PURPLE BRICKS

Purplebricks Group plc

Annual Report 2020

TEAM GB

OFFICIAL PARTNER

Purplebricks is a leading UK estate agency business. Our dual-sided model combines highly experienced and professional agents with innovative digital technology.

Our continuing focus on people and technology allows us to provide our customers with exceptional, innovative and unrivalled service, while saving them money.

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FINANCIAL HIGHLIGHTS

Revenue
£111.1m
2019: £113.8m

Revenue growth
(2.4)%
2019: 55%[1]

Gross margin
60.9%
2019: 61.0%

Operating loss
£(9.4)m
2019: £(1.5)m

Adjusted EBITDA[2]
£1.8m
2019: £6.6m

Cash at end of year
£31.0m
2019: £62.8m

OPERATIONAL HIGHLIGHTS

3.8x
2019: 3.5x
More sales than the number two UK estate agent[3]

UK average revenue per instruction[4]
£1,394
2019: £1,243

Completed
£9.3bn
of UK property
2019: £10.4bn

Saving UK customers
£77m
in commission[5]
2019: £77m

1 2019 revenue growth of 55% represents the revenue growth from total operations between FY 2018 and FY 2019.

2 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated.Adjusted EBITDA is defined as Operating profit, adding back depreciation, amortisation, share-based payment charges and exceptional items.

3 Source: TwentyCi data.

4 ARPI: Average revenue per instruction equates to total fee income divided by the number of instructions published in the year.

5 Fees paid by customers who sell with Purplebricks vs typical commission of 1.3% including VAT.

Strengthening our leadership and culture in a period of change

Paul Pindar Chairman

Chairman's statement

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

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

Focused on our core operations

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

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

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

Board priorities and changes

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

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

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

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

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

Canada disposal

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

Committed to high standards of governance

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

The Company continues to follow the Quoted Companies Alliance Corporate Governance Code ("QCA Code") and is committed to complying with the QCA Code or providing a clear explanation of any areas where we do not. You can read more about our approach in the Governance section of this report.

Distribution policy

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

Outlook

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

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

Paul Pindar Chairman
31 July 2020

Creating a dual-sided, marketplace, connecting customers with self-employed agents

Key resources

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

BRAND
With extremely high levels of brand awareness, our focus is on brand consideration

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

MANAGEMENT
Enhancing our leadership capabilities across the business has been a key focus in FY 2020

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

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

What makes us different

TRUSTED BRAND
We are the most positively reviewed estate agent in the UK

HYBRID MODEL
We are here for our customers, with agents on hand to help, and digital services available 24/7

VALUE PROVIDER
We offer our customers convenient, accessible, stress-free and cost-effective services

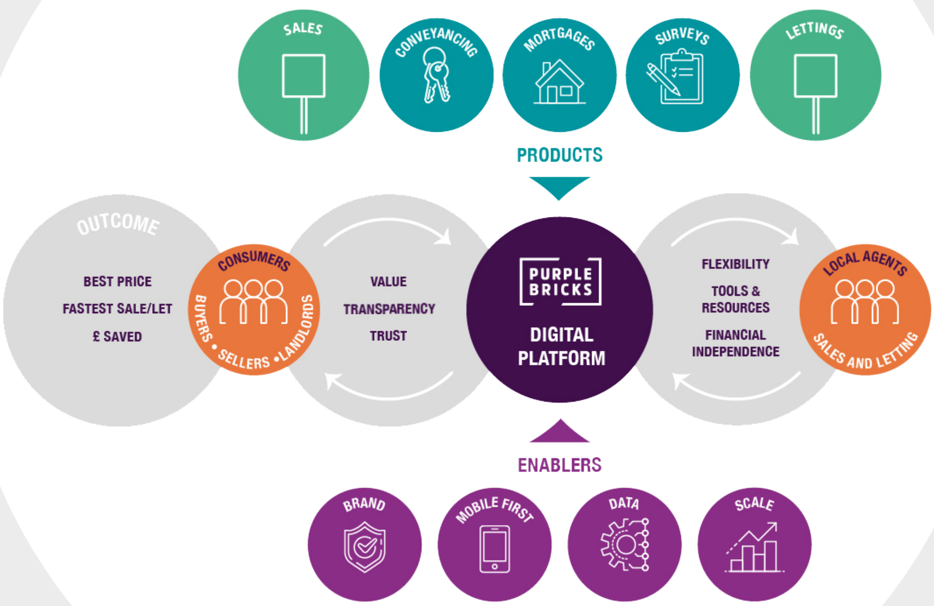
TRANSFORMING THE CUSTOMER JOURNEY THROUGH TECHNOLOGY
We introduce new features, products and services relevant to our customers' needs

HIGH PERFORMING DIGITAL CULTURE
We drive productivity and integrate with partners to create cross-selling opportunities

BEST IN INDUSTRY AGENTS
Our agents are experienced real estate and lettings agents, ready to help at every step of the process

Our dual-sided business model offers a differentiated, technology-led proposition which connects customers looking to buy, sell or let a property, with transparent and low, fixed fees, with self-employed Local Property Experts (LPEs) and Local Lettings Experts (LLEs) while allowing them to operate and grow their own independent businesses under the Purplebricks brand.

What we do



Risk management
How our risks are managed and mitigated is critical to our long-term success

Governance
We are committed to improving standards of governance, and high standards of integrity and business ethics

Market dynamics
We are able to leverage our business model effectively, even in an uncertain market

Creating value for...

EMPLOYEES & AGENTS
We employ over 400 people and 900 self-employed agents across our operations in the UK

£27.5m
Paid to our people, including COVID-19 support

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

£28.8m
Spent on marketing and advertising

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

£77m
Savings by our customers

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

£31.0m
Cash at the year end

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

up to £2.2m
COVID-19 support fund made available for LPEs

Building on our operating platform and strategy to grow the business

Vic Darvey Chief Executive Officer

Chief Executive's statement

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

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

Strengthening and restructuring the business

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

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

Multiple levers help UK revenue in weakened market

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

Despite the impacts of Brexit and then COVID-19 on trading conditions, we have focused on growing our basket size and improving our average revenue per instruction (ARPI) over the last year. Overall, instructions were 23% down year on year, but our revenue was down 11%.
This is due to an improved focus on ancillary attachment and other adjacent opportunities, such as mortgages and conveyancing, which resulted in our ARPI increasing 12% to £1,394, up from £1,243 last year.

ARPI UP
12%
TO
£1,394

SHARE OF NO. OF HOUSES SOLD
5.1%
SOLD

We made an operating loss in the year of £9.4m, up from a loss of £1.5m in 2019, resulting from the fall in revenue as the business was impacted by a declining market and COVID-19. Our market share of UK listings for the financial year was, 3.9%[1] and our share of the number of properties sold was 5.1%[1] of the total market.

Impacts of COVID-19

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

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

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

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

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

Innovating to create the estate agent of the future

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

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

With nearly 70% of our customers using Purplebricks through a mobile device, we've also increased our resources in mobile to deliver a more personalised experience for our customers. The App now has a 4.5 star approval rating in the App Store (based on over 25,000 ratings)[2] and we continue to work hard to improve our overall customer experience. I'm pleased to announce that we've also recently teamed up with Amazon so that Purplebricks' customers can now interact with Alexa to answer a range of questions about the sale of their home.

Enhancing our performance through leadership, culture and service

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

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

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

1 Source: Independent research from TwentyCi dates June 2020
2 App Store rating as at 30 June 2020

Evolving our pricing model

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

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

Transforming our processes and technology

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

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

Our focus on innovation and service improvement continues to be reflected in the feedback we receive from customers. We are still the most positively reviewed estate agent in the UK with nearly 75,000 independent reviews on Trustpilot[1]. We have also achieved a consistently high score of 4.6/5 with Feefo and retained their 'Gold Trusted Service' award in 2020 for the second year running.

1 Trustpilot data at end July 2020.

Sale of Canadian business

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

Looking ahead

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

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

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

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

Vic Darvey Chief Executive Officer
31 July 2020

Financial performance impacted by challenging market and COVID-19

Andy Botha Chief Financial Officer

Financial review

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

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

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

Summary of financial performance

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

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

Adjusted operating costs (see definition in note 5) of the continuing operations increased by 29% to £37.1m (2019: £28.7m). Conversely, marketing costs, which were largely focused on our two core markets, reduced by 16% to £28.8m (2019: £34.1m). Overall this highlights our ability to manage our variable costs quickly, and dial up and down in response to the market.

Operating costs increased through an investment in our management team capacity and capability, an increase in the capacity and responsiveness of our contact centre, and our Digital teams to deliver improvements to both our customer facing solutions and our internal processes. Following the adoption of IFRS 16, lease costs have been replaced by depreciation and interest in FY 20.

Adjusted EBITDA (see definition in note 5) was £1.8m, down 73% (2019: £6.6m). Given the challenges experienced towards the end of this year, we are pleased with the results of both the UK and Canada businesses, which are set out individually later in the section. The Group made an operating loss of £9.4m (FY 19: £1.5m) including share of joint venture losses. Including the results of the discontinued operations in the US and Australia, the Group's total loss for the year was £19.2m (2019: £54.9m).

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

GROUP – continuing operations

Extract of Consolidated statement of Comprehensive Income and Group Alternative Performance Measures[1] For the year ended 30 April	2020 £m	2019 £m	Change
Revenue	**111.1**	**113.8**	**(2.4)%**
Cost of sales	(43.4)	(44.4)	(2.3)%
Gross profit	**67.7**	**69.4**	**(2.5)%**
Gross profit margin	60.9%	61.0%	(10) bps
Adjusted operating costs	(37.1)	(28.7)	29.3%
Marketing costs	(28.8)	(34.1)	(15.5)%
Adjusted EBITDA	**1.8**	**6.6**	**(72.7)%**
Depreciation and amortisation	(6.1)	(4.4)	38.6%
Adjusted operating (loss) / profit	**(4.3)**	**2.2**	**(295.5)%**
Share-based payment charge	(0.7)	(2.7)	(74.1)%
Exceptional operating costs	(1.6)	(0.5)	220.0%
Share of results of Joint Venture	(2.8)	(0.5)	460.0%
Operating loss	**(9.4)**	**(1.5)**	**(526.7)%**

UK

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

1 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements.

KPIs

The directors use key performance indicators (KPIs) to assess performance of the business against the Group's strategy. The strategy is built around: efficiently attracting good quality customers to our website; gaining market share; and providing customers with choice to enable revenue per instruction to increase. Cost-effective marketing and a controllable operating cost base are the ingredients to a sustainably profitable business.

NEW USERS

represents the number of new unique visitors to the website in the year

AVERAGE REVENUE PER INSTRUCTION

equates to total fee income divided by the number of instructions published in the year

COST PER INSTRUCTION

represents total marketing costs, including portal costs, divided by instructions

MARKETING AS A PERCENTAGE OF REVENUE

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

UK KPIs

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

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

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

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

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

Adjusted operating costs (see definition in note 5) were up 32% to £26.2m (FY 2019: £19.9m). These costs reflect further investment in the UK business, particularly the Digital team (where costs are only partly capitalised, based on the activity undertaken).

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

Adjusted EBITDA for the year (see definition in note 5) was down by 53% to £4.8m (FY 2019: £10.2m).

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

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

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

Exceptional items

Exceptional items include amounts that management believes it is necessary to present separately in order to show a more comparable view of the underlying performance of the business. Total exceptional items this year were costs of £1.6m (FY2019: £0.5m, badged as "non-recurring costs") and comprised:

i) Costs of a fundamental restructure of the sales and operational functions, primarily involving rationalisation of the network of self-employed LPEs, as described in the business model, of £1.2m

ii) Costs of supporting the network of independent LPEs in response to the COVID-19 crisis of £0.4m

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

Canada

Extract of statement of comprehensive income and Alternative Performance Measures[1]

For the year ended 30 April	2020 £m	2019 Proforma £m	Change	2019 from acquisition on 6 July 2018 £m
Revenue	**30.6**	**29.7**	**3.0%**	**23.7**
Cost of sales	(14.5)	(13.8)	5.1%	(11.1)
Gross profit	**16.1**	**15.9**	**1.3%**	**12.6**
Gross profit margin	52.5%	53.5%	(100) bps	53.2%
Adjusted operating costs	(9.3)	(8.6)	8.1%	(7.2)
Marketing costs	(8.2)	(8.4)	(2.4)%	(7.4)
Adjusted EBITDA	**(1.4)**	**(1.1)**	**27.3%**	**(2.0)**
Depreciation and amortisation	(1.0)	(0.9)	11.1%	(0.8)
Adjusted operating loss	**(2.4)**	**(2.0)**	**20.0%**	**(2.8)**
Share-based payment charge	(0.3)	(0.4)	(25.0%)	(0.4)
Exceptional operating costs	-	-	-	-
Operating loss	**(2.7)**	**(2.4)**	**12.5%**	**(3.2)**

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

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

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

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

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

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

On 15 July 2020 the Group completed the sale of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian cooperative financial group. Headline consideration was $60.5m Canadian Dollars (£35m) adjusted for working capital and debt, to be verified in line with completion accounts in due course. Part of the proceeds were allocated to the repayment of intra-Group debt owed to Purplebricks Group plc.

