It is to the distinct advantage of the customer and the process that we are focused on a completion not on a commission.

We recruited Lee Wainwright in March 2017 as Head of Operations, who was formerly an extremely successful Divisional Managing Director for Countrywide Plc for over 16 years. Lee will be responsible for the Central Property Experts, Post Sales Support, Data Sales, Concierge team and the Conveyancing Sales Team. They are all central based departments that play a key role in delivery of our service and selling additional products and services. Lee will help drive enhanced service levels and growth in revenue from these teams.

Our advancement with technology continues at pace with new, innovative and progressive work being completed on our UK, Australian and US technology. Our 80 strong development team work tirelessly to create tools to better help customers through the process and to help LPEs deliver a more seamless service. We will be further enhancing the functionality of our App, our search facility and the journey for buyers amongst the many other features we are developing for sellers and LPEs. We are building and progressing our technology in the UK and Australia and will have a team in the US.

Customer reviews

We continue to be the most customer reviewed estate agent in the UK on independent review site Trustpilot. We are very proud of the feedback we receive which is testament to the culture, commitment and widespread appeal of our full service hybrid model, demonstrating that we offer not just a competitive flat fee but also superior customer service. We are rated Excellent, averaging 9.5 out of 10 from over 20,000 customer reviews. We recognise that from time to time we will receive a small proportion of negative reviews and as a result we ensure that every customer is contacted and we do everything we can to provide them with a swift resolution and an excellent customer experience thereafter.

We request a review from a customer once a sale is agreed but they are free to choose to leave reviews at any stage of the selling process. This is carried out via a link with Trustpilot. We do not offer any form of incentive, we merely provide a link and request the customer completes a review. We receive significantly more reviews than any other estate agent (traditional, online or hybrid) because we give our customers the opportunity to share their experience publicly and immediately. I am extremely grateful to everyone in the business for this fantastic achievement and for the brand advocacy they are creating.

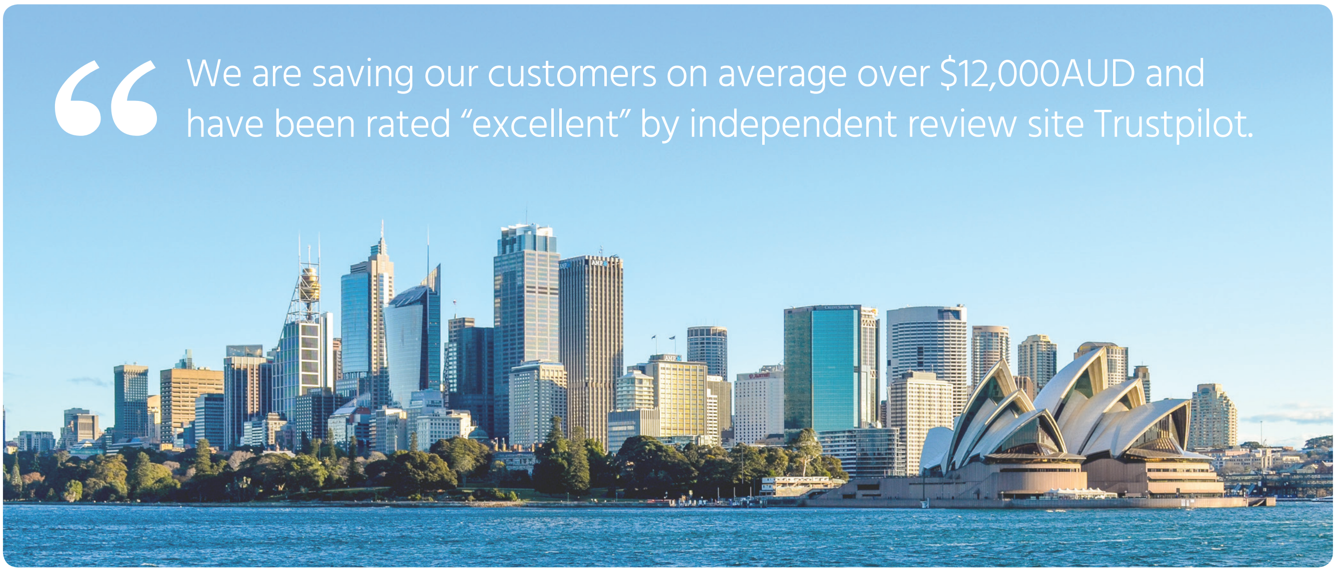
Australia

We are excited by the progress we are making and the opportunity that exists in Australia. Ryan Dinsdale and the management team have worked tirelessly to progress our model, recruit and train our people, steer a path through the state by state regulatory framework and grow the business with the same customer centric principles as the UK business.

We are saving our customers on average over $12,000AUD and have been rated "excellent" by independent review site Trustpilot with an average customer score of 9.6 from over 500 reviews. We are confident that the introduction of our

Strategic Report

Chief Executive's Statement continued



"commisery" advertising campaign in Australia will resonate and materially advance our growing performance.

America

The plans for launch into the American market are moving at pace and we remain on target to enter the market in the second half of 2017. We have further strengthened the management team with the appointment of Jonathan Adler as Chief Marketing Officer to work alongside James Kydd and Phil Felice who has been appointed as Senior Vice President Sales to work alongside Kenny Bruce.

Jonathan was formerly Managing Director of VCCP International and Global CEO for Hogarth & Ogilvy and Phil has been Head of US Sales for Altisource – Hubzu and Vice President of Business Development for Realogy. Jonathan has a deep understanding of US marketing and Phil a long history of industry sales experience at every level. They will no doubt prove superb additions to the management team.

Further details on our plans will be announced when it is the right time commercially to do so.

Thank you

I would like to thank all of our people for their hard work, dedication, commitment and absolute belief in our customers and our brand. They have created thousands of brand advocates in an industry that is often talked about, criticised and disliked. I would also like to thank our customers who have embraced what we are trying to achieve and have actively helped and supported us in our journey to date. Without belief in what we promise to deliver (and do deliver) we could not grow our business in quite the same way. Their advocacy of our products, services and brand is truly remarkable.

Finally I would like to thank the support and encouragement we receive from our shareholders. They have invested in creating a strong and thriving business that is changing the estate agency industry forever and for the better. We are working tirelessly to deliver enduring returns for our shareholders.

The future

There has been a significant amount of debate around the property market and what the future holds with uncertainty over BREXIT, a slowdown in the number of sellers and buyers, tax changes and even a general election. As we have reported in the past, whilst we will continue to monitor trends in the market we have not seen a slowdown in activity and our strategy is predicated on winning market share rather than market growth. Our business model was built with low fixed overheads and a focus on variable costs to provide greater flexibility and agility to protect against any changes in the market.

It has been a great year for our customers, our people and the industry with the shift in consumer attitude away from expensive commission to a transparent fixed fee full estate agency service. Our people have risen to the public and professional challenges that have come their way and have done a remarkable job of advancing this extraordinary journey for a young, fast growing business. We are on track to be the most successful estate agent in UK history. We approach the future with confidence.

Key performance indicators (KPIs)

The following KPIs are the tools used by management to monitor the performance of the Group, in addition to the more traditional income statement, statement of financial position and cash flow analysis reviewed at regular Board meetings.

	2017	2016
Financial KPIs		
Revenue growth	**151%**	448%
Operating loss* as a percentage of revenue	**(10.0%)**	(52.6%)
Non-financial KPIs		
Number of LPEs	**525**	205
Monthly website visits	**2.50m**	1.23m

*Pre amortisation of intangibles and share based payment charges and IPO.

Revenue growth is closely monitored to ensure we grow so as to cover our fixed costs as quickly and as efficiently as possible and consume as little capital as possible, whilst pursuing a high growth strategy.

The regular monitoring of the operating margin percentage helps us ensure that the focus on growth is not at the expense of profitability in the short and medium term.

Principal risks and uncertainties

Risk management is an important part of the management process for the Group. Regular reviews are undertaken to assess the nature of risks faced, the magnitude of the risk presented to business performance and the manner in which the risk may be mitigated. Where controls are in place, their adequacy is regularly monitored.

The risks considered to be particularly important at the current time are set out below:

Economic

Potential impact: As an estate agency the Group's fortunes are closely intertwined with those of the housing market and the broader economy as a whole.

Mitigation: The Group keeps a close eye on market conditions and the broader economy. Our cost base is flexible and able to react quickly and effectively to changes in market conditions.

People

Potential impact: An experienced and knowledgeable workforce is required to service clients' needs. The market for skilled staff remains competitive and a failure to recruit and retain experienced staff could impact on the Group's ability to develop and deliver solutions.

Mitigation: Providing existing staff 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.

Reputational and quality

Potential impact: The quality of references obtained from existing users of Purplebricks' platform is an important part of the decision making process for a potential client seeking to instruct the Group.

Mitigation: The Group strives to maintain its reputation as the best estate agency combined with great value for money and monitors its Trustpilot reviews on a real time daily basis.

Availability of funding

Potential impact: In order to grow the business and become profitable the Group needs access to funding. Without sufficient capital the Group will be unable to meet its ambitious targets.

Mitigation: The Group has continued fundraising activities as a result of the flotation and prior investment rounds and has sufficient headroom in respect of its working capital requirements and its forecasts, even when applying lower case sensitivities to the forecast.

Financial

Potential impact: 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.

Mitigation: 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. The adequacy and effectiveness of internal controls are reviewed regularly.

New entrants to market

Potential impact: The Group operates in a sector where there are a number of competitors.

Mitigation: To counter the threat of competitors seeking to win business from us the Group aims to invest in the development of technology and branding to ensure that the Group becomes the market leader in the estate agency sector.

Overseas risk

Potential impact: The Group is entering overseas markets.

Mitigation: The Group continues to seek out the best advice possible and hire the best people possible whilst remaining well funded to face these challenges with confidence.

Integration risk

Potential impact: The Group may acquire additional companies and will need to integrate them.

Mitigation: The Group continues to seek out the best advice possible and hire the best people possible whilst remaining well funded to face these challenges with confidence.