1 The underlying performance of the Group is monitored internally using a variety of statutory and alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 5 to the financial statements. FY 20 APMs are presented including the effects of adopting IFRS 16 (see note 2). As IFRS 16 was adopted using the modified retrospective approach, prior year comparatives have not been restated. The pro forma period reflects the results of Canada pre acquisition from 1 May 2019 and this information has therefore not been extracted from the audited statement of comprehensive income.

Closure of operations in the US and Australia

Throughout the closure processes in both countries, the wind-up of operations has been conducted in a responsible manner to protect the Purplebricks brand and respect commitments made to customers and business partners, while minimising costs where possible within these broader reputational parameters. The closures have now been commercially completed, with only certain legal formalities outstanding. The cash costs of closure have been at the higher end of the Group's H1 guidance of £10.5 - £13m, however these are inclusive of the cash costs of pre-closure announcement trading losses and working capital positions unwinding. The results of US and Australia are set out within the segmental analysis at note 7.

Homeday joint venture

During the year the Group invested a further EUR 5.0m (£4.6m) in Homeday.de via its joint venture with Axel Springer. As a result of the conversion of previously existing convertible loans from JV HoldCo to Homeday, JV HoldCo's shareholding in Homeday increased in the year from 26% to 54%, and JV HoldCo therefore took control of Homeday. As part of the provisional fair value accounting for this acqusition, JV HoldCo revalued both its previous shareholding and the convertible loans to fair value immediately before conversion. This revaluation has led to a gain in JV HoldCo, of which the Purplebricks' 50% share is £2.6m. Purplebricks' share of Homeday's underlying losses for the year was £5.3m. After accounting for amortisation of intangibles arising on acquisition of £0.1m, this means that our net share of the JV HoldCo result for the year was a loss of £2.8m. Further detail is set out in note 19.

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

Tax

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

Statement of financial position

The Group has a strong financial position to support its current activities and future growth, including a cash balance of £31.0m (30 April 2019: £62.8m). Net assets of £82.1m were £21.6m lower than the comparable figure (30 April 2019: £103.7m) mostly as a result of the total comprehensive loss for the year of £19.3m, which includes the final losses in respect of the US and Australia. Trade receivables and payables and contract assets and liabilities are all reduced year on year, primarily reflecting the closure of the US and Australian businesses, as well as timing of creditor payments. Deferred income in the UK is reduced due to lower transaction volumes, particularly following the closure of the housing market in March 2020, partly offset by a longer service period.

Cash flow

Operating cash flow was an outflow of £24.0m (2019: £49.1m). Within this, continuing operations accounted for an outflow of £10.9m (2019: inflow of £9.9m) and for discontinued operations an outflow of £13.1m (2019 19: outflow of £59.0m). The FY 2020 outflow from continuing operations is caused by marketing investment into the Canada business and working capital timing effects in the UK. Capital expenditure and financing items represented an outflow of £7.8m (2019: £41.2m), with an additional £4.6m investment being made in Homeday.de (2019: £27.3m in relation to our Canadian acquisition and £14.3m in Homeday.de). Total cash outflows for the period were £31.8m (2019: £90.3m), of which continuing operations comprised £18.7m and discontinued operations comprised £13.1m. There are no further contractual commitments to invest further into Homeday.de.

Approved and signed on behalf of the Board

Andy Botha, Chief Financial Officer
31 July 2020

PRINCIPAL RISKS AND UNCERTAINTIES

Introduction

Risk management is integral to the way we manage the Group and the heads of each business function monitor and report on their most significant risks on a continuing basis. All risks are consolidated, shared and reviewed by the senior management team and the Board, who agree on the principal risks. We seek to manage identified risks, rather than eliminate them, so as to provide reasonable mitigation against material misstatements or loss within the business. The Board reviews the risks facing the business on a quarterly basis to determine the level of risk that can be accepted in pursuit of the Group's strategic goals. Assessing the nature of these risks, the level of risk they present to business performance, and the manner in which these risks may be mitigated is critical for the success of our business over the long term. As the business grows and evolves, the Board regularly reviews its risk appetite and governance structure to ensure it is appropriate.

The principal risks facing the business, along with details of the potential impact, any movement in severity of risk since last year, and the ways in which we aim to mitigate them are set out below:

Description and impact	Change from prior year	Monitoring and mitigation
1. COVID-19 pandemic The UK Government's advice to refrain from selling properties and enforced social distancing in the UK and Canada resulted in a significantly reduced level of new instructions. The duration and severity of any restriction of trade caused by the pandemic will determine the extent of any adverse impact on overall business activity, cashflow and profits.	**NEW**	The Group acted swiftly, followed government guidelines and ensured the safety of staff, agents and customers was made a priority. Marketing and non-essential spend was stopped during the period of lockdown to manage costs and preserve cash to ensure the business emerges strongly once restrictions are lifted. The Group has made use of the Coronavirus Job Retention Scheme and other government support to offset some of its staff costs during the period and preserve team roles to the fullest extent possible. Additionally, we created an LPE support fund dedicated to supporting our self-employed agents (Local Property Experts) in the event they did not have access to government support (see Financial review for further details).
2. Macro-economic The Group derives a material share of its revenues from the UK and Canada. The Group is largely dependent on the macroeconomic conditions in the UK as well as being exposed to changes in macroeconomic conditions internationally. As an estate agency the Group's fortunes are closely linked with those of the housing market and the broader economy as a whole in the countries in which we operate. Economic uncertainty, such as that created in the UK by Brexit, can adversely affect the Group's performance.	↗	The local market conditions in our UK and Canadian markets are closely monitored and reported on, and the macro economic conditions of the countries we operate in are under close review. The Group has a flexible, scalable cost base, which enables it to react quickly and effectively to changes in market conditions (as demonstrated during the COVID-19 pandemic).
3. Competition The success of the Group is dependent on maintaining scale through market share while operating in a competitive sector where there are many alternatives for the customer and the potential for new entrants. The actions of competitors, and/or our own inaction, could have a significant and adverse impact on performance.	→	The Group's investment in marketing, service and technology has delivered a scalable, well-known and trusted brand. We will continue to invest in our brand and in our innovative platforms to maintain a competitive advantage

↗ Risks which have been assessed as more significant year on year

↙ Risks which have been assessed as less significant year on year

→ Risks where significance is unchanged year on year

Description and impact	Change from prior year	Monitoring and mitigation
4. Brand reputation The Group has established an identifiable and respected brand which could be damaged by factors such as unethical or unlawful activity, poor customer service, negative customer reviews or negative press. Customers considering instructing Purplebricks could see positive references from existing customers as an important part of their decision-making. As such, a failure to either deliver a professional service to existing customers or elicit positive reviews could impact our ability to grow.	→	The Group actively monitors its brand sentiment and net promoter scores to ensures its marketing and services reflect customer needs. The Group strives to maintain its reputation for being a trusted estate agency service provided at a fixed fair price and monitors its customer feedback, both direct and through third party providers, on a real time daily basis.
5. People The Group's success is dependent on the quality of its management, operational teams and agents. Our failure to attract, retain and develop the required skills and continue to evolve our culture could result in an impact on the delivery of our service to customers and our strategic goals.	→	We have recently recruited a Chief People Officer to drive the people agenda and culture change programme. We aim to provide competitive commission packages and flexible working practices to attract Local Property Experts. We have created a strong employee brand, and invest in the recruitment, development and retention of our teams to maintain employee engagement and loyalty.
6. Compliance with laws and regulations The Group operates in a sector with an evolving legal and regulatory environment and monitors developments to ensure legal, regulatory and ethical compliance. Failure to do so would adversely impact the Group's reputation and operations. As referred to in the Financial Review section of this report, during the year the Group incurred a fine from HMRC for historical breaches of certain aspects of the UK's anti-money laundering legislation.	↗	We operate ongoing monitoring of developments within the industry, embedding any changes within our systems and processes. The Board and Audit Committee are regularly updated about changes to the regulatory environment and any particular challenges these may create. Ongoing improvements to controls and processes have been made with regard to anti-money laundering checking to prevent recurrences.
7. Business model The estate agency services we provide are performed by a network of self-employed agents who are independent of the Group. Any failure by the agents to comply with applicable laws and regulations in respect of their own business activities could be detrimental to them and the wider Group.	↙	A restructure of the field teams in early 2020 provided a robust performance management and operating structure for agents and territory owners. In addition, the Group has a dedicated management team in place to manage and support its self-employed agents, while the Group's Compliance Team monitor adherence to laws and regulations.
8. Cyber security and protection of data The Group's website and IT environments could be the target of cyber-attacks, which could result in significant operational disruption and/or data loss. Non-compliance with legal or other regulatory requirements relating to customer data security and data privacy in the course of our business activities, could result in significant reputational or financial damage to the Group.	→	The Group's dedicated Technology Team monitors the resilience of our IT systems on an ongoing basis to ensure that customers and their data are protected. Regular penetration testing and Distributed Denial of Service (DDoS) are undertaken across the Company's IT estate and the Technology Team is alert to the technical abilities of hackers. GDPR legislation is considered as part of every digital development to ensure we embed compliance within the Group's processes. Further, all staff receive training on security, data protection and compliance matters.
9. Financial controls Inaccurate financial information may result in sub-optimal decisions being taken by management and inadequate financial controls could result in financial loss to the Group.	→	The systems of internal controls deployed within the Group are designed to prevent financial loss, and improvements continue to be made in the control environment and procedures. Controls are strongest in areas where management considers the potential exposure to the Group of material loss or misstatement to be at its greatest, including areas such as bank accounts, cash collection and revenue recognition.

CORPORATE SOCIAL RESPONSIBILITY

At Purplebricks, we recognise the impact we have on the communities we work in and the responsibility this brings, and we work hard to integrate key Environmental, Social and Governance (ESG) elements into what we do. Our responsible approach to business is backed by our 'Purple Promises' and is focused on three core areas: our people and culture; our communities; and the environment.

People and culture

We have created a strong brand advocacy within the business and among our customers. This collective desire to grow the business has always been a pillar of the Purplebricks culture.

Our Purple Promises

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

As the business evolves its enhanced digital service offering, we are determined to ensure our culture and values align to those of a high-performing digital business. Our people are integral to improving the professionalism and performance of the Group across all our operations. That's why, at the end of the financial year, we appointed our first Chief People Officer, who will be responsible for all aspects of our People strategy – from recruiting and retaining the best talent in the industry, to ensuring we have the structure in place to deliver a high performing culture.

Diversity and inclusion

We maintain a strong commitment to equality and opportunity in our employment policies and our practices in the workplace. Through our recruitment and selection processes, we seek to attract and retain a diverse and talented workforce. One of the areas of focus for our new Chief People Officer will be to ensure diversity and inclusion is at the top of our strategic agenda, as we recognise that we need to be doing more as a business to support and promote wider diversity across the organisation.

Developing our people

Having the right people with the relevant skills will be vital to us achieving our House Strategy. The focus of our training and development activity during the year has been primarily on induction training for our new Central Property Team members and our new Local Business Partners.

We have invested in the skills of our customer-facing teams, developing two new training programmes. We introduced 'World Class Managers' – a programme for all leaders in our Contact Centre to give them a strong basic grounding in what good leadership looks like. We also put our Central Property Team through our 'Call Centre School'. More than 160 of our employees have attended at least one of these programmes during the year, and we have improved our contact centre retention rate.

Employee engagement

Engaging with our employees and self-employed agents has always been a priority for the business. We operate and actively encourage an open culture where all employees have ready access to the senior leadership team. This is facilitated by a very active internal social network, regular Q&A video sessions with the Senior Leadership team, and detailed insight into the changes and improvements in the business provided by the service leads. We surveyed our employees in September 2019 and employee wellness was identified as high on the list of priorities to address.

Health, safety and wellbeing

We are committed to the highest standards of health and safety in our work activities for our employees, our customers, and our partners. In a business environment where social distancing and concerns over the transmission of COVID-19 are likely to remain for some time, we will ensure that our people have access to the appropriate PPE for as long as is needed. We will also make use of our enhanced technology platform to provide ways of working that keep safety in mind at all times.

We actively promote and support the wellbeing of all our employees. As part of our partnership with Team GB, they have helped us launch a company-wide wellness programme, with the aim of educating, supporting and empowering our people to perform at their best as part of 'Team PB' (Team Personal Best). Details of this initiative are on the following page.

Gender breakdown as at 30 April 2020

Supporting our people through COVID-19

The speed and impact of the COVID-19 crisis took us all by surprise, but as an organisation we were able to respond quickly and take immediate measures to protect the business and our colleagues, using the Government's furlough scheme to protect the employment and income of many of our employees. However, with a self-employed agent model, more than 600 of our Local Property Experts, many of whom operate as limited companies, were unable to access the Coronavirus Job Retention Scheme. We responded to this issue by creating a fund of up to £2.2 million to provide support payments through this difficult period.

CASE STUDY

Getting fit and ready for the future

TEAM GB

Purplebricks is immensely proud of its links with Team GB – an association that will continue up to and beyond the rescheduled Olympic Games in 2021. As well as playing a key role in our external advertising and marketing campaigns, Team GB has helped us launch a company-wide wellness programme, with the aim of educating, supporting and empowering our people to perform at their best as part of 'Team PB'.

The programme takes a holistic approach to discussing health and wellbeing topics alongside the factors that impact performance in pressurised, demanding environments. The focus is on helping people with physical and mental wellbeing - through a range of topics like advice on nutrition, exercise, goal setting - helping our people achieve their personal best in both their work and personal lives. We ran a half day launch event in Solihull in November 2019, with the help of Team GB athletes, and have followed this up with sessions at our workplaces that are designed to be informative, exciting, interactive and have an element of 'fun' – making use of short selfie videos made by athletes to catch our employees' attention.

CASE STUDY

Supporting our agents in the field

At Purplebricks, we are proud to stand side-by-side with our people and support them, even when times are tough. The COVID-19 crisis has had a particular impact on those who are self-employed working through a limited company. That's why we committed to help our Local Property Experts (LPEs) by establishing a dedicated fund of up to £2.2m at the beginning of the crisis.

This fund has proved to be a lifeline for many of our LPEs, including Jane and Hugh Harkin, a married couple who run a Local Property Company in Lanarkshire. They had to take care of their young granddaughter because their daughter is a nurse at Monklands General Hospital, and was asked to work on the COVID ward. This signalled a change of priorities for the Harkin family – Jane continued working to help customers, supported by an incentive and top-up payment, while Hugh has also been supported financially, with his key role focusing on social media and engaging customers virtually.

Supporting our communities

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

Managing our environmental impacts

As an online business with an extremely lean physical infrastructure and a marketing model that is largely paperless, our impact on the environment is relatively low for our industry. However, across our operations we remain committed to minimising our environmental impact and to actively managing our carbon footprint.

During the year, we engaged a specialist environmental consultancy, Envantage Ltd, to carry out an independent and detailed energy audit to calculate our energy usage and GHG emissions. Following their audit, we have assigned an energy manager with responsibility for reviewing and actioning the SECR report recommendations as appropriate. Under SECR, we will continue to monitor our energy usage and report our emissions intensity each year. More details on our SECR reporting can be found on page 28.

Non-financial information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial matters detailed under Section 414CB of the Companies Act 2006.

Reporting requirement	Where to read more in this report
Environmental matters	CSR statement – environmental policy, impact and greenhouse gas information page 20
Employees	CSR statement – people policies, gender diversity, employee involvement, health & safety pages 19-120
Human rights	Directors' report – ethical business, supply chain, human rights page 27
Social matters	CSR statement – communities page 19
Anti-bribery and corruption	Directors' report– anti-bribery and corruption page 27
Business model	Business model pages 6-7
Key risks and uncertainties	Key risks and uncertainties pages 16-17
Non-financial KPIs	KPIs pages, 3 & 13

HOW WE ENGAGE WITH OUR STAKEHOLDERS

Our unique hybrid, dual-sided business model connects buyers, sellers, landlords and renters with our self-employed agents. It is enabled by our digital platform, but is reliant upon Purplebricks working with, listening to and responding to all our stakeholders' needs. Without a good understanding of their needs, the business could not deliver a sustainable business for our shareholders and wider stakeholders.

Directors' s.172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this s.172 requires a director to have regard, among other matters, to the:

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

The Board seeks to understand the views and needs of the Group's key stakeholders to ensure that we make decisions with consideration for all our stakeholder groups and addresses their long-term needs and concerns. Where there may be competing priorities, these are discussed by the Board and the commercial, human and broader business impacts are considered against the longer-term sustainability of the business. The Board considers its key stakeholders to be its employees, self-employed agents, customers, shareholders, suppliers and community. It takes seriously the views of these stakeholders in setting and implementing our strategy. The Company takes its environmental responsibilities very seriously and is committed to reducing the footprint of its operations. As an online business its operations has a low impact on the environment. The Company will assess options to reduce environmental impact in FY 2021. The Directors consider that they have acted in a way that would promote the success of the Company for the benefit of its members as a whole, having regard to matters set out in s.172 (1) of the Companies Act 2006.

Set out here are some specific examples of how the directors had regard to the matters set out in s.172 during the year.

1. Strategic review and closure of Australia and US operations

In May 2019 the Board took the decision to close the Australia operation after experiencing increasingly challenging market conditions and an unfavourable market outlook. This decision was taken with wider consideration for the dedicated team who had worked hard to gain the scale needed to succeed as well as existing customers. A reduced team was kept in in place to ensure a professional wind down of the business and to ensure the business was able to continue to deliver great outcomes for the remaining customers. At the same time a strategic review was also undertaken of the business in the US which was operational in seven states. The review, taking into consideration the long-term feasibility of delivering growth, also focused on the concerns of investors as well as the welfare of our locally employed team and customers. The Board's review concluded it would take gtreater management time and resources to deliver on the US opportunity than the Company was able to commit and a decision was made in July 2019 to close the business. The Board's agreed closure plan was conducted to protect the Purplebricks brand and respect commitments made to customers and business partners, while minimising costs within these broader reputational parameters.

2. Restructure of the LPE Field teams

The new House Strategy shared with Investors in July 2019, highlighted the need to address the variation in performance across the Local Property Experts teams and the desire by the Board to attract the best professionals to these roles through improved incentivisation. The decision to restructure was taken carefully, balancing the needs of the self-employed agents and the longer-term sustainability of the hybrid business model. The restructure reduced the number of Territory owners from 120 to 43, put clear leadership and performance management structures in place and set out to improve the remuneration of the agents to compete with their High Street peers.

The following table, in combination with the Corporate Governance Statement on pages 25-28, sets out how we have engaged with key stakeholders in FY 2020 and how this has provided valuable input into the Board's decision making, both this year and for the longer-term. This engagement sets the context for our new 'House strategy' and our business model, as detailed on pages 6-7, and has influenced our commercial approach, capital structure and dividend policy.

Key stakeholders - our approach

Employees

- All employees have an annual personal appraisal and regular one-to-one meetings with their line manager to monitor performance against an agreed plan.
- The Senior Leadership Team holds monthly Q&A calls with all employees enabling sharing of information and gathering of employee feedback.
- An Annual Employee Survey was undertaken in October 2019 and a summary provided to the Board.
- Senior management, senior employees and executive directors are incentivised through the Company Performance Share Plan. During the year 2,461,200 options were granted under the PSP scheme.

For more information on our employee policies and employee engagement see CSR section pages 18-19,

Agents

- During the year we restructured our field teams into 42 regions. Our LPEs were consulted and communicated with through the period of change. The senior leadership team worked with their regional operators to create a more engaged and better remunerated field team in line with the new strategy.
- LPEs have direct access to the same communication channels of directly employed staff and actively participate in Company events, the Senior management Q&A and the Annual Conference.

For more information see Chief Executive Officer's statement page 9 and page 21 above.

Customers and regulators

- Purplebricks completed over £9.3bn worth of property in the year. Customers are central to all decisions made by the Company and the Board considers the needs of customers when taking decisions on all aspects of the Companies interactions with customer including; technology employed on the website and app, standards and behaviours of our self-employed agents, quality and availability of post sales service and reviews of our pricing.
- As an approved representative of the FCA we engage with the regulator and take its views into consideration across our operation.

For more information see Principal risks and uncertainties page 17 and Financial Review review page 14.

Shareholders

- We hold investor roadshows at the time of our full year and half year results, enabling our institutional investors to meet with the CEO and CFO.
- We attend, present and network at investor conferences, enabling direct access to our CEO and CFO.
- All recorded results presentations and CEO interviews are made available online through our investor website, purplebricksplc.com
- Our advisers provide a mechanism through which investors can provide feedback to the Company.
- The Board receives monthly reports on investor views, and related activity, as well as ad hoc updates outside the monthly Board reporting as required.

For more information, see Directors' Report page 30.

Suppliers and communities

- While we have a relatively small supplier base, Purplebricks is committed to treating all our suppliers fairly.
- We endeavour to pay all suppliers in line with their payment terms and, where this is not possible, we take steps to minimize the impact on the supplier.
- At the end of 2019, Purplebricks became an official partner of Team GB, providing sponsorship to the Team and promoting their individual athletes through our TV advertising campaign.
- Since 2018 we have been a partner of the Bookmark Reading Charity, providing funding and support to help children develop their reading skills.

For more information on our community involvement, see our CSR section on pages 18-19.

OUR BOARD

Paul Pindar
Non-Executive Chairman

Paul was an early investor in Purplebricks and became the Group's Chairman in December 2015. Since December 2019, he has also chaired the Audit Committee.

Paul was the third-longest serving FTSE 100 CEO when he stood down from Capita plc in 2014. When he joined as Finance Director in 1987, after advising on the £0.3 million management buyout (MBO) of the business while working for 3i Group plc, Capita had 33 employees and an annual revenue of £1.3 million. Paul became Managing Director in 1991 and Chief Executive in 1999, and 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, Paul has served as Chairman of Independent Clinical Services, following its acquisition by TowerBrook. In September 2017, Paul became Non-Executive Chairman of Literacy Capital plc and is also Chairman of Bookmark Reading Charity's Corporate Partnership Board.

Vic Darvey
Chief Executive Officer

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

Vic has a proven record of technology delivery and leadership of cutting-edge data-led, customer-focused, commercial innovation. He is a digital leader with more than 20 years' experience successfully scaling a number of international consumer brands, most recently as Managing Director of MoneySupermarket.com. Vic has held leadership roles across a number of highly competitive and disruptive businesses, including LastMinute.com.

Andy Botha
Chief Financial Officer

Andy joined Purplebricks from online travel group Secret Escapes in May 2020. He has more than 25 years' business experience and brings with him an extensive background in M&A, corporate finance, strategic planning, investor relations, financial planning & reporting and risk management.

Andy was previously Group CFO at ZPG, the digital media business that owns and operates some of the UK's most recognised online brands, including digital property portal Zoopla, PrimeLocation, uSwitch and Money.co.uk. This experience has seen Andy develop a strong understanding of the UK hybrid property market. He has also worked for a number of other publicly quoted and privately-owned digital businesses, including Lastminute.com, Betfair and Notonthehighstreet.

GENDER BREAKDOWN OF OUR BOARD
As at 3 August 2020

Board 17% FEMALE

5:1

Changes in the year:
During the year Michael Bruce stepped down as Chief Executive Officer on 7 May 2019 and Michael Wroe stepped down as Non-Executive Director on 12 December 2019. Since the year end James Davies resigned as Chief Financial Officer, effective 8 May 2020.

Simon Downing
Senior Independent Director

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

In addition to his continuing role as Chairman of Civica, Simon is also Chairman of Audiotonix, the global market leader in professional audio mixing consoles, Chairman of Edenhouse Solutions, a specialist SAP support and consultancy, and is an non-executive director at both Datum Datacentres and Literacy Capital.

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

Adrian Blair
Independent Non-Executive Director

Adrian joined the Board in April 2018. He chairs the Nomination Committee and is a member of the Audit and Remuneration Committees.

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

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

Dr Stephanie Caspar
Non-Executive Director

Stephanie joined the Board in July 2020 as the Axel Springer board member. She joined Axel Springer in 2013. While she initially served as Managing Director of WELT Group, her responsibilities expanded over the course of the following years. In March 2018 Stephanie was appointed member of the Executive Board at Axel Springer. In her capacity as President News Media & Marketplaces she is responsible for Axel Springer's company-wide technology and data strategy as well as Axel Springer's media brands in Germany (BILD / WELT etc.), including advertising sales, distribution and printing business.

She also assumed presidency on the board level for Idealo and the AVIV Group. The AVIV Group is one of the world's biggest digital classified players, combining Axel Springer's digital activities and participations in real estate, car and generalist classifieds.

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

CORPORATE GOVERNANCE STATEMENT

Chairman's introduction

While the Company has experienced a period of significant challenge and change this year, we remain committed to achieving high standards of corporate governance, integrity and business ethics in all our business operations.

The Board continues to apply the 2018 Quoted Companies Alliance Corporate Governance Code (the "QCA Code") as the basis of the group's governance framework. The directors acknowledge the role of the 10 principles set out in the QCA Code, and their importance in focusing on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the Company was created.

The Group's arrangements for compliance with the QCA Code are set out below, as are the activities of our Board Committees, our remuneration policy and our commitment to equality, diversity, the environment and acting responsibly in all areas of our business.

Paul Pindar, Chairman

Compliance with the QCA Code

The Company is committed to complying with the QCA Code or providing a clear explanation of any areas in which the Company's governance structures and practices differ from the expectations set by the QCA Code. Information regarding the Company's compliance with the 10 principles of the QCA code is set out on our investor website purplebricksplc.com.

The Company's control environment has developed as the business has grown over the last six years. The effectiveness of the control environment is monitored as the business evolves, including in respect of governance regulations that affect our operations in Canada. Following the audit by HMRC of our Customer Due Diligence (CDD) processes and subsequent fine, the Company has made significant improvements to its CDD processes and invested in an expanded internal Compliance team, with further investment to be made in the next financial year. After the departures of certain members of the group finance team prior to the year end, the level of precision of review performed on some of the key areas of judgement was not consistently at the level we would expect. While this represented a weakening of the control environment during this period, we note that this did not have any impact on the accuracy of any of the judgements taken in these financial statements. This year we will be expanding the capacity of the group finance team to enable a robust assessment of judgement areas to be performed and to strengthen the internal control environment more widely. The Board is committed to continuous monitoring of the effectiveness of this environment, and to make further investments where required to target a best practice control environment.

Attendance at Board meetings

During the year the Board held 10 scheduled meetings. Attendance of the Board directors is recorded in the table below:

	Attendance
Scheduled meetings	**10**
Paul Pindar	10
Michael Bruce [1]	0
Vic Darvey	10
James Davies [2]	10
Mike Wroe [3]	6
Adrian Blair	9
Simon Downing	7
Andreas Wiele [4]	10

1. Michael Bruce resigned his position of CEO on 7 May 2019.
2. James Davies resigned his position as CFO after the year-end FY2020.
3. Mike Wroe stepped down from the Board on 12 December 2019.
4. Dr Andreas Wiele stepped down from the Board on 24 June 2020.