Future developments

We expect future developments in estate agency to see a migration away from the high street as a highly fragmented market consolidates by virtue of the ease and simplicity that Purplebricks and its technology brings. We expect Purplebricks Group plc to remain at the forefront of this change in the industry landscape, creating and building on a market leadership position.

Approved and signed on behalf of the Board

Michael Bruce	James Davies
Director	Director
28 June 2017	28 June 2017

Customer Case Study

Carol John Goodman - London

How did you hear about Purplebricks?

I'd seen some signs locally and also saw the TV adverts. I don't really like high street agents and working compressed hours means I need an agent that is available after working hours.

What made you want to sell with Purplebricks?

Convenience and transparency. I needed to sell my house outside of working hours, when I haven't got work on my mind – even at midnight.

Did you get any other valuations from high street agents? If so, what price?

I didn't go to anyone else because as soon as I booked the valuation, someone called me within an hour. I was so impressed that I made up my mind there and then.

If I had gone to a high street agent, I think I would have paid between 1 and 2 percent in commission.

How easy did you find Purplebricks?

I found the website very easy to navigate. The second person who saw the house was interested and it was a very quick process. I could see all the messages the buyer was sending to me and I liked that, I liked that I could do things whenever I wanted to.

Would you use Purplebricks again?

Yes. Purplebricks doesn't charge as much as other agents but you still get at least the same service as a high street agent – but things happen 24 hours a day.

How did you find your Local Property Expert?

Charles Haward was brilliant. We were selling my mum's old house and had rented it out for a few years. We had a difficult tenant who didn't want to move and whenever Charles went round there, she cried. Charles handled it all very professionally and tried to comfort her. He really went above and beyond, he is such a caring person. He treated the tenant with a great deal of respect in what was a difficult situation.

I remember he was going to a wedding one Saturday and he still replied to my text from the wedding. I felt like Charles was a friend.

Would you recommend Purplebricks?

I've already recommended Purplebricks to people that I work with and I would 100% recommend the service to anyone because my experience has been so good.

What do you think the best part of Purplebricks is?

The 24 hour service and knowing my Local Property Expert Charles was there for me. I feel like I've made a new friend as well, a friend that I really love!

What does Purplebricks mean to you?

Purplebricks means a lot to me. I have 24 hour access to my own Local Property Expert, who is like a friend. I saved myself lots of money and I'm completely happy with the service.

Customer Case Study

Aaron Parray - London

Nicola Corten-Southern sold customer Aaron Parry's house within 45 minutes. She said:

"I had another customer who was looking for a house in Ilkeston and I knew Mr Parry's property was perfect for them. The second it went live, I called them. They viewed within half an hour as they lived round the corner and immediately made an offer at full asking price - £10,000 over what Mr Parry had wanted for his house. This was 45 minutes from the advert going live to offer accepted - and left a five star Trustpilot review for Purplebricks!"

How did you hear about Purplebricks?

TV adverts – I've also seen the boards knocking about all over the country as I work all over the UK. They're everywhere at the minute.

What made you want to sell with Purplebricks?

The set fee – then my Local Property Expert Nicola came round and I was completely sold and happy with everything.

How easy did you find Purplebricks?

It was really easy, the easiest thing I've dealt with. When I have dealt with other estate agents in the past, it was stressful but this way is so simple!

Would you use Purplebricks again?

Oh yes, definitely. Purplebricks would be the first place I would go.

How did you find your Local Property Expert?

Nicola was excellent, she was always available. Even at 9pm at night she got back to me when I called. She had a good knowledge of everything. I was going to put my house on the market for less than what I sold it for but Nicola advised that I could achieve more – she said the house was beautiful and knew what similar properties in the area had sold for - and I'm so glad she did now. She's made some money for me and my family and helped us get the next house we wanted.

Would you recommend Purplebricks?

Yeah definitely, 100%.

What do you think the best part of Purplebricks is?

The ease of everything, from booking the valuation online to the contact from Nicola. There was nothing difficult about it at all, it was so easy. I thought selling would be a long, drawn-out process and would be really stressful, but it all happened within a few days! Within an hour of Nicola being round, I was live on the market and we had a viewing. The best part is having direct contact with our buyer instead of going through the estate agent and never hearing back from them!

How much would you have paid in commission?

I bought this house a couple of years ago and the high street agent's fee was approximately 2%. That's more than double what I paid with Purplebricks – I saved £2,551 using them.

Did you have any valuations with traditional high street agents?

No.

What was the main difference you found using Purplebricks compared to using a traditional agent?

The cost, the ease and the lack of stress.

What did you think when the offer came in so quickly?

I was gobsmacked and didn't know what to think. I thought it might take months before it sold, and I'd have ages to find somewhere. I received an offer within 30 minutes of going live and negotiated the sale and everything was agreed within 45 minutes. Suddenly I had to find somewhere! Luckily we found one pretty quickly round the corner so it wasn't hard.

Customer Case Study

Hayley Heathcote - London

Property sold?

I just sold two properties with Purplebricks. My rental property, in which my firstborn was born in and also my family home, so it was important that I got it right.

How did you hear about Purplebricks?

Through online search. I Googled "estate agents" and Purplebricks came up as a cheap option, with great reviews and scores.

What made you want to sell with Purplebricks?

I chose Purplebricks because of the low cost and their review scores. I wouldn't have chosen them if this hadn't been the case, as these two things were very important to me.

Did you get any other valuations from high street agents? If so, what price?

I did for the rental property. It was valued by a high street agent and was overvalued by £15k at £175k. I do a lot of research myself so knew this was unrealistic.

They were overfamiliar and pushy to the point of uncomfortable. Even after marketing with Purplebricks they text negative comments about Purplebricks and offered me a deal to go with them for a reduced cost. It was all a bit much. Matthew valued up to £165k and I put it on at a sensible £160k. I didn't bother for the family home.

What was the main difference you found using Purplebricks compared to using a traditional agent?

There are lots of purely online and high street estate agents out there. Purplebricks is the bridge between the high street and online. There's a great person behind the move.
I've gone through high street agents before and Purplebricks is so much better. Other agents don't always return calls, they can be quite rude. I found everyone at Purplebricks to be very helpful and polite.

What do you think the best part of Purplebricks is?

Purplebricks is very transparent and simple. Everything is there on the platform. I like to have control! I also liked that it was accessible 24/7. I can get hold of someone quickly. There are no queues, no waiting on the telephone. I wouldn't have the patience to wait so this really suited me.

How easy did you find Purplebricks?

The whole process with Purplebricks was very simple. At first I was worried, because I wasn't a technology person, but I couldn't fault the experience. In fact, even this morning, I wanted to swap one of my photos, so I went in at 7am – before a high street agent would be open – clicked on the picture and changed it. It was live on Rightmove straightaway.

Would you use Purplebricks again?

Yes – I've used them twice.

How did you find your Local Property Expert?

I've worked with Matthew Loach and David Grieves. I found Matthew to be polite, accessible, honest and knowledgeable. I also found David very friendly and approachable. They were always available.

Would you recommend Purplebricks?

Yes – I already have and my recommendation would be based on control, price and ease.

How much would you have paid in commission?

I saved a couple of thousand pounds, which is a family holiday or a year's worth of activities for the kids.

What does Purplebricks mean to you?

On a personal note, Purplebricks is helping me get my dream home for my family so my children can have the life they deserve.

Customer Case Study

Maggie Hutchison- London

How did you hear about Purplebricks?

I saw the TV adverts and also the boards that were up.

What made you want to sell with Purplebricks?

I had the view of Purplebricks that they just put houses on the market and that was it. I filled out a form on the website and Local Property Expert Gary Anderson came round to do a valuation. He explained that Purplebricks does everything a normal estate agent does but you don't pay commission – so I thought 'why not'?

Did you get any other valuations from high street agents? If so, what price?

Yes. A high street agent in Muswell Hill called Tatlers who wanted to charge me a 2% commission on my house. My house has sold subject to contract for £1.25m – so this would have been £25,000.

How easy did you find Purplebricks?

I was a bit apprehensive at first about using the platform but Gary talked me through everything and talked to the people who had made offers. I used him more than I used the website. It was great to have options, someone who is always available and a platform that made things happen.

How did you find your Local Property Expert?

I've been in my house for 27 years. My husband died 8 years ago, the kids have moved away and the house suddenly seemed a bit big. Gary came round to value the house. We had a coffee and a chat. He didn't seem to be in a rush. We had a bit of banter, fixed on a price and I said I would think about it. When I was ready, I called Gary back, he came over, took photos, drew up the property advert and put it online.

My house went on the market on the 20 March. We held an open day on 1 April (I always remember the date because it was April Fool's Day!) 10 people came to view, we had 2 offers and I accepted an offer on 3 April. That's 10 days in total – well done Purplebricks!

I also chose to pay for the accompanied viewings service as I didn't know how emotional I'd be about selling. The house sale has happened very quickly.

Would you recommend Purplebricks?

Yes. Everything's doable with the blend of people, the Purplebricks platform and email. Everything happens so quickly. I've recommended Purplebricks to friends already because they do everything that a traditional agent does, only better and cheaper.

What do you think the best part of Purplebricks is?

You just deal with one person throughout. I can call Gary right now and he'll answer promptly and I like that continuity. I also think Purplebricks is very flexible. I called Gary out of working hours and if he didn't answer straight away, he'd always return my call. You can get hold of people whenever you want them. Another selling point is the cost – it is a substantially lower price than other agents. Gary didn't push me into anything – he was there when I was ready and he was very helpful.

What was the main difference you found using Purplebricks compared to using a traditional agent?

Professional service. Friendly Local Property Expert who had 20 plus years of experience. No commission.

What does Purplebricks mean to you?

Purplebricks guided me through what could have been a very emotional experience - selling the family home. Gary was very professional, he was always there, I felt very supported and even when I asked him silly questions I was never made to feel silly.

Have you saved yourself from commisery?

To quote the words of the TV ad, there was no commisery for me, just great service!