Board committees

In accordance with best practice, the Board has established an Audit Committee, a Remuneration Committee, and a Nomination Committee. The terms of reference for each committee are set out on our investor website purplebricksplc.com.

Audit Committee

The Audit Committee has been chaired by Paul Pindar since Mike Wroe stepped down from the Board in December 2019, and its other members are Simon Downing and Adrian Blair. The Committee meets twice per year and otherwise as required, and it has unrestricted access to the Company's auditor. A new Chair of the audit Committee is being sought during FY21.

The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is accurately measured and reported on. It receives and reviews reports from the Company's management relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company.

The Committee also reviews the content of the annual report and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Nomination Committee
The Nomination Committee is chaired by Adrian Blair, and its other member is Simon Downing. The Committee meets once a year and otherwise as required.

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 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. It also prepares a description of the role and capabilities required for a particular appointment.

Remuneration Committee
The Remuneration Committee is chaired by Simon Downing, and its other member is Adrian Blair. The Committee meets once a year and otherwise as required.

The Remuneration Committee reviews the performance of the executive directors and senior management and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company are set by the Board.

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

Details of the level and composition of the Directors' remuneration are disclosed in the Directors' remuneration report on page 32.

Research and development

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

Directors' and officers' insurance provisions

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

Statement of directors' responsibilities

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

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

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

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

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

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

Auditor

Deloitte LLP was re-appointed by shareholders as the Group's statutory auditor at the Company's Annual General Meeting in October 2019.

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

Corporate social responsibility

Equality, diversity, and human 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 are clear 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.

While the Company does not have a specific human rights policy, it does have statements on Equal Opportunities, Modern Slavery and Anti-bribery and Corruption that adhere to internationally agreed human rights principles. These statements are set out on our investor website purplebricksplc.com

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

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

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 extremely limited physical infrastructure and a marketing model that is largely paperless, the Company has a much-reduced environmental impact when compared to traditional real estate agencies.

As a relatively new and fast-growing company, we constantly review 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.

In line with current regulations, the Group is required to disclose its annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources – see full disclosure below.

Further details can be found in our corporate responsibility section on pages 18-19.

UK energy consumption and Greenhouse Gas disclosure

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Purplebricks Group PLC to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the reporting period 1 May 2019 to 30 April 2020.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas, and business travel in company-owned or grey-fleet vehicles. The table below details the regulated SECR energy and GHG emission sources for the current reporting period 1 May 2019 to 30 April 2020 and details a comparison against last year 1 May 2018 to 30 April 2019.

	2020	2019	Change
Energy (kWh)			
Natural Gas	216,767	492,786	(56)%
Electricity	505,149	422,344	19.6%
Transport	289,853	354,351	(18.2)%
Total Energy (kWh)	**1,011,769**	**1,269,481**	**(20.3)%**
Emissions (tCO_2e)			
Natural Gas	39.9	90.6	(56)%
Electricity - location-based	129.1	108.0	19.6%
- market based	*95.2*	*78.4*	*21.6%*
Transport	69.3	84.8	(18.2)%
Total SECR emissions[1]	**238.3**	**283.3**	**(15.9)%**
Intensity metric			
£m turnover	83.1	88.5	(6.1)%
tCO_2e per £m turnover	**2.87**	**3.20**	**(10.4)%**

[1] location-based emissions only

Purplebricks is committed to reducing its environmental impact and contribution to climate change. During the reporting period, detailed building and transport energy audits were commissioned through Envantage Ltd to identify potential energy-saving opportunities.

While the opportunities identified are not significant, Purplebricks takes its impact on the environment seriously and has since identified an Energy Manager to review environmental initiatives as appropriate, beginning with the creation of an energy-saving action plan to identify areas of the business where energy can be saved and implement measures and strategies to achieve these savings.

Data records and methodology

Metered kWh consumption taken from supplier or landlord invoices is reported where possible. An exception to this is the energy consumption at Cranmore Drive, which has been calculated using manual meter readings. Where no data was available, energy consumption has been estimated against CIBSE industry benchmarks from CIBSE Guide F. Equivalent GHG emissions have been calculated using conversion factors published by BEIS in 2019 and reported using both location and market-based methods.

Transport emissions have been calculated based on mileage expense claim records, applying the average UK split between petrol and diesel vehicles to estimate relative fuel usage. Mileage per fuel type was converted into equivalent GHG emissions using the most recent emissions factors published by BEIS in 2019, and then divided by the gross Calorific Value to deduce kWh consumption.

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 30 April 2020.

The corporate governance statement set out on pages 25-28 forms part of this report.

Business Review

A comprehensive analysis of the Group's business, strategy, as well as future developments and outlook, is contained in the strategic report and Chief Executive's statement. The business review, details of the Group's performance and KPIs are set out in the Chief Executive's statement and Financial review. Principal risks and uncertainties are presented on pages 16 and 17.

Financial risk management objectives and policies

The Group uses financial instruments, comprising cash, invoice factoring and various items such as trade debtors and trade creditors that arise directly from operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk, credit risk and foreign currency risk. Detailed information regarding the Group's exposure to financial risks as well as the financial risk management strategy used to reduce these risks is set out in note 27 to the financial statements.

Going concern

In adopting a going concern basis for the preparation of the financial statements, the directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages [8] and [9] and in note 27 to the financial statements, and the Group's principal risks and uncertainties as set out on pages [20] and [21].

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

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

The subsequent cash inflow from the sale of the Group's Canadian business, of $61.5m Canadian Dollars (c.£36m), received on 17 July 2020 (subject to further post-closing adjustments, as referred to in note 31) has further enhanced the Group's year-end cash position of £31.0m.

Based on the Group's forecasts, the directors are satisfied that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Post balance sheet events

On 15 July 2020 the Group completed the sale of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian cooperative financial group. Headline consideration was $60.5m Canadian Dollars (£35m) adjusted for working capital and debt, to be verified in line with completion accounts in due course. Part of the proceeds were allocated to the repayment of intra-Group debt owed to Purplebricks Group plc.

Engagement with customers and suppliers

For details of how the Group engages with customers and suppliers, please refer to the Section 172 statement on pages 21-22.

Research and development

During FY2020, the Group's development of its web-based IT platform continued to increase the services available to customers and support the work of our people at the centre and in the field. Total expenditure in the period recognised in the income statement was £3.5m with a further £2.1m capitalised (2019: expenditure of £3.5m and capitalisation of £2.6m).

Dividend

No dividends were paid in the year and there are none recommended (FY 2019: £nil).

Political donations

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

Disclosure of information to auditor

The directors confirm that:

so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Employees

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

The Group gives every consideration to applications for employment made 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.

Further details on employee engagement can be found in the corporate responsibility section on page 18-19.

Subsidiaries

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

Investor relations

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

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

Presentations given to analysts and investors covering the annual and half year results, along with all results and other regulatory announcements as well as further information for investors, are included on the investor relations section of the Company's website at www.purplebricksplc.com. Additional shareholder information is also set out on page 94.

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

Shareholders are also encouraged to participate in the Company's Annual General Meeting, at which the Chairman presents the key highlights of the Group's performance. The Board will be available at the 2020 Annual General Meeting to answer questions from shareholders.

Substantial shareholdings

At 6 July 2020, the Company had been notified in accordance with the Disclosure and Transparency Rules of the FCA, or was aware, that the following held, or were beneficially interested in, 3% or more of the voting rights in the Company's shares at that date:

Shareholder name	Number of shares	% shareholding
Axel Springer SE	81,384,638	26.53%
Jupiter Asset Management	50,409,958	16.43%
JNE Partners	22,620,000	7.37%
Seneca Investment Managers	18,227,367	5.94%
Inflection Point	14,670,000	4.78%
Hargreaves Lansdown Asset Management	12,363,475	4.03%
Paul & Sharon Pindar	10,827,227	3.53%

Directors' remuneration report

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

The Committee aims to ensure the remuneration package of the executive directors should be sufficiently competitive to attract, retain and motivate directors of the right calibre to achieve the Company's objectives without making excessive payments. In 2019, following the appointment of a new Chief Executive Officer, the Remuneration Committee put in place a remuneration plan for the executive team comprising a fixed salary, a variable annual bonus based on achieving certain short-term targets, and a long-term share options scheme linked to performance targets over a three-year period (the Performance Share Plan ("PSP")). The provisions of the plan incorporate longer-term objectives to ensure the executive team is incentivised to maximise profitability and shareholder return. Details of executive directors' remuneration and awards under the share option schemes are detailed below.

Remuneration for non-executive directors consists of fees for their services in connection with Board and committee meetings. Dr Andreas Wiele, the Axel Springer Board member for the year under review, did not receive a fee for his services.

Basic salary and benefits

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

Annual bonus

The Company operates a short-term bonus scheme to incentivise executive directors to meet the financial and strategic objectives of the business. During the financial year ended 30 April 2020, a total bonus of £100,000 (2019: £nil) was awarded to the directors.

Pension

During the year, pension contributions of £12,000 (2019: £2,000) were paid to Executive Directors. This is detailed in the table of Directors' pay below as post employment benefits.

Political donations

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

Taxable benefits

The Directors' taxable benefits are detailed in the table below.

Service contracts and letters of appointment

The Company's policy is for all of the Executive directors to have 12-month rolling service contracts. All non-executive directors are salaried. They are not eligible for bonuses, pension benefits, share options or other benefits, save where compulsory by law. The directors are indemnified to the full extent permitted by statute. Executive and non-executive directors' remuneration is detailed below and in note 9 to the financial statements.

Company policy on external appointments

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

Share options

The Remuneration Committee is responsible for awarding options over ordinary shares to executive directors and certain senior managers under the employee and licensee share option schemes (CSOP) and Performance Share Plan (PSP). Following a review of executive director and senior team incentives by the Remuneration Committee, a new long-term incentive plan, Performance Share Plan (PSP), linked to longer-term performance metrics, was introduced in July 2019. The PSP is intended to offer long-term incentives to directors and senior management as the Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of directors and employees.

The vesting of awards made in FY2020 will depend on performance measured over a three-year period to 30 April 2022, with 50% of the vesting subject to achievement of an EBITDA target and 50% to a Total Shareholder Return (TSR) target. These targets are summarised below.

- TSR – measured as relative TSR against FTSE AIM 100 constituents. Vesting range of full vesting for upper quartile performance, and threshold vesting (25% of award) vesting for median, with straightline vesting between threshold and maximum. TSR is measured for three years from the date of award and using a three-month averaging period at both the beginning and end of the period
- EBITDA - measured as adjusted Group EBITDA in FY2022. 25% of awards vest for achieving threshold performance, with straightline vesting between threshold and maximum.

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

Details of the options to purchase ordinary shares in the Company granted to the executive directors are set out below. Details of share-based payments are below and included in note 10 to the financial statements.

Directors' share options

Director	Share option scheme	Vesting period	Outstanding Interest at 1 May 2019	Options granted during the year	Options exercised during the year	Outstanding interest at 30 April 2020
Vic Darvey	CSOP	4 years	700,000	-	-	700,000
	PSP	3 years	-	1,050,000	-	1,050,000
James Davies[1]	CSOP	4 years	1,500,000	-	-	1,500,000
	PSP	3 years	-	500,000	-	500,000

1 As announced on 17 April 2020, James Davies resigned as CFO following the end of the financial year. Accordingly, the share awards held by James Davies and shown above have now lapsed.

Directors' emoluments

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

Year ended 30 April 2020	Salary or fees and benefits £'000	Bonus £'000	Post employment benefits £'000	Total £'000
Executive directors				
Michael Bruce	217	-	-	217
Vic Darvey	346	-	10	356
James Davies	250	100	-	350
Non-executive directors				
Paul Pindar	103	-	-	103
Adrian Blair	54	-	1	55
Simon Downing	54	-	-	54
Michael Wroe	38	-	-	39
	1,062	**100**	**11**	**1,173**

Michael Bruce stepped down from his role as an executive director of the Group on 7 May 2019 and received a one-off payment of £200,000 which is reflected in costs for the year ended 30 April 2020. Michael Wroe stepped down from his role as non-executive director on 12 December 2019.

No director exercised share options during the year.

The table does not include the IFRS2 charges in respect of directors' options. Full details of directors' emoluments and IFRS2 charges are contained in note 9.

Andy Botha was appointed as Chief Financial Officer on 11 May 2020. Mr Botha's base salary in FY2021 will be £300,000 and he will receive a 3% of base salary annual pension contribution. Mr Botha will also participate in the Company's annual bonus plan and LTIP in FY2021.

On his departure from the Company, Mr Davies' outstanding share awards lapsed in full. As his departure was after the year end Mr Davies' IFRS2 credit will be recognised in FY 2021. Pursuant to the terms of Mr Davies' service agreement, he was paid base salary while serving notice with the company until 31 July 2020.

Directors and directors' interests

The directors who held office during the financial year ending 30 April 2020 and up to the time of signing are set out below:

- Adrian Blair[1]
- Andy Botha (appointed 11 May 2020)
- Michael Bruce (resigned 7 May 2019)
- Stephanie Caspar[1] (appointed 27 July 2020)
- Vic Darvey (appointed 7 May 2019)
- James Davies (resigned 11 May 2020)
- Simon Downing[1]
- Paul Pindar[1]
- Andreas Wiele[1] (resigned 24 June 2020)
- Michael Wroe[1] (resigned 12 December 2019)

1 Denotes non-executive director

Directors' shareholding

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

	30 April 2020		30 April 2019	
	Shares	**Options**	**Shares**	**Options**
Vic Darvey	-	1,750,000	-	700,000
James Davies[1]	-	2,000,000	-	1,500,000
Adrian Blair[2]	33,675	-	33,675	-
Simon Downing[2]	133,500	-	133,500	-
Paul Pindar[3]	10,827,227	-	10,827,227	-
Michael Bruce[4]	-	-	33,386,072	2,430,551

1 James Davies resigned as director on 11 May 2020 and his outstanding share awards lapsed in full
2 Denotes non-executive directors
3 Paul Pindar's shareholding includes those of his wife Sharon Pindar
4 Michael Bruce resigned as director on 7 May 2019. His shareholding included those of his wife Isabel Bruce

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

Vic Darvey Chief Executive Officer
31 July 2020

Andy Botha Chief Financial Officer
31 July 2020

1 Denotes non-executive Director

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

Report on the audit of the financial statements

OPINION

In our opinion:

- **the financial statements of Purplebricks Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's loss for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

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

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

BASIS FOR OPINION

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

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

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

SUMMARY OF OUR AUDIT APPROACH

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of deferred income for the UK component • Valuation of goodwill in relation to Canada Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the group financial statements was £1.7 million, which was determined on the basis of 1.5% of group revenue from total operations.
Scoping	The group audit team performed a full scope audit of the parent company and Canada component and an audit of specified account balances for the discontinued operations in the US and Australia in the year. The overall scope of our audit resulted in us performing audit procedures over 99% of group revenue, 90% of group expenditure, (including trading losses from joint ventures), and 99% of group net assets.
Significant changes in our approach	As a result of the recent and ongoing global pandemic, Covid-19 has led to uncertainty around consumer behaviours and the future economic activity of consumers. We recognise that this has led to increased judgement around the future activity levels in the housing market and the Purplebricks business. Consequently, we have included a new key audit matter and identified an associated significant risk associated to the valuation of goodwill in relation to the Canadian business. Due to Purplebricks also making the decision in the year to close operations in both the US and Australia, the group audit team completed the audit of the current year income and expenditure associated with discontinued operations disclosures. In the prior year, component auditors completed the audit of specified account balances for the Australian business and the group audit team completed the audit of specified account balances for the US.

CONCLUSIONS RELATING TO GOING CONCERN

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

KEY AUDIT MATTERS

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

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

Last year our report contained two key audit matters which are not included in our report this year: accounting for the acquisition of DuProprio, and impairment of investments and intercompany receivables held by the parent company. We have assessed each of these items during the course of the audit, and concluded that these were not key audit matters in the current period. In addition, the key audit matter for the valuation of deferred income has been revised to only focus on the UK component following the closure of Australian business in the year.

Valuation of deferred income for the UK component	
Key audit matter description	In applying IFRS 15, the group have concluded that instruction revenues must be spread over the average period taken to sell a property. Accounting estimates are used to determine this average sales period. This is calculated based on the expected period of time from instruction to completion of a sale, using data from instructions received in the first 6 months of the current year; and is adjusted for any outliers in that population (such as properties listed for more than 12 months, or properties where Purplebricks were instructed but the property has not yet been published on the website). In calculating the deferred income as at 30 April 2020, the group have extended the period over which revenue is recognised to reflect the uncertainty in the UK housing market at the balance sheet date due to Covid-19. This has extended the average period over which services are provided, and hence revenue is recognised, by 35% compared to the prior year, which has resulted in higher proportion of revenue from open instructions being deferred. As detailed in note 2.5, instruction revenue in the UK is recognised using an output method over time, being the period from instruction to sale of the property on a straight line basis. Judgement has been used to determine the period over which to recognise instruction revenue, which has been disclosed as a key source of estimation uncertainty in note 3.3 to the financial statements. The performance measure over which revenue is recognised is based on the expected time taken from instruction of a new property until the point at which a sale completes. This expectation is set with reference to historical experience, and the increased uncertainty of the performance of the UK housing market as at 30 April 2020 due to Covid-19. All UK property sales were postponed between 26 March 2020 and 13 May 2020 due to restrictions put in place by the UK Government in response to the pandemic, which has impacted the expected average time from instruction to completion for a transaction compared to the prior period. The impact of Covid-19 has increased the risk we have identified in relation to this key audit matter, as there is increased estimation uncertainty over the average time taken from instruction to completion compared to the prior year. The measure of performance used has been determined on a portfolio basis, using the average time taken for a property sale to complete, which is described in the accounting policies section in pages 48 to 59.
How the scope of our audit responded to the key audit matter	Our procedures involved: • testing the key IT controls over key systems used to retain sales information and management review controls over the review of the deferred revenue calculation. We identified that the management review controls in relation to the review of the calculation of the deferred revenue balance were not sufficiently precise for us to be able to rely on these controls as part of our audit; • assessing the appropriateness of management's consideration of the impact of Covid-19 in determining the expected average period for properties to sell, comparing this to market data and to the business's performance post year end; • using internal data analytics specialists who analysed the underlying data used to calculate the average period taken to sell a property in the UK and developed an independent expectation of the value of deferred income; and • assessed the appropriateness of the disclosures made regarding the level of estimation uncertainty in relation to the average days service used to calculate the value of deferred revenue
Key observations	Based on our work we are satisfied that the accounting for deferred income is in line with accounting standards and is materially appropriate.

Valuation of goodwill in relation to Canada	
Key audit matter description	As part of the business combination accounting in respect of the acquisition of the Canadian component, which took place in 2018, the group held goodwill of £16.9m on the group balance sheet at 30 April 2020. Assessment of the recoverable amount, being the higher of fair value less costs of disposal and value-in-use, requires judgement around future revenue and cashflows of the CGU. The key assumptions in calculating the value-in-use are forecasted growth in the number of instructions, growth in average revenue per instruction, improvements in gross margins, long term growth rate and the discount rate to be applied. Following the outbreak of Covid-19 in March 2020 there has been significant operational disruption which presents a threat for many businesses. This has had a knock-on impact on the housing market in Canada which resulted in a decline in revenues and significant uncertainty as to when, of if, activity levels will return to pre-Covid levels. This resulted in increased estimation uncertainty in the assessment of the value- in-use of the Canadian business at the annual impairment testing date of 30 April 2020. Management have disclosed the estimates used to determine the value in use in note 18 to the financial statements. Subsequent to the year end, as disclosed in note 31, the group reached an agreement to sell the Canadian business for £35m. This further supports the conclusion that no impairment should be recognised in the financial statements as at 30 April 2020.
How the scope of our audit responded to the key audit matter	Our procedures involved: • obtaining an understanding of the key controls over the group's forecasting process and goodwill impairment review. We identified that the management review controls in relation to the review of the value-in- use calculation in the annual testing of goodwill were not sufficiently precise for us to be able to rely on these controls; • working with our valuation specialists to assess and challenge the discount rates used by management against appropriate valuation methodology; • evaluating and challenging the Canadian CGU's cash flow forecasts based on historical forecasting accuracy and external data (i.e. market growth reports) to substantiate management's growth forecasts, in particular considering each of the key assumptions noted above; • assessing the formulaic and mechanical accuracy of management's impairment model; • assessing the sensitivity of the Canada CGU to key inputs and reviewing the impairment disclosures against the requirements of IAS 36 – Impairment of Assets; and. • considering the additional evidence gained from the sale of the Canadian business on 15 July 2020.
Key observations	Based on the work performed, we concur with the directors' conclusions that the carrying value of goodwill is appropriate.

OUR APPLICATION OF MATERIALITY

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

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

	Group financial statements	Parent company financial statements
Materiality	£1.7 million (2019: £2.0 million)	£1.4 million (2019: £1.6 million)
Basis for determining materiality	We set materiality for the current year at 1.5% of group revenue from total operations (2019: 1.5% of revenue).	The materiality for the Purplebricks Group plc (the parent company) audit was capped at 80% (2019: 78%) of group materiality on the basis of the relative size of this component to the group as a whole. This represents 1.7% (2019: 1.8%) of revenues generated by the company.
Rationale for the benchmark applied	We consider revenue to be the most appropriate benchmark. The group remains loss making and therefore revenue was considered to be the most representative benchmark to use. The directors also deem revenue growth to be one of their key indicator when assessing the performance of the group.	The UK business is the largest trading component of the group. Consistent with our group approach to materiality, we consider revenue to be the most appropriate benchmark due to the low levels of reported profits for the company in the period. The directors also deem revenue growth to be their key indicator when assessing the performance of the company and the components of the group.

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 60% of group materiality for the 2020 audit (2019: 60%). In determining performance materiality, we considered the following factors:

- the quality of the control environment and our ability to rely on certain IT controls over the completeness and accuracy of revenue as well as our inability to rely on manual review controls;
- the impact of the closure of activities in the US and Australia in the period; and
- the level of uncorrected audit adjustments identified in the audit for the year ended 30 April 2019.

We have reported to the Audit Committee all audit differences in excess of £85,000 (2019: £101,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

Canada

The Canadian component accounts for 26% of the group's revenue and was subject to a full scope audit using a component materiality of £1.0 million (2019: £1.1 million). The component auditor in Canada, who was directed and supervised by the group audit team, performed the audit of the Canada component.

Australia and US

The Australian and US components in aggregate account for 5% of the total revenue from continuing and discontinued operations and were subject to specified audit procedures performed by the group audit team using a component materiality of £0.6 million (2019: £0.8 million). As these businesses were discontinued in the current financial year, the group audit team performed specified audit procedures around account balances in the period of wind-down of operations, associated closure costs and the related disclosures within the financial statements.

Parent company and consolidation

The parent company accounts for over 68% of the group's revenue and was subject to a full scope audit using component materiality of £1.4 million, which was performed by the group audit team. At the parent company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Overall assessment of the group audit scope

The overall scope of our audit resulted in us performing audit procedures over 99% of group revenue, 90% of group expenditure, (including trading losses from joint ventures), and 99% of group net assets.

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

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

Overall, whilst key general IT controls have been working effectively across the in-scope financial systems, we identified:

- Exceptions in general IT controls on financial reporting systems; and
- Opportunities to strengthen the control environment through implementing controls in line with documented policy requirements.

Management have provided sufficient mitigating evidence and/or performed adequate mitigating procedures to address the identified IT risks for the purposes of the financial statement audit.

We have performed a fully substantive audit over all other areas of the financial statements and for instruction revenue for all other components as we were unable to rely on controls as we have not been able to obtain detailed evidence of the controls occurring in the period or found that the controls do not fully address our identified risk of material misstatement.

Due to Covid-19 related travel restrictions, the group audit team were unable to visit the Canadian component. However, we included the component audit team in our team briefing, discussed their risk assessment, reviewed documentation of the findings from their work, held regular discussions in advance of and throughout the audit and joined the component audit close meeting.

OTHER INFORMATION

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

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

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

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

We have nothing to report in respect of these matters.

RESPONSIBILITIES OF DIRECTORS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on other legal and regulatory requirements

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of these matters.

USE OF OUR REPORT

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

Andrew Halls FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
31 July 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020 £m	2019 £m
Revenue	6	111.1	113.8
Cost of Sales		(43.4)	(44.4)
Gross profit		**67.7**	**69.4**
Administrative and establishment expenses		(45.5)	(36.3)
Marketing costs		(28.8)	(34.1)
Share of results of joint venture	19	(2.8)	(0.5)
Operating loss	8	**(9.4)**	**(1.5)**
Finance income	13	0.5	0.8
Finance expense	14	(4.3)	(4.2)
Loss on ordinary activities before taxation		**(13.2)**	**(4.9)**
Taxation on loss on ordinary activities	11	1.7	1.3
Loss from continuing operations		**(11.5)**	**(3.6)**
Loss from discontinued operations	7	(7.7)	(51.3)
Loss for the year		**(19.2)**	**(54.9)**
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(0.1)	(0.1)
Total other comprehensive income		(0.1)	(0.1)
Total comprehensive loss		**(19.3)**	**(55.0)**
Earnings per share			
From continuing operations			
Basic and diluted loss per share	12	(4)p	(1)p
Total including discontinued operations			
Basic and diluted loss per share	12	(6)p	(18)p

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 APRIL 2020

	Note	2020 £m	Restated[1] 2019 £m
Non-current assets			
Goodwill	15	19.5	19.5
Intangible assets	16	19.2	21.9
Property, plant and equipment	17	3.5	2.0
Investment in joint venture	19	12.5	10.7
Deferred tax asset	11	9.0	7.1
		63.7	**61.2**
Current assets			
Tax receivable		0.1	1.2
Trade and other receivables	20	10.2	11.4
Contract assets – accrued income	20	5.3	9.7
Contract assets – prepaid cost of sales	20	5.3	6.3
Cash and cash equivalents	23	31.0	62.8
		51.9	**91.4**
Total assets		**115.6**	**152.6**
Current liabilities			
Trade and other payables	21	(11.8)	(25.0)
Contract liabilities - deferred income	21	(14.6)	(19.4)
Provisions	21	(0.4)	-
Borrowings	21	(0.1)	-
Lease liabilities	22	(0.7)	-
		(27.6)	**(44.4)**
Net current assets		**24.3**	**47.0**
Total assets less current liabilities		**88.0**	**108.2**
Non-current liabilities			
Borrowings	21	(0.1)	-
Deferred tax liabilities	11	(4.4)	(4.5)
Lease liabilities	22	(1.4)	-
		(5.9)	**(4.5)**
Net assets		**82.1**	**103.7**
Equity			
Share capital	24	3.1	3.0
Share premium	25	177.4	177.4
Share-based payments reserve	26	6.9	8.6
Foreign exchange reserve	26	(1.8)	(0.5)
Retained earnings		(103.5)	(84.8)
Total equity		**82.1**	**103.7**