Directors' Report

The directors present their report and the audited financial statements for the year ended 30 April 2017

Business review

A comprehensive analysis of the Group's future developments, performance and KPIs is contained in the Strategic report. Information on the financial risk management strategy of the Group and Company and of the exposure of the Group and Company to currency risk, interest rate risk, credit risk, capital risk and liquidity risk is set out in note 21 to the accounts.

Post Balance Sheet events

There were no post Balance Sheet events which require reporting.

Dividend

No dividends were paid in the year and there are none recommended (2016:£nil).

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. 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.

Substantial shareholdings

At 26 June 2017, being the latest practicable date prior to the publication of this annual report, the Company had been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company.

Shareholder name	Number of shares	% holding
Woodford Investment Management LLP	76,353,302	28.22%
M P D Bruce and wife	37,662,591	13.92%
Old Mutual Global Investors (UK) Ltd	31,109,017	11.50%
Capital Research	18,503,954	6.84%
P R M Pindar and wife	10,827,227	4.00%
K F C Bruce	10,000,000	3.70%

Paul Pindar neither purchased nor sold any shares during the current year (2016: 300,000 Ordinary shares in the Company on 26 January 2016 at 78.16p per share) and Michael Bruce neither purchased nor sold any shares during the current year (2016: 320,000 Ordinary shares in the Company on 26 January 2016 at 78.00p per share). Isabel Bruce sold 3,666,667 Ordinary shares in the Company on 16 March 2017 at 300.00p per share. Neil Cartwright sold 1,000,000 shares on 16 March 2017 at 300.00p per share. Will Whitehorn sold 250,000 Ordinary shares on 16 March 2017 at 300.00p per share. Nicholas Discombe sold 1,600,000 shares at 300.00p on 19 April 2017.

In addition to this, the following Directors held shares in the Company:

Shareholder name	Number of shares	% holding
Nick Discombe and wife	4,812,788	1.78%
Will Whitehorn	838,269	0.31%

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

M P D Bruce

J R Davies (appointed 4 May 2017)

N R Cartwright (resigned 4 May 2017)

P R M Pindar*

N S Discombe*

W E Whitehorn*

* Denotes non-executive directors

Founder & Chief Executive Officer - Michael Bruce

Michael has been the driving force behind the development of Purplebricks alongside his brother Kenny. He is a qualified solicitor who has owned and run his own law firms before acquiring Burchell Edwards Estate Agents in 2006. The business was grown to include estate agency, lettings, mortgages and their own dedicated law firm. Michael was Chief Executive until 2010 whereupon he became Chairman of the business. The business, including the law firm, was sold to Connells Group (part of Skipton Building Society) in November 2011 as a result of Michael and Kenny Bruce, his brother, wishing to pursue the Purplebricks Group plc model. As founder of the business and initial major investor, Michael has been the Chief Executive Officer of Purplebricks Group plc since its inception, working alongside Kenny who, as Sales Director, heads the Company's sales efforts.

Chief Financial Officer – James Davies

James joined Purplebricks Group plc in May 2017 from William Hill plc, having been Chief Financial Officer of its digital business since 2015. Prior to William Hill, 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.

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 £0.3m 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. Paul has also been a non-executive director of retailer Debenhams Plc, Chairman of the NSPCC's Corporate Development Board and Chairman of Great Ormond Street Hospital's Corporate Partnerships Board. Paul was also an early investor in Purplebricks.

Senior Non-Executive Director - Nick Discombe

Nick acts as Chairman/advisor with portfolio companies for a small number of private equity or growth capital backed businesses around the world. Nick's last executive position was as Chief Executive Officer of Witness Systems Inc. (NASDAQ – WITS) which was sold for just over US$1 billion in cash in June 2007. Since this time, he has, as Chairman, worked with seven companies leading them to successful exits. Prior to his role at Witness Systems, Nick spent five years with Apax backed Eyretel which in 2003 was merged with Witness Systems. At Eyretel as Chief Executive Officer, Nick led the expansion of the global organisation and in 2000 the successful initial public offering on the London Stock Exchange. He has been an investor in Purplebricks Group plc since early 2014. Nick acted as chairman of Purplebricks Group plc from October 2014 but, with effect from Admission, he became the Senior Non-Executive Director of the Company.

Independent Non-Executive Director - William Whitehorn

Will is a highly experienced director. For many years he held a number of senior board roles within the Virgin Group. For over 20 years he was the Brand Development and Corporate Affairs Director and helped grow the Virgin brand globally, acting as spokesman for Sir Richard Branson and co-ordinating branding, marketing PR and current affairs across the whole group of investments and businesses. He was also President of Virgin Galactic for nearly five years. He is currently Senior Non-Executive Director at GVC Holdings plc and Deputy Chairman of Stagecoach Group plc having been a Non-Executive Director for the previous 4 years. He has been an investor in and Non-Executive Director of Purplebricks since March 2013.

Directors' Report

Remuneration Report

Details of options to purchase Ordinary shares in the Company granted to the executive directors are set out below.

	Class of share	Interest at end of year	Class of share	Interest at start of year
M P D Bruce	Ordinary	2,430,551	Ordinary	2,430,551
N R Cartwright	Ordinary	2,858,994	Ordinary	757,492

Details of share based payments are included in the notes to the accounts.

Scheme interests and Outstanding Share awards

Director name	Description	Date of grant	Interest 1 May 2016	Options granted during the year	Options exercised during the year	Outstanding Interest at 30 April 2017
M P D Bruce	EMI and unapproved options	06/11/2015	2,430,551	-	-	2,430,551
M P D Bruce	EMI Options	07/08/2015	-	-	-	-
N R Cartwright	EMI Options	09/01/2015	695,990	-	695,990	-
N R Cartwright	EMI Options	10/07/2015	1,245,159	-	1,245,159	-
N R Cartwright	EMI and unapproved Options	06/11/2015	917,845	-	160,353	757,492

The share price was 295.25p on 30 April 2017.

Research and development

The Group undertakes a continuous programme of development expenditure, as part of its commitment to lead change in estate agency. 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 12 to the accounts. All other research and development expenditure is recognised in the Statement of Comprehensive Income as an expense as disclosed in note 6 to the accounts.

The Company has a qualifying indemnity insurance policy in respect of Directors' and Officers' liability.

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

Directors' Report

Continued

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;
- 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 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.

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.

Auditor

Grant Thornton UK LLP was appointed as auditor and is willing to continue in office. In accordance with s489(4) of the Companies Act 2006 a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Corporate Governance

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Company is not required to comply and has not complied with the provisions of the new edition of UK Corporate Governance Code issued by the Financial Reporting Council in 2014 (the Code).

Whilst the Code has not been applied, the Board has taken into consideration the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance, and taken steps to apply the principles of the Code in so far as it can be applied practically, given the size of the Company and the nature of its operations. The Board has established an audit committee (the Audit Committee), a remuneration committee (the Remuneration Committee) and a nomination committee (the Nomination Committee).

The Audit Committee is chaired by Paul Pindar, its other member is Nick Discombe. James Davies will be entitled to attend and observe meetings of the Audit Committee. 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 and auditor 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.

The Remuneration Committee is chaired by Nick Discombe, its other member is William Whitehorn. The Remuneration Committee reviews the performance of the Executive Directors 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 Nomination Committee is chaired by Paul Pindar, its other member is Nick Discombe. Michael Bruce is entitled to attend and observe meetings of that committee. 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

Nick Discombe chairs the Remuneration Committee which also comprises William Whitehorn. The committee held one meeting before the end of the financial year, primarily to ratify awards and sanction invitations made prior to the AIM admission under the share options schemes.

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. The Board determines the terms and conditions of the Non-Executive directors.

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 and are appointed for an initial term of three years from Admission to AIM which took place on 17 December 2015. 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 7 to these financial statements.

Long term equity incentive plan

It is expected that some grants shall be made to the Executive Directors, staff, and a number of LPEs' companies in the coming year to align theirs and shareholders' interests ever more closely.

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 policies such as 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

Directors' Report

Continued

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 Purplebricks Group plc culture and ethos is to give back to the public and local communities 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 the foundation to support. The final projects are chosen by the Foundation Committee, made up of members of the management team and chaired by James Kydd. The Foundation Committee meets periodically.

Approved and signed on behalf of the Board

Michael Bruce
Director
28 June 2017

James Davies
Director
28 June 2017

Independent auditor's report

to the members of Purplebricks Group plc

We have audited the financial statements of Purplebricks Group plc for the year ended 30 April 2017 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flow, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on pages 24 and 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditor.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with 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.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
28 June 2017

Consolidated statement of comprehensive income

for the year ended 30 April 2017

	Note	2017 £	2016 £
Revenue		**46,706,078**	18,603,679
Cost of sales		**(20,857,938)**	(8,011,976)
Gross profit		**25,848,140**	10,591,703
Administrative and establishment expenses		**(13,639,927)**	(9,604,541)
Marketing costs		**(18,218,845)**	(12,924,002)
Loss from operating activities	6	**(6,010,632)**	(11,936,840)
Loss from operating activities before adjustments:		**(4,694,190)**	(9,777,815)
Share based payment charge	8	**(917,089)**	(596,647)
Amortisation of intangibles	12	**(399,353)**	(101,309)
Fundraising costs including Initial Public Offering		**-**	(1,461,069)
Loss from operating activities		**(6,010,632)**	(11,936,840)
Finance income		**55,430**	35,009
Fair value movement in respect of derivatives	17	**(104,317)**	-
Loss on ordinary activities before taxation		**(6,059,519)**	(11,901,831)
Taxation on loss on ordinary activities	9	**3,054,190**	-
Loss for the year		**(3,005,329)**	(11,901,831)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**116,370**	-
Total other comprehensive income		**116,370**	-
Total comprehensive loss		**(2,888,959)**	(11,901,831)
Losses per share			
Basic and diluted loss per share	10	**(1p)**	(12p)

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.

Consolidated statement of financial position

at 30 April 2017

		2017	2016
Non-current assets	**Note**	**£**	£
Property, plant and equipment	11	**718,492**	217,386
Intangible assets	12	**2,757,053**	370,847
Goodwill	13	**2,605,979**	-
Deferred tax asset	9	**3,086,950**	-
		9,168,474	588,233
Current assets			
Trade and other receivables	15	**4,865,196**	2,970,258
Cash and cash equivalents		**71,330,300**	30,476,386
		76,195,496	33,446,644
Current liabilities			
Trade and other payables	16	**(7,302,467)**	(5,211,353)
Deferred income	16	**(2,306,512)**	(760,358)
Derivative financial instruments	17	**(104,317)**	-
		(9,713,296)	(5,971,711)
Net current assets		**66,482,200**	27,474,933
Total assets less current liabilities		**75,650,674**	28,063,166
Non-current liabilities			
Deferred tax liabilities	9	**(243,534)**	-
Net assets		**75,407,140**	28,063,166
Equity			
Share capital	18	**2,705,009**	2,402,591
Share premium account	19	**74,900,826**	25,887,400
Share based payment reserve		**693,537**	330,968
Foreign exchange reserve		**116,370**	-
Retained earnings		**(3,008,602)**	(557,793)
Total equity		**75,407,140**	28,063,166

These financial statements were approved and authorised for issue by the Board of directors on the 28 June 2017 and were signed on its behalf by:

Michael Bruce
Director

James Davies
Director

Company Registration Number 08047368

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

Company statement of financial position

at 30 April 2017

Non-current assets	Note	2017 £	2016 £
Property, plant and equipment	11	**564,388**	217,386
Intangible assets	12	**1,614,191**	370,847
Investment in subsidiaries	14	**3,573,691**	-
Deferred tax asset	9	**2,892,592**	-
		8,644,862	588,233
Current assets			
Trade and other receivables	15	**11,244,813**	2,970,258
Cash and cash equivalents		**69,941,358**	30,476,386
		81,186,171	33,446,644
Current liabilities			
Trade and other payables	16	**(6,436,426)**	(5,211,353)
Deferred income	16	**(1,821,434)**	(760,358)
Derivative financial instruments	17	**(104,317)**	-
		(8,362,177)	(5,971,711)
Net current assets		**72,823,994**	27,474,933
Total assets less current liabilities		**81,468,856**	28,063,166
Net assets		**81,468,856**	28,063,166
Equity			
Share capital	18	**2,705,009**	2,402,591
Share premium account	19	**74,900,826**	25,887,400
Share based payment reserve		**693,537**	330,968
Retained earnings		**3,169,484**	(557,793)
Total equity		**81,468,856**	28,063,166

The parent Company profit for the year was £3,172,757 (2016: Loss £11,901,831)

These financial statements were approved and authorised for issue by the Board of directors on 28 June 2017 and were signed on its behalf by:

Michael Bruce
Director

James Davies
Director

Company Registration Number 08047368

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

Consolidated statement of changes in equity

for the year ended 30 April 2017

	Share capital	Share premium account	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total equity
	£	£	£	£	£	£
At 1 May 2016	2,402,591	25,887,400	330,968	-	(557,793)	28,063,166
Issue of shares	227,273	49,772,726	-	-	-	49,999,999
Cost of share issue	-	(1,209,639)	-	-	-	(1,209,639)
Exercise of options	75,145	450,339	(554,520)	-	554,520	525,484
Share based payment charge	-	-	917,089	-	-	917,089
Transactions with owners	302,418	49,013,426	362,569	-	554,520	50,232,933
Loss for the year	-	-	-	-	(3,005,329)	(3,005,329)
Exchange differences on translation of foreign operations	-	-	-	116,370	-	116,370
Total comprehensive loss	-	-	-	116,370	(3,005,329)	(2,888,959)
At 30 April 2017	**2,705,009**	**74,900,826**	**693,537**	**116,370**	**(3,008,602)**	**75,407,140**

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

Consolidated statement of changes in equity

for the year ended 30 April 2016

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 May 2015	17,658	12,298,268	105,016	(8,026,657)	4,394,285
Issue of shares	252,051	34,748,659	-	-	35,000,710
Exercise of options	138	25,056	-	-	25,194
Exercise of warrants	123	91,947	-	-	92,070
Redemption of shares	(89)	-	-	-	(89)
Share premium cancellation	-	(19,000,000)	-	19,000,000	-
Costs of IPO charged to share premium account	-	(143,820)	-	-	(143,820)
Share based payment charge	-	-	596,647	-	596,647
Transfer on exercise of options	-	-	(370,695)	370,695	-
Bonus share issue	2,132,710	(2,132,710)	-	-	-
Transactions with owners	2,384,933	13,589,132	225,952	19,370,695	35,570,712
Loss for the year	-	-	-	(11,901,831)	(11,901,831)
Total comprehensive loss	-	-	-	(11,901,831)	(11,901,831)
At 30 April 2016	**2,402,591**	**25,887,400**	**330,968**	**(557,793)**	**28,063,166**

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

Company statement of changes in equity

for the year ended 30 April 2017

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 May 2016	2,402,591	25,887,400	330,968	(557,793)	28,063,166
Issue of shares	227,273	49,772,726	-	-	49,999,999
Cost of share issue	-	(1,209,639)	-	-	(1,209,639)
Exercise of options	75,145	450,339	(554,520)	554,520	525,484
Share based payment charge	-	-	917,089	-	917,089
Transactions with owners	302,418	49,013,426	362,569	554,520	50,232,933
Profit for the year	-	-	-	3,172,757	3,172,757
Total comprehensive loss	-	-	-	3,172,757	3,172,757
At 30 April 2017	**2,705,009**	**74,900,826**	**693,537**	**3,169,484**	**81,468,856**

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

Company statement of changes in equity

for the year ended 30 April 2016

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 May 2015	17,658	12,298,268	105,016	(8,026,657)	4,394,285
Issue of shares	252,051	34,748,659	-	-	35,000,710
Exercise of options	138	25,056	-	-	25,194
Exercise of warrants	123	91,947	-	-	92,070
Redemption of shares	(89)	-	-	-	(89)
Share premium cancellation	-	(19,000,000)	-	19,000,000	-
Costs of IPO charged to share premium account	-	(143,820)	-	-	(143,820)
Share based payment charge	-	-	596,647	-	596,647
Transfer on exercise of options	-	-	(370,695)	370,695	-
Bonus share issue	2,132,710	(2,132,710)	-	-	-
Transactions with owners	2,384,933	13,589,132	225,952	19,370,695	35,570,712
Loss for the year	-	-	-	(11,901,831)	(11,901,831)
Total comprehensive loss	-	-	-	(11,901,831)	(11,901,831)
At 30 April 2016	**2,402,591**	**25,887,400**	**330,968**	**(557,793)**	**28,063,166**

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

Consolidated statement of cash flows

for the year ended 30 April 2017

	2017	2016
	£	£
Cash flows from operating activities		
Loss for the year after taxation	**(3,005,329)**	(11,901,831)
Adjustments for:		
Amortisation of intangible assets	**399,353**	101,309
Depreciation	**166,320**	61,159
Loss on disposal of fixed assets	**1,868**	-
Share based payment charge	**917,089**	596,647
Fundraising costs	**-**	1,461,069
Non-designated foreign exchange forward contracts	**104,317**	-
Deferred taxation	**(3,054,190)**	-
Operating cash outflow before changes in working capital	**(4,470,572)**	(9,681,647)
Movement in trade and other receivables	**(1,706,903)**	(2,224,175)
Movement in trade and other payables	**1,574,291**	4,158,614
Movement in deferred income	**1,546,154**	650,428
Net cash outflow from operating activities	**(3,057,030)**	(7,096,780)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(585,583)**	(215,338)
Proceeds from sale of property, plant and equipment	**991**	-
Development expenditure capitalised	**(1,421,927)**	(334,263)
Purchase of intangible assets	**(194,595)**	-
Acquisition of subsidiary net of cash acquired	**(3,295,189)**	-
Net cash outflow from investing activities	**(5,496,303)**	(549,601)
Cash flow from financing activities		
Issue of shares	**50,525,483**	35,117,885
Costs of issue of shares	**(1,209,639)**	(1,604,889)
Net cash flow from financing activities	**49,315,844**	33,512,996
Net increase in cash and cash equivalents	**40,762,511**	25,866,615
Effect of foreign exchange rate changes	**91,403**	-
Cash and cash equivalents at beginning of year	**30,476,386**	4,609,771
Cash and cash equivalents at the end of the year	**71,330,300**	30,476,386

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

Company statement of cash flows

for the year ended 30 April 2017

	2017	2016
	£	£
Cash flows from operating activities		
Loss for the year after taxation	**3,172,757**	(11,901,831)
Adjustments for:		
Amortisation of intangible assets	**373,178**	101,309
Depreciation	**148,013**	61,159
Share based payment charge	**917,089**	596,647
Non-designated foreign exchange forward contracts	**104,317**	-
Fundraising costs	**-**	1,461,069
Deferred taxation	**(2,892,592)**	-
Operating cash inflow/(outflow) before changes in working capital	**1,822,762**	(9,681,647)
Movement in trade and other receivables	**(8,274,552)**	(2,224,175)
Movement in trade and other payables	**1,200,072**	4,158,614
Movement in deferred income	**1,061,076**	650,428
Net cash outflow from operating activities	**(4,190,642)**	(7,096,780)
Cash flow from investing activities		
Purchase of property, plant and equipment	**(495,977)**	(215,338)
Proceeds from sale of property, plant and equipment	**959**	-
Development expenditure capitalised	**(1,421,927)**	(334,263)
Purchase of intangible assets	**(194,595)**	-
Purchase of investment in subsidiary	**(3,548,691)**	-
Net cash outflow from investing activities	**(5,660,231)**	(549,601)
Cash flow from financing activities		
Issue of shares	**50,525,484**	35,117,885
Costs of issue of shares	**(1,209,639)**	(1,604,889)
Net cash flow from financing activities	**49,315,845**	33,512,996
Net increase in cash and cash equivalents	**39,464,972**	25,866,615
Cash and cash equivalents at beginning of year	**30,476,386**	4,609,771
Cash and cash equivalents at the end of the year	**69,941,358**	30,476,386

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

Notes to the financial statements

forming part of the financial statements

1. General information

Purplebricks Group plc is a public company limited by shares registered in England and Wales. The address of the Company's registered office is Purplebricks Group plc, 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 29 March 2016 Purplebricks Group plc incorporated a wholly owned subsidiary, Purplebricks Australia PTY Ltd, a Company registered in Australia. On 10 March 2017, Purplebricks Group plc incorporated a wholly owned subsidiary Purplebricks Inc, a company registered in the United States.