These financial statements were approved and authorised for issue by the Board of Directors on 31 July 2020 and were signed on its behalf by:

Vic Darvey Director

Andy Botha Director

Company registration number 08047368

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

1 See note 20

COMPANY STATEMENT OF FINANCIAL POSITION

AT 30 APRIL 2020

	Note	2020 £m	Restated[1] 2019 £m
Non-current assets			
Intangible assets	16	3.6	4.4
Property, plant and equipment	17	1.4	0.8
Investment in subsidiaries	18	31.6	31.9
Investment in jointly controlled entities	19	15.8	11.2
Amounts owed by group undertakings	20	6.0	-
Deferred tax asset	11	7.1	6.1
		65.5	**54.4**
Current assets			
Tax receivable		-	0.3
Trade and other receivables	20	5.5	5.4
Contract assets – accrued income	20	5.3	8.2
Contract assets – prepaid cost of sales	20	5.1	5.6
Cash and other cash equivalents	23	28.0	57.6
		43.9	**77.1**
Total assets		**109.4**	**131.5**
Current liabilities			
Trade and other payables	21	(8.1)	(13.5)
Provisions	21	(0.4)	-
Contract liabilities - deferred income	21	(13.0)	(14.7)
Lease liabilities	22	(0.3)	-
		(21.8)	**(28.2)**
Net current assets		**22.1**	**48.8**
Total assets less current liabilities		**87.6**	**103.3**
Non current liabilities			
Lease liabilities	22	(0.5)	-
Net assets		**87.1**	**103.3**
Equity			
Share capital	24	3.1	3.0
Share premium	25	177.4	177.4
Share-based payments reserve	26	6.9	8.6
Retained earnings		(100.3)	(85.7)
Total equity		**87.1**	**103.3**

The Company reported a loss for the financial year ended 30 April 2020 of £15.2m (2019: loss of £92.5m)

These financial statements were approved and authorised for issue by the Board of Directors on 31 July 2020 and were signed on its behalf by:

Vic Darvey Director

Andy Botha Director

Company registration number 08047368

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

1 See note 20

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

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

FOR THE YEAR ENDED 30 APRIL 2019

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

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2020

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

FOR THE YEAR ENDED 30 APRIL 2019

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2018	3.0	176.4	4.6	3.3	187.3
Exercise of options	-	1.0	(0.3)	0.2	0.9
Tax in respect of share options	-	-	-	3.3	3.3
Share-based payment charge	-	-	4.3	-	4.3
Transactions with owners	-	1.0	4.0	3.5	8.5
Loss for the year	-	-	-	(92.5)	(92.5)
Total comprehensive loss	-	-	-	(92.5)	(92.5)
At 30 April 2019	3.0	177.4	8.6	(85.7)	103.3

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020 £m	2019 £m
Loss for the year after taxation		(19.2)	(54.9)
Adjustments for:			
Amortisation of intangible assets	16	4.1	3.7
Depreciation of tangible fixed assets	17	1.7	0.8
Impairment of intangible assets	16	0.5	-
Impairment of tangible fixed assets	17	0.6	-
Share-based payment (credit) / charge	10	(1.3)	4.3
Gain on lease modification		(0.1)	-
Credit to loss provision	20	(0.4)	-
Increase in provisions	21	0.4	-
Interest income	13	(0.5)	(0.8)
Interest expense	14	0.2	0.1
Share of result of joint venture		2.8	0.5
Taxation	11	(1.7)	(1.1)
Operating cash outflow before changes in working capital		(12.9)	(47.4)
Movement in trade and other receivables		7.0	(6.6)
Movement in trade and other payables		(14.2)	4.9
Movement in deferred income		(4.8)	1.1
Cash utilised in operations		(24.9)	(48.0)
Taxation received / (paid)		1.0	(1.0)
Interest paid		(0.1)	(0.1)
Net cash outflow from operating activities		(24.0)	(49.1)
Investing activities			
Purchase of property, plant and equipment	17	(0.8)	(1.1)
Development expenditure capitalised	16	(2.1)	(2.6)
Purchase of intangible assets	16	(0.1)	(0.7)
Interest income	13	0.5	0.7
Investment in joint venture	19	(4.6)	(11.2)
Acquisition of subsidiary net of cash acquired		-	(27.3)
Net cash outflow from investing activities		(7.1)	(42.2)
Financing activities			
Lease interest payments	23	(0.1)	-
Payments against lease liabilities	23	(0.9)	-
Proceeds from external borrowings	23	0.3	-
Repayments of external borrowings	23	(0.1)	-
Proceeds from issue of shares	24	0.1	1.0
Net cash (outflow) / inflow from financing activities		(0.7)	1.0
Net decrease in cash and cash equivalents		(31.8)	(90.3)
Effect of foreign exchange rates		-	0.3
Cash and cash equivalents at beginning of year		62.8	152.8
Cash and cash equivalents at the end of the year		**31.0**	**62.8**

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

Cash flows relating to discontinued operations are presented within note 7

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2020

	Note	2020 £m	Restated[1] 2019 £m
Loss for the year after taxation		(15.2)	(92.5)
Adjustments for:			
Amortisation of intangible assets	16	2.4	1.9
Impairment of intangible assets	16	0.5	-
Impairment of investments in subsidiaries and intercompany receivables	18	8.9	96.9
Depreciation	17	0.6	0.4
Share-based payment (credit) / charge		(0.1)	2.8
Credit to loss provision	20	(0.1)	-
Increase in provisions	21	0.4	-
Interest income		(0.7)	(0.7)
Interest expense		0.1	-
Fair value movement in respect of derivatives		-	(0.1)
Taxation		(0.7)	(0.2)
Operating cash (outflow) / inflow before changes in working capital		(3.9)	8.5
Movement in trade and other receivables		2.0	(3.3)
Movement in trade and other payables		(5.3)	4.2
Movement in deferred income		(1.7)	1.2
Cash outflow / (inflow) from operations		(8.9)	10.6
Taxation received		0.2	0.2
Interest paid		(0.1)	-
Net cash (outflow) / inflow from operating activities		(8.8)	10.8
Investing activities			
Purchase of property, plant and equipment	17	(0.3)	(0.5)
Development expenditure capitalised	16	(2.1)	(2.6)
Purchase of intangible assets	16	-	(0.1)
Investment in subsidiaries	18	(4.6)	-
Investment in jointly controlled entity	19	(4.6)	(11.2)
Loans to subsidiaries		(9.8)	(59.3)
Interest income		0.7	0.7
Acquisition of subsidiary		-	(30.9)
Net cash outflow from investing activities		(20.7)	(103.9)
Financing activities			
Repayments against lease liabilities	23	(0.2)	-
Proceeds from issue of shares	24	0.1	1.0
Net cash (outflow) / inflow from financing activities		(0.1)	1.0
Net decrease in cash and cash equivalents		(29.6)	(92.1)
Cash and cash equivalents at beginning of year		57.6	149.7
Cash and cash equivalents at the end of the year		**28.0**	**57.6**

1 See note 2.2

1. General information

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

2. Summary of significant accounting policies

2.1 BASIS OF PREPARATION AND CONSOLIDATION

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

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

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

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

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

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

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

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

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

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

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

2.2 RESTATEMENT

Discontinued operations

A discontinued operation is a component of the entity which the Group has decided to close, or which has been disposed of or which is classified as held for sale and which represents a separate major line of business or geographical area of operations. The results of discontinued operations are presented separately in the statement of comprehensive income and statement of cash flows. In 2020, the results of the US and Australian operations have been classified as discontinued operations. The comparative figures included in the statement of comprehensive Income and statement of cash flows in respect of the year ended 30 April 2019 have been restated accordingly.

Presentation of contract assets

In the current year, contract assets, being accrued income and prepaid cost of sales, are presented separately on the face of the statement of financial position. Comparative amounts have also been separately presented, with a corresponding reduction in the amounts shown as trade and other receivables. No restatement of total amounts has occurred. See note 20 for more detail.

2.3 GOING CONCERN

In adopting a going concern basis for the preparation of the financial statements, the directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 6 and 7 and in note 27 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 16 and 17.

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

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

The subsequent cash inflow from the sale of the Group's Canadian business, of $61.5m Canadian Dollars (c.£36m), received on 17 July 2020 (subject to further post-closing adjustments, as referred to in note 31) has further enhanced the Group's year-end cash position of £31.0m.

Based on the Group's forecasts, the Directors are satisfied that the Company, and the Group as a whole, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

2.4 NEW ACCOUNTING STANDARDS ADOPTED IN THE YEAR

2.4.1 Implementation of IFRS 16 Leases

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

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

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

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

Accounting policies under IFRS 16 Leases

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

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

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

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

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, and any initial direct costs, less lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial impact

The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. Operating lease incentives previously recognised as liabilities have been derecognised and factored into the measurement of the right-to-use assets and lease liabilities.

The table below sets out the adjustments recognised at the date of initial application of IFRS 16.

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

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

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

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

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

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

Consolidated Income statement impact

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

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

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

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

Under IAS 17, the equivalent amounts would have been

	£m	£m
Depreciation	-	-
Interest expense	-	-
Lease expense	0.9	0.3

Cash flow statement impact

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

Total cash outflows under leases were £1.0m.

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

Consolidated statement of financial position impact

The table below presents a reconciliation of right-of-use assets from 1 May 2019 to 30 April 2020.

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

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

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

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

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

2.4.2 IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 Uncertainty over Income Tax Treatments has been adopted in the year. The adoption of this standard has had no significant effect on the Company or Group's reported financial performance or position.

2.5 Revenue recognition

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

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

- Instructions to list property for sale
- Conveyancing
- Brokerage
- Lettings – landlord setup services
- Lettings – monthly management services

Instructions

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

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

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

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

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

A key estimate within the Group's accounting policy for revenue from instructions is the length of the period over which estate agency services are performed. The Group utilises analysis of historical data to ascertain the length of this period, which covers both a marketing period and a post-sales support period. Please refer to the significant estimates and judgements section below for further information.

Contract assets and liabilities

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

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

Costs associated with Instructions revenue include commissions paid to the Group's LPEs. This commission is due at listing of the advertisement for sale. Therefore, these costs are prepaid and amortised over the average service period. Unamortised costs at each period end are reported as contract assets within prepayments, as set out in the trade and other receivables and contract assets note.

Conveyancing

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

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

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

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

Brokerage

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

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

Lettings landlord setup services
The Group offers Lettings services to landlords in the UK only.

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

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

All revenue is therefore attributable to this single Performance Obligation.

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

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

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

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

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

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

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

2.6 FUNCTIONAL AND PRESENTATION CURRENCY

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

2.7 FOREIGN CURRENCIES

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

2.8 FOREIGN EXCHANGE ON CONSOLIDATION

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

2.9 SEGMENTAL REPORTING

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

2.10 PENSION BENEFITS

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

2.11 TAXATION

Current tax

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

Deferred tax

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

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

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

2.12 PROPERTY, PLANT AND EQUIPMENT

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

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

The useful lives over which these assets are depreciated are:

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

2.13 INVESTMENTS IN SUBSIDIARIES

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

2.14 JOINT VENTURES

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

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

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

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

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

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

2.15 BUSINESS COMBINATIONS AND GOODWILL

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

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

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

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

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

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

2.16 CASH AND CASH EQUIVALENTS

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

2.17 INTERNALLY DEVELOPED INTANGIBLE ASSETS

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

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

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

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

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

The useful lives over which these assets are amortised are:

- Internally generated intangible – straight line over 3 years
- Capitalised software – straight line over 3 years

Amortisation is included within administrative expenses.

2.18 INTANGIBLE ASSETS ACQUIRED IN A BUSINESS COMBINATION

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

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

The useful lives over which these assets are amortised are:

- patents and trademarks – straight line over 18 months
- customer relationships – straight line over 5 years
- Proprietary tech – straight line over 3 years

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

Amortisation is included within administrative expenses.

2.19 IMPAIRMENT

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

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

2.20 FINANCIAL INSTRUMENTS

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

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

Financial assets

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

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

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

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

Impairment testing of trade receivables is described in note 20.

Definition of default

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

Credit-impaired financial assets

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

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

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

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

Credit risk management - Sale of receivables

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

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

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

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

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

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

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

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

Financial liabilities and equity

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

Borrowings

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

Equity instruments

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

Derivative financial instruments

The Group uses derivative financial instruments to manage its exposure to foreign exchange rate risk via foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 27.