On 24 March 2017 the Group acquired 100 per cent of the issued share capital of BFL Property Management Limited. BFL Property Management Limited ("BFL") is a property management company and was acquired to complement the existing mainly organically created property management business in the Group and professionalising it with a skilled team and their processes.

The recently acquired entity BFL has a year-end reporting date of 31 December however is consolidated for the year ended 30 April 2017 using detailed management accounts. BFL's reporting date will be amended to ensure it is coterminous with the Group for future periods.

2. Summary of significant accounting policies

The principal accounting policies are set out below.

Basis of preparation

The Company's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and those parts of the Companies Act 2006 that apply to companies reporting in accordance with IFRSs.

The consolidated financial statements have been prepared under the historical cost convention subject to recognising certain financial instruments at fair value.

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

Going concern

The financial statements have been prepared on a going concern basis. 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 UK Company is likely to become more profitable and cash generative during the year ended April 2018. The Group achieving profitability and cash generation is likely to be delayed by virtue of international expansion in Australia which will reduce cash due to loans. At the financial year-end the Company reported cash balances of £71.3 million. The directors have performed sufficient sensitivity analysis to be satisfied that the going concern basis of preparation is appropriate. The operational gearing of the Company is such that it only reinforces the confidence of the directors.

The directors have prepared a monthly forecast to 30 June 2018 on the basis that the growth aspirations are achieved which show that the Group can operate with its existing resources.

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

Notes to the financial statements

forming part of the financial statements

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April 2017. The Company controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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.

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 profit and loss as incurred.

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 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 capitalised 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.

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 Sterling, which is the functional currency of the Company, and the presentation currency for the consolidation.

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.

Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale of properties however management report to the Board using geographical segments, being UK, Australia and USA. The financial information reviewed by the Board is materially the same as that reported under IFRS.

Notes to the financial statements

continued

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

Fees earned on instruction of residential property are accounted for over time as the Group's obligations are completed. Where the Group's obligations have not been completed fees are recorded as deferred income and presented within liabilities.

Conveyancing fees are accounted for on completion of the service being provided, being legal completion of the transaction. This may lead to the recognition of accrued income.

Fees earned under lettings contracts are recognised on a straight-line basis over the term of the agreement and/or at the point of delivery of the service as appropriate.

Accompanied viewings revenue is recognised when its receipt is assured over the period in which the company fulfils its obligations.

During the year, no one customer contributed greater than 10% of the Group's revenues. (2016: none)

Pension benefits

The Group does not operate a pension scheme nor is it required to implement a contributory pension scheme under auto enrolment until July 2017.

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.

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 probable 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.

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 annual rates used are:

- computer equipment – over 3 years
- fixtures and fittings – over 5 years

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment.

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 are 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.

Cash and cash equivalents

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

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 annual rates used are:

- computer software – straight line over 3 years

Amortisation is included within administrative expenses.

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 13 for details of these assets.

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

The annual rates used are:

- customer relationships – straight line over 5 years
- patents and trademarks – straight line over 18 months

Impairment

The carrying amount of the Group's assets including property, plant and equipment and intangibles other than goodwill 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.

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.

Financial assets

The Group has financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition at fair value these 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.

Trade and other receivables are reviewed for impairment on an individual basis when they are past due at the year-end date or when objective evidence is received that a third party will default or that a receivable will be impaired.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortised cost'.

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk using foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 17.

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.

Share based payments

The equity settled share option programme allows employees and LPEs to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured using the Black-Scholes model at grant date and spread over the period during which the employees become unconditionally entitled to the options. The expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. A deferred tax asset is recognised over the vesting period.

Share based payments reserve

This comprises the cumulative share based payment charge recognised in profit or loss in relation to equity-settled options.

3. Critical accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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. Information about significant areas of estimation and critical judgments that have the most significant impact on the financial statements are described in the following notes:

Estimates

Measurement of intangible assets

In testing for impairment of intangible assets, management has made certain assumptions concerning the future development of the business that are consistent with the annual budget and business plan. Should these assumptions regarding the growth in profitability be unfounded then it is possible that intangible assets included in the statement of financial position could be impaired. Management is confident that this will not be the case and conservatively amortises the intangible asset over three years, a realistic timescale for software code to become superseded by future releases. Accordingly, when assessing the recoverable value attributable to intangible assets, management has estimated cash flows attributable to existing businesses and extrapolated forward budgets for the financial year ending 30 April 2018.

Measurement of trade receivables

Management assess the likely recoverability of amounts invoiced to customers on the creditworthiness of its credit partners and the age of debts at the period end. The directors consider the carrying amount of trade receivables approximates to their fair value.

Notes to the financial statements

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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. The use of a valuation model such as this involves making certain assumptions around the inputs into the model. There is also uncertainty around the number of shares likely to vest and the model therefore takes into account management's best estimate of this.

Revenue recognition

There is no significant judgment involved in revenue recognition other than disclosed elsewhere in this Annual Report.

Judgments

Intangible assets

Development expenditure is recognised on the statement of financial position when certain criteria are met, as described more fully in the accounting policy on the treatment of research and development expenditure. Management estimate the amount of time spent by software engineers in developing intangible assets and capitalise a proportion of their time accordingly. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that the asset may be impaired, as discussed above.

Deferred tax

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties. The Group has significant tax losses but does not anticipate sufficient taxable profits to arise in the immediate future in order to fully utilise all of these losses within a short-term time horizon, and as a result the directors' judgement is that a deferred tax asset of £3,086,950 for the Group and £2,892,592 for the company should be recognised based on sensitised forecasts which take a risk adjusted view of the future certainty of profits depending on the level of maturity of each country's model.

Intangibles arising on business combinations

The assets acquired on acquisition of BFL have been recognised at fair value in accordance with IFRS including the recognition of intangible assets being customer relationships and patents and trademarks. In attributing value to intangible assets arsing on acquisition, management has made certain assumptions in terms of cash flows attributable to intellectual property and customer relationships. The key assumptions relate to the trading performance of the acquired business and discount rates applied to calculate the present value of future cash flows. The directors consider the resulting valuation to be a reasonable approximation as to the value of the intangibles acquired. See note 13 for details.

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:

- IFRS 16 Leases (effective 1 January 2019)
- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Amendments to IAS 7: Disclosure Initiative (effective 1 January 2017)
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018)
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective 1 January 2018)
- Annual improvements to IFRS 2014-2016 Cycle – Relating to IFRS 1 First time adoption of IFRS and IAS 28 Investment in associates and joint ventures (effective 1 January 2018)
- Annual improvements to IFRS 2014-2016 Cycle – Relating to IFRS 12 Disclosure of interest in other entities (effective 1 January 2018)
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations (effective 1 January 2018)
- Amendments to IAS 40: Transfers of investment property (effective 1 January 2018).

There are other standards in issue which are not considered applicable and are not expected to have an impact on the Group and have therefore not been included in the list above. Both, in particular, IFRS 15 and IFRS 16 are expected to require amendments for operating leases and revenue recognition. Management are undertaking an exercise to determine the impact on results and have not yet quantified this.

Notes to the financial statements

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5. Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale of properties however management report to the Board using geographical segments. The financial information reviewed by the Board is materially the same as that reported under IFRS and falls under the three geographic locations it owns a Company in: UK, Australia and the US. During the year, no customer contributed 10% or more of the Group's revenues (2016: none).

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

	Year ended 30 April 2017			
	UK	**Australia**	**US**	**Total**
	£	**£**	**£**	**£**
Revenue	**43,187,653**	**3,518,425**	**-**	**46,706,078**
Cost of sales	**(18,946,018)**	**(1,911,920)**	**-**	**(20,857,938)**
Gross profit	**24,241,635**	**1,606,505**	**-**	**25,848,140**
Gross profit margin	**56%**	**46%**	**-**	**55%**
Administrative expenses	**(9,659,191)**	**(3,914,890)**	**(65,846)**	**(13,639,927)**
Marketing costs	**(14,386,154)**	**(3,805,491)**	**(27,200)**	**(18,218,845)**
Operating profit/(loss)	**196,290**	**(6,113,876)**	**(93,046)**	**(6,010,632)**
Depreciation and amortisation	**549,726**	**15,949**	**-**	**565,675**
EBITDA	**746,016**	**(6,097,927)**	**(93,046)**	**(5,444,957)**
Share based payments	**917,089**	**-**	**-**	**917,089**
Adjusted EBITDA	**1,663,105**	**(6,097,927)**	**(93,046)**	**(4,527,868)**

	Year ended 30 April 2016			
	UK	Australia	US	Total
	£	£	£	£
Revenue	18,603,679	-	-	18,603,679
Cost of sales	(8,011,976)	-	-	(8,011,976)
Gross profit	10,591,703	-	-	10,591,703
Gross profit margin	57%	-	-	57%
Administrative expenses	(9,604,541)	-	-	(9,604,541)
Marketing costs	(12,924,002)	-	-	(12,924,002)
Operating loss	(11,936,840)	-	-	(11,936,840)
Depreciation and amortisation	162,468	-	-	162,468
EBITDA	(11,774,372)	-	-	(11,774,372)
Share based payments	596,647	-	-	596,647
Fund raising costs	1,461,069	-	-	1,461,069
Adjusted EBITDA	(9,716,656)	-	-	(9,716,656)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

Segment assets and liabilities by location

Total assets	**2017**	2016
	£	£
UK	**90,095,560**	34,034,877
Australia	**2,911,678**	-
US	**-**	-
Total	**93,007,238**	34,034,877

Total liabilities	**2017**	2016
	£	£
UK	**8,709,709**	5,971,711
Australia	**8,907,832**	-
US	**93,046**	-
Total	**17,710,587**	5,971,711

6. Loss from operating activities

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

	2017	2016
	£	£
Auditor's remuneration:		
Audit of Group and Company financial statements	51,000	-
Audit of subsidiaries	19,120	32,000
Audit related assurance services	1,500	-
Amounts received by auditor and their associates in respect of:		
Taxation compliance	21,000	2,500
Taxation advisory	4,436	-
Transaction advisory services	-	97,825
Depreciation and other amounts written off property, plant & equipment:		
Owned, in respect of continuing activities	166,320	61,159
Amortisation of development costs	369,896	101,309
Amortisation of software	3,282	-
Amortisation of other intangibles	26,175	-
Aggregate charge against income in respect of research and development costs not eligible for capitalisation	473,976	520,786
Rentals payable under plant and machinery operating leases	23,979	15,108
Leasehold property rentals	199,807	74,209

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.