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

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

2.21 SHARE-BASED PAYMENTS

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

2.22 SHARE-BASED PAYMENTS RESERVE

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

2.23 PROVISIONS

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

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

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

2.24 EXCEPTIONAL ITEMS

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

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

2.25 FACTORED RECEIVABLES

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

3. Critical accounting estimates and judgements

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

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

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

3.1 MEASUREMENT OF INTANGIBLE ASSETS

The Group recognises an intangible asset in respect of software developed in-house. This software is a key part of the Group's operating model and value proposition. Management are required to estimate the time and related value attributable to the element of the development team that relates to the creation and build of intangible assets which meet the criteria for capitalisation in IAS 38. The cost of this team is material and a significant change in this estimate could have a significant effect on the value of costs capitalised. The impact of a change to this estimate could result, at the most extreme, ie in a scenario where either no development team costs are capitalised, or where they are capitalised in full, in a decrease of £3.6m or increase of £2.1m in administrative and establishment expenses in the current year. Further details of the amounts capitalised are included at note 16.

3.2 MEASUREMENT OF DEFERRED TAX ASSETS

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

The recognition of deferred tax assets is dependent upon the estimation of future taxable profits in the territories that the group operates within. The decision to recognise deferred tax assets is made after taking into account forecasts of future taxable profits, sensitised for downside risk. If the estimated future taxable profits were to change materially, either positively or negatively, this could have a material impact on the tax charge or credit recognised in the income statement. Depending on the length of the forecast period and the scale of the downside reduction applied, the value of the recognised deferred tax asset could range from 0% to 100% of the balance recognised being £7.1m.

3.3 REVENUE RECOGNITION

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

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

Significant uncertainty at the reporting date, as to the timing and profile of recovery from lockdown measures and the wider impact of COVID-19 on the UK economy, means there is a greater degree of subjectivity in estimating the future service period than would be the case in a "steady state" scenario and the directors have adopted a best estimate approach, taking into account available evidence. Should the UK housing market recover to pre-crisis levels subsequent to the reporting date, there would be a reasonable expectation that the service period would move closer to the historical norm for future reporting periods.

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

Judgements

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

3.4 REVENUE RECOGNITION

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

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

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

		Expected date of adoption
Annual Improvements to IFRS Standards 2015 - 2017 Cycle	Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs.	1 May 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	To clarify and align the definition of material. The amendments are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.	1 May 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	Published in response to the ongoing reform of interest rate benchmarks around the world. The amendments aim to provide relief for hedging relationships.	1 May 2020
Definition of a Business (Amendments to IFRS 3)	To help entities determine whether an acquired set of activities and assets is a business or not. The amendments clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs.	1 May 2020

None of the new standards not yet in issue are expected, once adopted, to give rise to a significant change in the reported results or financial position of the Group.

5. Alternative performance measures

The Group makes use of a number of alternative performance measures in assessing the performance of the business. The definition and relevance of each of these is set out below. The Group believes that these measures, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with helpful additional information on the underlying performance of the Group.

Adjusted EBITDA

Definition

Profit or loss from operating activities, adding back depreciation, amortisation, share-based payment charges and exceptional items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding certain items is as follows:

- Depreciation: a non-cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Amortisation: a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period. Where applicable, impairment of intangible assets is also excluded as an exceptional item.
- Share-based payment charges: a non-cash item which varies significantly depending on the share price at the date of grants under the Group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the Group's results period on period and also improves comparability with other companies which typically do not operate similar share-based payment schemes.
- Exceptional items: These items represent amounts which result from unusual transactions or circumstances and at a significance which warrants individual disclosure. We believe that adjusting for such exceptional items improves comparability period on period. See note 8 for further detail of amounts disclosed as exceptional in the year.

Reconciliation

Please see segmental reporting in note 7.

Adjusted operating costs

Definition

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

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding depreciation, amortisation, share-based payments charges and exceptional costs from this measure is consistent with that set out above in the "Adjusted EBITDA" section.

Reconciliation

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

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

Adjusted operating loss

Definition

Profit or loss from operating activities, adding back share-based payment charges, share of results of joint venture and exceptional items.

Relevance to strategy

The adjusted measure is considered relevant to assessing the underlying performance of the Group against its strategy and plans. The rationale for excluding share-based payments charges from this measure is consistent with that set out above in the "Adjusted EBITDA" section.

Reconciliation

Please see segmental reporting in note 7.

6. Revenue

Revenue by contract type

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

7. Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale and letting of properties, however management report to the Board (the Board being the Chief Operating Decision Maker ("CODM")) using geographical segments. The financial information reviewed by the Board is materially the same as that reported under IFRS and falls under the four geographic locations: the UK, Canada, Australia and the US. During the year, no customer contributed 10% or more of the Group's revenues (2019: none).

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

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

Year ended 30 April 2020	UK £m	Canada £m	Arising on consolidation £m	Adjustment for recharges £m	Continuing operations £m	Australia £m	US £m	Arising on consolidation £m	Adjustment for recharges £m	Discontinued activities £m	Total £m
Revenue	80.5	30.6	-	-	111.1	1.5	4.6	-	-	6.1	117.2
Cost of sales	(28.9)	(14.5)	-	-	(43.4)	(2.2)	(2.2)	-	-	(4.4)	(47.8)
Gross profit	**51.6**	**16.1**	**-**	**-**	**67.7**	**(0.7)**	**2.4**	**-**	**-**	**1.7**	**69.4**
Gross profit margin (%)	64.1%	52.5%	-	-	60.9%	(46.7%)	52.2%	-	-	27.9%	59.2%
Administrative expenses	(31.2)	(10.6)	(1.6)	(2.1)	(45.5)	(3.4)	(4.8)	-	2.1	(6.1)	(51.6)
Marketing expenses	(20.6)	(8.2)	-	-	(28.8)	(1.2)	(2.0)	-	-	(3.2)	(32.0)
Share of results of joint venture	-	-	(2.8)	-	(2.8)	-	-	-	-	-	(2.8)
Operating (loss)/profit	**(0.2)**	**(2.7)**	**(4.4)**	**(2.1)**	**(9.4)**	**(5.3)**	**(4.4)**	**-**	**2.1**	**(7.6)**	**(17.0)**
Reconciliation to adjusted EBITDA											
Operating (loss)/profit	(0.2)	(2.7)	(4.4)	(2.1)	(9.4)	(5.3)	(4.4)	-	2.1	(7.6)	(17.0)
Depreciation & amortisation	3.5	1.0	1.6	-	6.1	0.5	0.3	-	-	0.8	6.9
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(1.3)
Share of results of joint venture	-	-	2.8	-	2.8	-	-	-	-	-	2.8
Exceptional items	1.6	-	-	-	1.6	-	-	-	-	-	1.6
Adjusted EBITDA	**4.8**	**(1.4)**	**-**	**(1.6)**	**1.8**	**(5.5)**	**(4.9)**	**-**	**1.6**	**(8.8)**	**(7.0)**
Reconciliation of administrative expenses to adjusted operating costs											
Administrative expenses	(31.2)	(10.6)	(1.6)	(2.1)	(45.5)	(3.4)	(4.8)	-	2.1	(6.1)	(51.6)
Depreciation & amortisation	3.5	1.0	1.6	-	6.1	0.5	0.3	-	-	0.8	6.9
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(1.3)
Exceptional items	1.6	-	-	-	1.6	-	-	-	-	-	1.6
Adjusted operating costs	**(26.2)**	**(9.3)**	**-**	**(1.6)**	**(37.1)**	**(3.6)**	**(5.3)**	**-**	**1.6**	**(7.3)**	**(44.4)**
Reconciliation of operating loss)/profit to adjusted operating (loss)/profit											
Operating (loss)/profit	(0.2)	(2.7)	(4.4)	(2.1)	(9.4)	(5.3)	(4.4)	-	2.1	(7.6)	(17.0)
Share-based payments	(0.1)	0.3	-	0.5	0.7	(0.7)	(0.8)	-	(0.5)	(2.0)	(1.3)
Share of results of joint venture	-	-	2.8	-	2.8	-	-	-	-	-	2.8
Exceptional items	1.6	-	-	-	1.6	-	-	-	-	-	1.6
Adjusted operating profit / (loss)	**1.3**	**(2.4)**	**(1.6)**	**(1.6)**	**(4.3)**	**(6.0)**	**(5.2)**	**-**	**1.6**	**(9.6)**	**(13.9)**

Year ended 30 April 2019	UK £m	Canada £m	Arising on consolidation £m	Adjustment for recharges £m	Continuing operations £m	Australia £m	US £m	Adjustment for recharges £m	Discontinued activities £m	Total £m
Revenue	90.1	23.7	-	-	113.8	11.4	11.3	-	22.7	136.5
Cost of sales	(33.3)	(11.1)	-	-	(44.4)	(7.4)	(4.8)	-	(12.2)	(56.6)
Gross profit	**56.8**	**12.6**	**-**	**-**	**69.4**	**4.0**	**6.5**	**-**	**10.5**	**79.9**
Gross profit margin (%)	**63.0%**	**53.2%**	**-**	**-**	**61.0%**	**35.1%**	**57.5%**	**-**	**46.3%**	**58.5%**
Administrative expenses	(24.8)	(8.4)	(1.0)	(2.1)	(36.3)	(10.7)	(16.1)	2.1	(24.7)	(61.0)
Marketing expenses	(26.7)	(7.4)	-	-	(34.1)	(12.1)	(24.5)	-	(36.6)	(70.7)
Share of results of joint venture	-	-	(0.5)	-	(0.5)	-	-	-	-	(0.5)
Operating profit/(loss)	**5.3**	**(3.2)**	**(1.5)**	**(2.1)**	**(1.5)**	**(18.8)**	**(34.1)**	**2.1**	**(50.8)**	**(52.3)**
Reconciliation to adjusted EBITDA										
Operating profit/(loss)	5.3	(3.2)	(1.5)	(2.1)	(1.5)	(18.8)	(34.1)	2.1	(50.8)	(52.3)
Depreciation & amortisation	2.3	0.8	1.3	-	4.4	-	-	-	-	4.4
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Share of results of joint venture	-	-	0.5	-	0.5	-	-	-	-	0.5
Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjusted EBITDA	**10.2**	**(2.0)**	**0.3**	**(1.9)**	**6.6**	**(17.9)**	**(33.2)**	**1.9**	**(49.2)**	**(42.6)**
Reconciliation of administrative expenses to adjusted operating costs										
Administrative expenses	(24.8)	(8.4)	(1.0)	(2.1)	(36.3)	(10.7)	(16.1)	2.1	(24.7)	(61.0)
Depreciation & amortisation	2.3	0.8	1.3	-	4.4	-	-	-	-	4.4
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjusted operating costs	**(19.9)**	**(7.2)**	**0.3**	**(1.9)**	**(28.7)**	**(9.8)**	**(15.2)**	**1.9**	**(23.1)**	**(51.8)**
Reconciliation of operating profit / (loss) to adjusted operating profit / (loss)										
Operating profit / (loss)	5.3	(3.2)	(1.5)	(2.1)	(1.5)	(18.8)	(34.1)	2.1	(50.8)	(52.3)
Share-based payments	2.1	0.4	-	0.2	2.7	0.9	0.9	(0.2)	1.6	4.3
Share of results of joint venture	-	-	0.5	-	0.5	-	-	-	-	0.5
Non-recurring acquisition costs	0.5	-	-	-	0.5	-	-	-	-	0.5
Adjusted operating profit / (loss)	**7.9**	**(2.8)**	**(1.0)**	**(1.9)**	**2.2**	**(17.9)**	**(33.2)**	**1.9**	**(49.2)**	**(47.0)**

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

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

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

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

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

Cashflows relating to discontinued operations were as follows:

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

8. Loss from operating activities

Loss from operating activities for the year has been arrived at after charging:	2020 £m	2019 £m
Amounts received by auditors and their associates in respect of:		
Audit of group financial statements	0.2	0.1
Audit of subsidiaries	0.1	0.1
Bad debt (credit) / expense	(0.4)	1.0
Foreign exchange (gains)/losses	0.1	(0.5)
Depreciation and other amounts written off PPE:		
Owned, in respect of continuing activities	0.9	0.8
Owned, in respect of discontinued activities	0.2	-
Depreciation of right of use assets – property in respect of continuing activities	0.6	-
Impairment of right of use assets related to discontinued activities – property	0.6	-
Amortisation of development costs	2.2	1.7
Amortisation of software	0.3	0.5
Amortisation of other intangibles	1.6	1.5
Impairment of development costs	0.5	-
Aggregate charge against income in respect of research & development costs not eligible for capitalisation	3.4	3.5
Rentals payable under plant and machinery operating leases	-	0.1
Leasehold property rentals	-	1.3
Exceptional items	1.6	0.5

Exceptional items comprise:

i) Costs of a fundamental restructuring of the customer service and sales functions of the UK business, primarily reflecting changes to the network of independent LPEs as described in the business model, of £1.2m

ii) Costs of supporting the network of independent LPEs in response to the COVID-19 crisis of £0.4m

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

Support to the LPE network during the COVID-19 crisis has continued into FY 2021. Further costs in relation to restructuring other operational aspects of the UK business are expected to continue in FY 2021, as part of the same overarching, one-off restructuring programme. The Board expects the aggregate costs of each of these items to be material across the two years.

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

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

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

Impairment of right of use assets arose from leases of properties in the US and Australia which had no ongoing value to the group. Impairment of development costs arose from the amounts held in respect of the US and Australia customer facing websites.

In the prior year, the current statutory auditor also earned £36,000 in respect of services related to corporate finance transactions earned prior to appointment as statutory auditor.