Notes to the financial statements

continued

7. Staff costs

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

	2017	2016
	No	No
Sales and marketing	181	81
Technical	42	18
Administration	16	4
	239	103

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

	2017	2016
	£	£
Wages and salaries	8,122,909	3,983,829
Social security costs	771,105	435,478
Share based payment charge	805,537	596,647
	9,699,551	5,015,954

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

	2017	2016
	No	No
Sales and marketing	169	81
Technical	38	18
Administration	4	4
	211	103

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

	2017	2016
	£	£
Wages and salaries	6,321,831	3,983,829
Social security costs	613,050	435,478
Share based payment charge	805,737	596,647
	7,740,618	5,015,954

Notes to the financial statements

continued

The following table provides details of remuneration paid to directors:

	2017	2016
	£	£
Salaries or fees, including bonuses	**365,000**	625,791
Employer's national insurance	**56,027**	80,959
Share based payment charge	**178,803**	468,135
	599,830	1,174,885

The highest paid director received remuneration of £242,141 (2016:£383,188) during the year.

No director had a material interest in any contract in relation to the business of the Group.

In addition to the 5 directors (2016: 5), 8 senior management (2016: 6) are also considered to be key management personnel.
The following table provides details of remuneration paid to key management personnel, being 13 individuals (2016: 11 individuals).

	2017	2016
	£	£
Salaries or fees, including bonuses and employer's national insurance	**1,088,152**	1,105,412
Share based payment charge	**386,910**	596,647
	1,475,062	1,702,059

The remuneration of the Directors for the years ended 2017 and 2016 was as follows:

	Salary & Fees	**Taxable benefits**	**Annual Bonuses**	**Long term incentives**	**Pension**	**Total**
	2017	**2017**	**2017**	**2017**	**2017**	**2017**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Executive directors						
M P D Bruce	150	-	-	92	-	**242**
N R Cartwright	125	-	-	87	-	**212**
Non-executive directors						
P R M Pindar	30	-	-	-	-	**30**
N S Discombe	30	-	-	-	-	**30**
W E Whitehorn	30	-	-	-	-	**30**
Total	365	-	-	179	-	**544**

Notes to the financial statements

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	Salary & Fees	Taxable benefits	Annual Bonuses	Long term incentives	Pension	Total
	2016	2016	2016	2016	2016	2016
	£000s	£000s	£000s	£000s	£000s	£000s
Executive directors						
M P D Bruce	163	-	75	145	-	383
N R Cartwright	125	-	-	133	-	258
K F C Bruce	59	-	7	102	-	168
J R Kydd	40	-	32	6	-	78
M J Farrow	52	-	-	82	-	134
Non-executive directors						
P R M Pindar	18	-	-	-	-	18
N S Discombe	18	-	-	-	-	18
W E Whitehorn	36	-	-	-	-	36
Total	511	-	114	468	-	1,093

8. 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).

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's start date.

The vesting conditions for schemes 5, 6, 7, 8 and 9 are based on future service from the date of grant with 25% of the options vesting on or after the 12 month anniversary of the grant 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 or the licensee's (where applicable) grant date.

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

Grant Date	Scheme No.	Employees entitled	Number of options	Vesting conditions	Type	Exercise price (p)	Earliest exercise date	Expiry
09/01/2015	1	14	403,328	Length of service	EMI	£0.01	09/01/2015	09/01/2025
10/07/2015	2	11	1,257,505	Length of service	EMI	£0.13	10/07/2015	10/07/2025
07/08/2015	3	2	0	Length of service	EMI	£0.13	07/08/2015	07/08/2025
10/08/2015	4	11	388,441	Length of service	EMI	£0.13	23/09/2015	10/08/2025
29/06/2016	6	68	5,329,500	Length of service	ESOP/LSOP	£1.29	29/06/2017	29/06/2026
05/12/2016	7	287	3,405,000	Length of service	ESOP/LSOP	£1.25	05/12/2017	05/12/2026
04/01/2017	8	3	1,600,000	Length of service	ESOP/LSOP	£1.40	04/01/2018	04/01/2027
05/03/2017	9	212	2,246,000	Length of service	ESOP/LSOP	£3.10	05/03/2018	05/03/2027

The Company operates an unapproved executive incentive plan. 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. Details of the total number of shares under option at the year end and conditions on qualification and exercise under unapproved rules are set out below:

Grant Date	Employees entitled	Number of options	Vesting conditions	Exercise price (p)	Earliest exercise date	Expiry
06/11/2015	8	5,085,739	Length of service	£0.01	06/11/2016	06/11/2025

7,121,414 share options were exercised during the year (2016: 9,000,660). The number and weighted average exercise price of share options are as follows:

	2017 Weighted average exercise price	**2017 Number of options (number)**	2016 Weighted average exercise price	2016 Number of options (number)
Outstanding at beginning of year	**£0.04**	**14,256,430**	£0.01	42,637
Bonus issue	**-**	**-**	£0.01	4,573,874
Granted during the year	**£1.62**	**12,580,500**	£0.09	18,802,984
Exercised during the year	**£0.07**	**(7,121,414)**	£0.11	(9,000,660)
Lapsed during the year	**-**	**-**	£0.13	(162,405)
Outstanding at end of the year	**£1.04**	**19,715,516**	£0.04	14,256,430
Exercisable at end of the year	**£0.05**	**2,364,068**	£0.06	3,141,298

The weighted average remaining contractual life of the options is 9.1 years (2016: 9.2 years).

Options outstanding at 30 April 2017 for schemes 1 and 5 have an exercise price of £0.01 (2016:£0.01). The weighted average remaining contractual life of the options is 8.4 years (2016: 9.4 years).

Options outstanding at 30 April 2017 for schemes 2 and 4 have an exercise price of £0.13 (2016:£0.13) following the redenomination of the shares and admission to AIM. The weighted average remaining contractual life of the options is 8.3 years (2016: 8.9 years).

Options outstanding at 30 April 2017 for scheme 6 have an exercise price of £1.29 (2016: nil). The weighted average remaining contractual life of the options is 9.2 years. (2016: nil)

Options outstanding at 30 April 2017 for scheme 7 have an exercise price of £1.25 (2016: nil). The weighted average remaining contractual life of the options is 9.7 years. (2016: nil)

Options outstanding at 30 April 2017 for scheme 8 have an exercise price of £1.40 (2016: nil). The weighted average remaining contractual life of the options is 9.7 years. (2016: nil)

Options outstanding at 30 April 2017 for scheme 9 have an exercise price of £3.10 (2016: nil). The weighted average remaining contractual life of the options is 9.9 years. (2016: nil)

Notes to the financial statements

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Fair value assumptions 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 2017	30 April 2016
Weighted average share price at date of grant	**£1.62**	£0.15
Weighted average exercise price	**£1.62**	£0.09
Weighted average contractual life (years)	**10**	10
Weighted average expected volatility	**27%**	27%
Weighted average risk free interest rate	**1.5%**	1.5%
Total weighted average fair value of options granted	**£20,333,905**	£1,664,100

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

Charge to the income statement

The charge to profit or loss, included with administrative expenses, comprises:

	2017	2016
	£	£
Share based payment charge	**917,089**	596,647

Notes to the financial statements

continued

9. Taxation

	2017	2016
Current tax expense	**£**	£
UK corporation tax for the current year	**-**	-
Total current tax	**-**	-
Deferred tax		
Deferred tax for prior year	**1,852,996**	-
Deferred tax for the current year	**1,201,194**	-
Total deferred tax	**3,054,190**	-
Taxation credited to the income statement	**3,054,190**	-

Reconciliation of effective tax rate

The current tax charge for the period is lower than (2016: higher than) the average standard rate of corporation tax in the UK during the period of 20.00% (2016: 20.00%). The differences are explained below.

	2017	2016
	£	£
Loss before taxation from continuing operations	**(6,059,519)**	(11,901,831)
Tax using the average UK Corporation tax rate of 20.00% (2016: 20.00%)	**(1,211,904)**	(2,380,366)
Effects of:		
Expenses deductible for tax purposes	**441,797**	498,144
Attributable to lower tax rates in overseas jurisdictions	**603,668**	-
Exercise of EMI options	**(1,400,000)**	-
Tax losses for which no deferred tax asset was recognised	**-**	1,882,222
Adjustments in respect of income tax of prior years	**(1,852,996)**	-
Timing differences recognised	**(34,041)**	-
Recognition of previously unrecognised deferred tax assets	**399,286**	-
Total tax in income statement	**(3,054,190)**	-

The Directors are not aware of any material changes to Corporation tax rates in the jurisdictions it operates in other than in the UK where the rate will drop to 19.00% (2016: 20.00%).

Corporation losses carried forward for the group for the period ending 30/04/2017 are £36,624,678 (2016:£25,774,144).

Notes to the financial statements

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Deferred tax asset	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Deferred tax asset movement				
At 1 May	**-**	-	**-**	-
Acquisition of subsidiaries	**(210,774)**	-	**-**	-
Credit to the profit and loss account	**3,054,190**	-	**2,892,592**	-
At 30 April	**2,843,416**	-	**2,892,592**	-
Analysis of deferred tax asset				
Depreciation less than that of capital allowances	**15,032**	-	**5,799**	-
Short term temporary differences	**499**	-	**-**	-
Losses	**3,020,149**	-	**2,835,871**	-
Intangibles	**32,493**	-	**32,145**	-
Derivative financial instruments	**18,777**	-	**18,777**	-
	3,086,950	-	**2,892,592**	-
Analysis of deferred tax liabilities				
Depreciation in excess of capital allowances	**(36,972)**	-	**-**	-
Intangible assets	**(206,562)**	-	**-**	-
	(243,534)	-	**-**	-

A proportion of the total recognisable deferred tax assets in the UK and in Australia have not been recognised in deferred tax due to insufficient certainty that there will be appropriate profits available in the near future to utilise them. The unrecognised element of these deferred tax elements is £14.74 million in the UK and £5.01 million in Australia. See note 22 for further analysis of deferred taxation.

10. Losses per share

	Basic and diluted 2017	Basic and diluted 2016
Loss £	**(3,005,329)**	(11,901,831)
Weighted average number of shares	**249,811,478**	101,194,640
Losses per share (£)	**(0.01)**	(0.12)

During the prior year the Company issued bonus shares prior to its admission to the Alternative Investment Market (AIM) on a 108.2747 for 1 basis.

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:

Weighted average number of shares 2016	101,194,640
Weighted average issue of new shares and exercise of options	148,616,838
Weighted average number of shares 2017	**249,811,478**

Notes to the financial statements

continued

11. Property, plant and equipment

Group

	Computer equipment	Furniture and fittings	Motor Vehicles	Total
	£	£	£	£
Cost				
Balance at 1 May 2015	81,750	2,164	-	83,914
Additions	130,673	84,665	-	215,338
Disposals	(63)	-	-	(63)
Balance at 30 April 2016	212,360	86,829	-	299,189
Additions	469,162	116,421	-	585,583
Acquired on acquisition of subsidiary	-	60,751	22,054	82,805
Disposals	(962)	-	-	(962)
Balance at 30 April 2017	680,560	264,001	22,054	966,615
Depreciation				
Balance at 1 May 2015	(20,508)	(199)	-	(20,707)
Charge for the year	(48,927)	(12,232)	-	(61,159)
Accumulated depreciation on disposal	63	-	-	63
Balance at 30 April 2016	(69,372)	(12,431)	-	(81,803)
Charge for the year	(130,053)	(35,648)	(619)	(166,320)
Balance at 30 April 2017	(199,425)	(48,079)	(619)	(248,123)
Net book value				
At 30 April 2017	**481,135**	**215,922**	**21,435**	**718,492**
At 30 April 2016	142,988	74,398	-	217,386

Notes to the financial statements

continued

Company

	Computer equipment	Furniture and fittings	Total
	£	**£**	**£**
Cost			
Balance at 1 May 2015	81,750	2,164	83,914
Additions	130,673	84,665	215,338
Disposals	(63)	-	(63)
Balance at 30 April 2016	212,360	86,829	299,189
Additions	428,785	67,192	495,977
Disposals	(962)	-	(962)
Balance at 30 April 2017	640,183	154,021	794,204
Depreciation			
Balance at 1 May 2015	(20,508)	(199)	(20,707)
Charge for the year	(48,927)	(12,232)	(61,159)
Accumulated depreciation on disposal	63	-	63
Balance at 30 April 2016	(69,372)	(12,431)	(81,803)
Charge for the year	(124,590)	(23,423)	(148,013)
Balance at 30 April 2017	(193,962)	(35,854)	(229,816)
Net book value			
At 30 April 2017	**446,221**	**118,167**	**564,388**
At 30 April 2016	142,988	74,398	217,386

Notes to the financial statements

continued

12. Intangible assets

Group

	Internally generated intangible	Capitalised software	Patents and trademark	Customer relationships	Total
	£	£	£	£	£
Cost					
Balance at 1 May 2015	179,520	-	-	-	179,520
Internally developed additions	334,263	-	-	-	334,263
Balance at 30 April 2016	513,783	-	-	-	513,783
Additions	-	194,595	-	-	194,595
Internally developed	1,421,927	-	-	-	1,421,927
Acquired on acquisition of subsidiary	-	-	100,000	1,070,968	1,170,968
Disposals	-	(1,931)	-	-	(1,931)
Balance at 30 April 2017	1,935,710	192,664	100,000	1,070,968	3,299,342
Amortisation and impairment					
Balance at 1 May 2015	(41,627)	-	-	-	(41,627)
Amortisation for the year	(101,309)	-	-	-	(101,309)
Balance at 30 April 2016	(142,936)	-	-	-	(142,936)
Amortisation for the year	(369,896)	(3,282)	(5,555)	(20,620)	(399,353)
Balance at 30 April 2017	(512,832)	(3,282)	(5,555)	(20,620)	(542,289)
Net carrying value					
Balance at 30 April 2017	**1,422,878**	**189,382**	**94,445**	**1,050,348**	**2,757,053**
Balance at 30 April 2016	370,847	-	-	-	370,847

The internally generated intangible asset relates to capitalised development costs in respect of the customer facing Purplebricks software platform.

Amortisation and impairment

Intangible assets are amortised over their useful economic lives. 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 brand names is 18 months and the customer relationships are 5 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
	£	£	£
Cost			
Balance at 1 May 2015	179,520	-	179,520
Internally developed / additions	334,263	-	334,263
Balance at 30 April 2016	513,783	-	513,783
Additions	-	194,595	194,595
Internally developed	1,421,927	-	1,421,927
Balance at 30 April 2017	1,935,710	194,595	2,130,305
Amortisation and impairment			
Balance at 1 May 2015	(41,627)	-	(41,627)
Amortisation for the year	(101,309)	-	(101,309)
Balance at 30 April 2016	(142,936)	-	(142,936)
Amortisation for the year	(369,896)	(3,282)	(373,178)
Balance at 30 April 2017	(512,832)	(3,282)	(516,114)
Net carrying value			
Balance at 30 April 2017	**1,422,878**	**191,313**	**1,614,191**
Balance at 30 April 2016	370,847	-	370,847

The internally generated intangible asset relates to capitalised development costs in respect of the customer facing Purplebricks software platform.

Amortisation and impairment

Intangible assets are amortised over their useful economic lives. In the case of the internally developed intangible asset, amortisation is charged on a straight line basis over three years. The remaining useful economic life is two years.

Capitalised software in use is amortised over its useful economic life of five years. The remaining useful economic life is five years.

Notes to the financial statements

continued

13. Goodwill

	Group
Cost	**£**
1 May 2016	-
Acquisition of subsidiary	2,605,979
At 30 April 2017	2,605,979
Accumulated amortisation	
1 May 2016	-
Charge for the year	-
At 30 April 2017	-
Carrying amount	
At 30 April 2017	**2,605,979**
At 30 April 2016	-

Acquisition of subsidiary

On 24 March 2017 the Group acquired 100 per cent of the issued share capital of BFL Property Management Limited, obtaining control of BFL Property Management Limited. BFL Property Management Limited is a property management company and was acquired to complement the existing mainly organically created property management business in the Group and professionalising it with a skilled team and their processes.

The amounts recognised in respect of the identifiable assets acquired and liabilities are as set out in the table below.

	£
Cash paid	3,548,691
Deferred consideration	25,000
Total consideration	**3,573,691**
Property, plant and equipment	82,805
Trade and other receivables	188,034
Cash and cash equivalents	253,502
Intangibles – customer relationships	1,070,968
Royalty value of short term use of tradename and inherent IPR	100,000
Deferred tax liability	(210,774)
Trade and other payables	(516,823)
Total identifiable net assets	967,712
Goodwill	**2,605,979**

On completion of acquisition and at the year end the goodwill was reviewed for impairment and the Group will test annually for impairment going forward. The recoverable amounts of the goodwill are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rate used was 15% and the growth rate used was 2% or less based on the Office for Budget Responsibility growth forecasts contained within the March 2017 economic and fiscal outlook.

The Group has conducted a sensitivity analysis on the impairment test of goodwill and the group of units carrying value. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 3 years and extrapolates cash flows for the following three years based on an estimated growth rate that does not exceed the average growth rate for the industry.

At the year end the fair value of goodwill was substantially in excess of its book value.

14. Investment in subsidiaries

	Company
Cost	**£**
1 May 2016	-
Acquisition of subsidiary	3,573,691
At 30 April 2017	3,573,691
Accumulated impairment losses	
1 May 2016	-
Impairment charge for the year	-
At 30 April 2017	-
Carrying amount	
At 30 April 2017	**3,573,691**
At 30 April 2016	-

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.

Information about the composition of the Group at the end of the reporting period is as follows:

Name	Place of incorporation	Proportion of ownership interest %	Proportion of voting power held %
BFL Property Management Limited	U.K	100%	100%
Purplebricks Inc.	USA	100%	100%
Purplebricks Australia PTY Limited	Australia	100%	100%

The revenues and profits of BFL Property Management Limited were not material in the year ending 30 April 2017.

15. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade and other receivables	**2,641,402**	1,016,815	**2,340,501**	1,016,815
Amounts owed by group undertakings	**-**	-	**7,362,745**	-
Prepayments	**1,325,536**	1,555,644	**653,303**	1,555,644
Accrued income	**898,258**	362,790	**888,264**	362,790
Accrued interest	**-**	35,009	**-**	35,009
	4,865,196	2,970,258	**11,244,813**	2,970,258

All trade and other receivables are short-term and due in less than one month. The amounts owed by group companies are repayable on demand. The directors consider that the carrying amount of trade receivables approximates to their fair value. All trade and other receivables have been reviewed for indications of impairment.

Of the total trade receivables shown above, no amounts (2016:£nil) are past due and none are impaired.

16. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade payables	**3,574,276**	2,728,709	**2,470,727**	2,728,709
Other taxation and social security	**1,214,738**	427,514	**1,102,972**	427,514
Amounts owed to group undertakings	**-**	-	**747,903**	-
Accruals	**2,513,453**	2,055,130	**2,114,824**	2,055,130
	7,302,467	5,211,353	**6,436,426**	5,211,353
Deferred income	**2,306,512**	760,358	**1,821,434**	760,358
	9,608,979	5,971,711	**8,257,860**	5,971,711

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.

17. Derivative financial instruments

The group enters into contracts for foreign exchange forwards in order to secure a protected USD:GBP exchange rate until 29 November 2017.

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Foreign exchange forward contracts - carried at fair value through profit or loss				
Balance at start of period	**-**	-	**-**	-
Loss/(gain) in movement in fair value through profit or loss	**104,317**	-	**104,317**	-
Balance at end of period	**104,317**	-	**104,317**	-

Maturity analysis of foreign exchange forward contracts

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Less than 1 year	**104,317**	-	**104,317**	-
Between 1 and 2 years	**-**	-	**-**	-
Between 2 and 5 years	**-**	-	**-**	-
More than 5 years	**-**	-	**-**	-
	104,317	-	**104,317**	-

Further details of derivative financial instruments are provided in 21.

18. Share capital

Allotted, issued and fully paid:

Class	Number	Nominal Value	2017	2016
			£	£
Ordinary shares	**270,500,911**	**£0.01p**	**2,705,009**	2,402,591
			2,705,009	2,402,591

During the year the Company issued a total of 30,241,759 shares of £0.01p each at par, for total consideration of £50,525,483. There were directly attributable costs associated with these issues of £1,209,639.

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

	Ordinary shares
Ordinary shares at 1 May 2016	240,259,152
Shares issued during the year	30,241,759
Ordinary shares at 30 April 2017	**270,500,911**

19. Share premium

Allotted, issued and fully paid:

	£
Balance at 1 May 2015	12,298,268
Premium arising on issue of equity shares	34,748,659
Exercise of warrants and options	117,003
Share premium cancellation	(19,000,000)
Expenses of issue of equity shares	(143,820)
Bonus share issue	(2,132,710)
Balance at 30 April 2016	25,887,400
Premium arising on issue of equity shares	50,223,065
Cost of share issue	(1,209,639)
Balance at 30 April 2017	**74,900,826**

20. 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.

21. 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

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

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Financial assets				
Loans and receivables:				
Trade and other receivables: current	**3,539,660**	1,414,614	**10,591,510**	1,414,614
Cash and cash equivalents	**71,330,300**	30,476,386	**69,941,358**	30,476,386
	74,869,960	31,891,000	**80,532,868**	31,891,000

At 30 April 2017 a total of £6m (2016:£nil) was committed to be transferred into a deposit account to be held until December 2017, with early redemption permitted.

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

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Financial liabilities				
Held at amortised cost:				
Trade and other payables	**6,087,729**	4,783,839	**5,333,454**	4,783,839
	6,087,729	4,783,839	**5,333,454**	4,783,839
Held at fair value through profit or loss:				
Derivative financial instruments – foreign exchange forward contracts	**104,317**	-	**104,317**	-
	6,192,046	4,783,839	**5,417,969**	4,783,839

The derivative was designated as fair value through profit or loss on initial recognition.

Fair value of financial instruments

The fair value of the financial instruments set out above is not materially different to the book value.

It is the policy of the Group to enter into forward foreign exchange contracts to protect foreign currency transactions in USD to reduce the exposure to the Group. In the current year, the Group has designated certain forward contracts which provide the Group a fixed exchange rate until 29 November 2017 for a total potential protected amount of $7,602,605. Due to the low complexity of the derivative contracts, hedge accounting has not been applied and is not considered necessary.
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.

During each of the reporting periods, there were no transfers between valuation levels.

Group - Fair Values	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Financial liabilities				
Forward contract – Level 2	**104,317**	-	**104,317**	-

Financial risk management

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

- Liquidity risk
- Interest rate risk
- Credit risk

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

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast as well as actual cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs. Liquidity risk is managed through regular senior review of performance versus an integrated profit and loss, balance sheet and cash flow model. Sensitivities are applied to this model to ensure the Company has early warning of any manifestation of liquidity risk and communicate any such risk to investors in a timely and accurate manner so as to manage liquidity risk comprehensively and effectively.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities. The table includes principal only cash flows in respect of trade and other payables.

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Trade payables and accruals due within one month	**5,062,455**	3,398,839	**4,564,624**	3,398,839
Trade payables and accruals due within three months	**1,025,274**	1,384,550	**768,830**	1,384,550
Trade and other payables	**6,087,729**	4,783,389	**5,333,454**	4,783,389

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 as the Group has no borrowings or other financial assets or liabilities linked to interest rates.

Foreign currency risk management

Most of the Group's transactions are carried out in pound sterling (GBP). Exposures to the currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in Australian dollars (AUD) for the year ended 30 April 2017. The Group holds a AUD denominated loan with its Australian subsidiary which is the result of funding early stage losses. The Group anticipates material losses in US dollars (USD) over the next two years as it starts operating in the US.

To mitigate the Group's exposure to foreign currency risk, non-GBP cash flows are monitored and forward exchange contracts are entered into in accordance with the Group's risk management policies. Generally, the Group's risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows (due after 6 months). Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. Forward exchange contracts are mainly entered into for significant long-term foreign currency exposures that are not expected to be offset by other same-currency transactions where adverse foreign exchange movements could be highly material to the Group and there is no compensating effect from amounts to be received in the immediate term.

The Group does not enter into forward exchange rate contracts to mitigate the exposure to foreign currency risk on the Group's AUD loan. The loan carries a commercial rate of interest and is therefore not designated at fair value.

Foreign currency denominated financial assets and liabilities which expose the Group to currency risk are disclosed below. The amounts shown are those reported to key management translated into GBP at the closing rate:

	Short-term exposure		Long term exposure	
	AUD	**USD**	**AUD**	**USD**
30 April 2017				
Financial assets	132,573	-	-	-
Financial liabilities	(2,190,672)	-	(11,156,109)	-
Total exposure	(2,058,099)	-	(11,156,109)	-

There were no foreign currency financial assets or liabilities as at 30 April 2016 which exposed the Group to currency risk.

The following table illustrates the sensitivity of the profit and equity in regards to the Group's financial assets and financial liabilities and the AUD/GBP exchange rate. It assumes a +/-15% change of the AUD/GBP rate for the year ended 30 April 2017. This percentage has been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting date and also takes into account forward exchange contracts that offset effects for changes in currency exchange rates.
If GBP had strengthened against the AUD by 15% (2016:nil) then this would have the following impact:

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	Profit/(loss) for the year	Equity
	AUD	AUD
30 April 2017	**787,286**	**782,226**
30 April 2016	-	-

If GBP had weakened against the AUD by 15% (2016:nil) then this would have the following impact:

	Profit/(loss) for the year	Equity
	AUD	AUD
30 April 2017	**(1,078,681)**	**(1,057,984)**
30 April 2016	-	-

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.

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 Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The Company has an excellent history with no trade receivables written off as irrecoverable. All debtors are due within thirty days.

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

22. Deferred tax assets and liabilities

The provision of a deferred tax asset is based on the future trading forecasts for the Group. A deferred tax asset has been recognised in respect of trading losses and other temporary differences as the Group does anticipate sufficient taxable profits to arise within the foreseeable future.

Movement in unprovided deferred tax for the year ended 30 April 2017

Group	As at 1 May 2016	Movement in the year	As at 30 April 2017
	£	£	£
Share based payment expense	140,332	183,418	**323,750**
Tax losses	3,293,341	16,228,984	**19,522,325**
	3,433,673	16,412,402	**19,846,075**

The gross value of losses in respect of which the unrecognised deferred tax asset relates is £19,846,075 (2016:£16,632,846).

Company	As at 1 May 2016	Movement in the year	As at 30 April 2017
	£	£	£
Share based payment expense	140,332	183,418	**323,750**
Tax losses	3,293,341	11,123,026	**14,416,367**
	3,433,673	11,306,444	**14,740,117**

23. Related party transactions

The directors have taken the exemption from disclosing transactions with Group companies on the grounds that they are all wholly owned subsidiaries.

Directors' remuneration and key management personnel disclosures can be found in note 7.

Paul Pindar neither purchased nor sold any shares during the current year (2016: 300,000 Ordinary shares in the Company on 26 January 2016 at 78.16p per share) and Michael Bruce neither purchased nor sold any shares during the current year (2016: 320,000 Ordinary shares in the Company on 26 January 2016 at 78.00p per share). Isabel Bruce sold 3,666,667 Ordinary shares in the Company on 16 March 2017 at 300.00p per share. Neil Cartwright sold 1,000,000 shares on 16 March 2017 at 300.00p per share. Will Whitehorn sold 250,000 Ordinary shares on 16 March 2017 at 300.00p per share. Nicholas Discombe sold 1,600,000 shares at 300.00p on 19 April 2017.

24. Contingent liabilities

The Group and Company have no contingent liabilities (2016:£nil).

25. Commitments

Capital commitments, approved by the Board and existing at 30 April 2017 amounted to £nil (2016:£nil). Total commitments under non-cancellable operating leases are as follows:

Group

	2017		2016	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Payable:				
Within one year	**379,963**	**19,482**	100,700	20,237
In the second to fifth years	**617,936**	**5,760**	302,742	28,246
	997,899	**25,242**	403,442	48,483

Company

	2017		2016	
	Land and buildings	**Other**	Land and buildings	Other
Payable:				
Within one year	**206,334**	**19,482**	100,700	20,237
In the second to fifth years	**374,490**	**5,760**	302,742	28,246
	580,824	**25,242**	403,442	48,483

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

26. Ultimate controlling party

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

Purplebricks Group plc
Registered number 08047368
Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ
Head office: 0121 296 4848
www.purplebricks.co.uk