9. Staff costs

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

	2020			2019		
	Continuing no.	**Discontinued** no.	**Total** no.	**Continuing** no.	**Discontinued** no.	**Total** no.
Sales and Marketing	715	12	727	728	183	911
Technical	108	3	111	117	27	144
Administration	91	19	110	86	100	186
	914	**34**	**948**	**931**	**310**	**1,241**

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

	2020			2019		
	Continuing £m	**Discontinued** £m	**Total** £m	**Continuing** £m	**Discontinued** £m	**Total** £m
Wages and salaries	19.4	4.4	23.8	16.1	14.7	30.8
Compensation for loss of office	0.2	-	0.2	-	-	-
Social security	2.8	0.4	3.2	2.1	0.4	2.5
Pension	0.9	0.1	1.0	0.2	0.4	0.6
Share-based payment charge / (credit)	0.7	(2.0)	(1.3)	2.7	1.6	4.3
	24.0	**2.9**	**26.9**	**21.1**	**17.1**	**38.2**

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

	2020 no.	**2019** no.
Sales and Marketing	295	337
Technical	73	84
Administration	23	44
	391	**465**

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

	2020 £m	**2019** £m
Wages and salaries	15.1	11.3
Compensation for loss of office	0.2	-
Social security	1.6	1.4
Pension	0.3	0.2
Share-based payment charge	0.3	2.1
	17.5	**15.0**

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

	2020 £'000	**2019** £m
Short-term employee benefits	1.0	0.7
Compensation for loss of office	0.2	-
Post employment benefits	-	-
Share-based payment charge	0.8	0.4
	2.0	**1.1**

The highest paid director received remuneration of £0.8m (2019: £0.7m) during the year.
No director had a material interest in any contract in relation to the business of the Group.
No director exercised share options during the current or preceding financial year.

The aggregate value of any company contributions paid, or treated as paid, to a money purchase pension scheme in respect of directors' qualifying services was £11,000 (2019: £2,000).

During the year retirement benefits under money purchase schemes accrued in respect of qualifying services for 2 directors (2019: 2). The Group does not operate any defined benefit retirement arrangements.

In addition to the 8 directors (2019: 9), 11 senior management (2019: 18) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 19 individuals (2019: 27 individuals):

	2020 £m	2019 £m
Salaries or fees, including bonuses and employer's national insurance	2.9	4.0
Compensation for loss of office	0.2	-
Share-based payment charge	1.1	1.0
	4.2	**5.0**

The remuneration of the Directors for the years ended 2020 and 2019 was as follows:

Year ended 30 April 2020	Short-term employee benefits £'000	Post employment benefits £'000	Share-based payments charge £'000	Total £'000
Executive directors				
M Bruce	217	-	2	219
V Darvey	346	10	370	726
J Davies	350	-	456	806
Non-executive directors				
P Pindar	103	-	-	103
A Blair	54	1	-	55
S Downing	54	-	-	54
M Wroe	38	-	-	38
Total	**1,162**	**11**	**828**	**2,001**

Michael Bruce stepped down from his role as an executive director of the group on 7 May 2019. His termination payment of £200,000 is reflected in the short-term employee benefits costs for the year ended 30 April 2020.

The table above reflects the accounting charge under IFRS 2 of equity-settled awards. No director exercised share options during the year. Details of options granted to directors are set out in the Directors' Remuneration Report on page 31.

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

10. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI), an employee share ownership plan (ESOP) and a licensee share option plan (LSOP). In addition, the Company granted awards under a Performance Share Plan (PSP) during the year.

Under these approved plans, a total of 14 schemes are currently operating, as listed below.

The vesting conditions for scheme 4 is 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 6 to 19 are based on future service from the date of grant, with between 25% and 33% of the options vesting on or after either the 12 or 24 month anniversary of the grant, and a further vesting every three months thereafter so that options vest in full on the 48 month anniversary of the date of grant to the employee or the licensee.

On 25 July 2019 the Company granted 2,461,200 options under a Performance Share Plan ("PSP") (Scheme 20) to certain employees. These options have an exercise price of £0.01 and vest over 3 years. 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return ("TSR") target.

Details of the total number of shares under option at the period end are set out below:

Grant date	Sch No	Type of scheme	No. of option holders	No. of options	Exercise Price	Earliest exercise date	Remaining contractual life
10 Aug 2015	4	EMI	1	3,384	£0.13	10 Aug 2015	5.3 years
29 Jun 2016	6	ESOP/LSOP	45	1,509,581	£1.29	29 Jun 2017	6.2 years
05 Dec 2016	7	ESOP/LSOP	94	1,424,213	£1.25	5 Dec 2017	6.6 years
04 Jan 2017	8	ESOP	2	387,500	£1.40	4 Jan 2018	6.7 years
05 Mar 2017	9	ESOP/LSOP	58	899,127	£3.10	5 Mar 2018	6.8 years
29 Jun 2017	10	ESOP/LSOP	2	1,400,000	£3.05	29 Jun 2018	7.2 years
19 Dec 2017	12	ESOP/LSOP	43	571,400	£3.79	19 Dec.2018	7.6 years
05 Mar 2018	13	ESOP/LSOP	9	110,000	£4.15	05 Mar 2019	7.8 years
24 Jul 2018	14	ESOP/LSOP	73	1,908,000	£2.81	24 Jul 2019	8.2 years
02 Aug 2018	15	ESOP	1	125,000	£2.87	02 Aug 2020	8.3 years
20 Nov 2018	17	ESOP	2	200,000	£1.73	20 Nov 2022	8.6 years
07 Jan 2019	18	ESOP/LSOP	1	700,000	£1.65	07 Jan 2020	8.7 years
23 Jan 2019	19	ESOP	1	500,000	£1.59	23 Jan 2020	8.7 years
25 Jul 2019	20	PSP	15	2,143,200	£0.01	25 Jul 2022	2.2 years

3,715,692 share options were exercised during the year (2019: 1,247,338)

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

	30 April 2020 Weighted average exercise price	30 April 2020 Number of options	30 April 2019 Weighted average exercise price	30 April 2019 Number of options
Outstanding at start of period	£1.97	21,826,838	£1.85	20,072,961
Granted during the period	£0.01	2,461,200	£2.26	7,519,000
Exercised during the period	£0.02	(3,715,692)	£0.77	(1,247,338)
Lapsed during the period	£2.40	(8,738,941)	£2.24	(4,518,285)
Outstanding at end of period	£1.86	11,833,405	£1.97	21,826,838
Exercisable at end of period	£2.16	6,452,478	£1.16	7,241,657

The weighted average share price at the date of exercise of options was £1.00.

The weighted average remaining contractual life of the options is 7.4 years (2019: 8.2 years).

Fair value assumptions in respect of share-based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of CSOP and LSOP share options granted. The estimate of fair value is measured using the Black-Scholes model.

On 25 July 2019 the Company granted 2,461,200 options under a Performance Share Plan ("PSP") (Scheme 20) to a number of employees. These options have an exercise price of £0.01 and vest over 3 years. 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return ("TSR") target. The share price at the date of grant was £1.15. The valuation of the EBITDA target has been by management judgement, and will be updated at each reporting period. The valuation of the TSR target was made at grant by use of a Monte Carlo model. Inputs into the Monte Carlo model were an expected volatility of 40% and a risk-free interest rate of 0.44%. The total value of the TSR element as at the date of grant was £1.0m.

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

Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value are summarised below.

	30 April 2020	30 April 2019
Weighted average share price at the date of grant	£1.15	£2.26
Weighted average exercise price	£0.01	£2.26
Weighted average contractual life (years)	3	10
Weighted average expected volatility	40%	36.3%
Weighted average risk free interest rate	0.4%	1.5%
Total fair value of options granted (£m)	£1.0	6.7

(Credit) / charge to consolidated statement of comprehensive income

The (credit) / charge to consolidated statement of comprehensive income, included within administrative expenses, comprises:

	30 April 2020 £m	30 April 2019 £m
Share-based payment charge in respect of continuing activities	0.7	2.7
Share-based payment (credit) / charge in respect of discontinued activities	(2.0)	1.6
	(1.3)	**4.3**

Credit to consolidated statement of changes in equity

	30 April 2020 £m	30 April 2019 £m
Tax credit with respect to share-based payments	0.2	3.2

11. Taxation

	2020 £m	2019 £m
Current tax credit/(charge) – Group		
Current year	-	(0.2)
Adjustments in respect of prior year	(0.1)	-
R&D tax credit relating to prior years	-	0.3
Total current tax	(0.1)	0.1
Deferred tax credit - Group		
Current year	1.7	1.0
Adjustments in respect of prior year	0.1	-
Total deferred tax	1.8	1.0
Total credit for the year	**1.7**	**1.1**

Reconciliation of effective tax rate

The tax credit/(charge) for the period differs from the standard rate of corporation tax in the UK during the year of 19% (FY 2019: 19%). The differences are explained below.

	2020 £m	2019 £m
Loss before taxation (continuing group)	(13.2)	(4.9)
Less share of loss of post-tax earnings of equity accounted investments	2.8	0.5
Loss before taxation of equity accounted investments (continuing group)	(10.4)	(4.4)
Tax credit calculated at UK corporate tax rate of 19% (FY 19: 19%)	2.0	0.8
Effects of:		
Differences between UK and non-UK corporate tax rates	0.3	0.3
Non-deductible and non-taxable items	(1.0)	(1.1)
Utilisation of previously unrecognised deferred tax assets	-	0.2
Other changes in unrecognised deferred tax assets	-	0.8
Changes in tax rates	0.4	-
Deferred tax prior year adjustment	0.1	-
Tax charge related to discontinued operations		(0.2)
Current tax prior year adjustment	(0.1)	-
R&D tax credit relating to prior years	**-**	0.3
Total credit for the year	**1.7**	**1.1**

UK: The UK corporation tax rate for the year was 19%. From 1 April 2020 the UK corporation tax rate had been scheduled to reduce to 17% and this rate was used for the measurement of UK deferred tax assets in the prior year. During the year, the UK Government announced the cancellation of the proposed rate cut, meaning that the UK corporation tax rate remains at 19%, so UK deferred tax assets have been remeasured at this higher rate. No R&D tax credit is included in the year ended 30 April 2020, as the Company qualified as "large" for the purpose of R&D tax credits and so claimed under the "RDEC" regime, with the resulting credit included in operating profit, rather than tax.

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

Tax included in changes in equity

GROUP	2020 £m	2019 £m
Deferred tax	0.2	3.0
Current tax	-	0.3
Total tax credit	**0.2**	**3.3**

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

Recognised deferred tax assets and liabilities

GROUP	2020 £m	2019 £m
Assets	9.0	7.1
Liabilities	(4.4)	(4.5)
Net deferred tax assets	**4.6**	**2.6**

	ASSETS				LIABILITIES		
GROUP 2020	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Other timing differences £m	Total £m
At 1 May 2019	6.1	0.2	-	0.8	(4.5)	-	2.6
Included in the income statement	2.3	-	0.1	(0.7)	0.3	(0.2)	1.8
Included in equity	0.3	-	-	(0.1)	-	-	0.2
At 30 April 2020	**8.7**	**0.2**	**0.1**	**-**	**(4.2)**	**(0.2)**	**4.6**

	ASSETS				LIABILITIES	
GROUP 2019	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2018	3.1	-	-	-	(0.1)	3.0
Acquisition of subsidiaries	0.3	-	0.1	-	(4.7)	(4.3)
Included in the income statement	(0.2)	0.2	(0.1)	0.7	0.3	0.9
Included in equity	2.9			0.1	-	3.0
At 30 April 2019	**6.1**	**0.2**	**-**	**0.8**	**(4.5)**	**2.6**

COMPANY 2020	ASSETS				LIABILITIES	
	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2019	5.2	0.1	-	0.8	-	6.1
Included in the income statement	1.5	(0.1)	0.1	(0.7)	-	0.8
Included in equity	0.3	-	-	(0.1)	-	0.2
At 30 April 2020	**7.0**	**-**	**0.1**	**-**	**-**	**7.1**

COMPANY 2019	ASSETS				LIABILITIES	
	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2018	2.9	-	-	-	-	2.9
Included in the income statement	(0.6)	0.1	-	0.7	-	0.2
Included in equity	2.9	-	-	0.1	-	3.0
At 30 April 2019	**5.2**	**0.1**	**-**	**0.8**	**-**	**6.1**

As at 30 April 2019, potential deferred tax assets in Australia and the US were not recognised, in anticipation of possible closure of the businesses and, therefore, insufficient evidence that there would be relevant profits available in the future to utilise them. Following closure of the businesses and filing of final tax returns, these former unrecognised deferred tax assets have now ceased to exist and are no longer reported as either recognised or unrecognised. Deferred tax assets in the UK and Canada are recognised in full, based on financial plans for these segments, which forecast the availability of sufficient profits for the utilisation of deferred tax assets.

The value of the future tax deduction for share-based payments is dependent on the share price at the point of exercise, therefore its value is highly uncertain.

Unrecognised deferred tax assets

GROUP	2020		2019	
	Gross Value £m	Unrecognised Tax value £m	Gross Value £m	Unrecognised Tax value £m
Tax losses	-	-	89.9	22.3
Share-based payments	-	-	-	-
Fixed asset timing differences	-	-	-	-
Other timing differences	-	-	1.8	0.4
	-	**-**	**91.7**	**22.7**

12. Earnings per share

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

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

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

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

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

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

13. Finance income

	2020 £m	2019 £m
Interest income	0.5	0.7
Fair value gains in respect of derivatives	-	0.1
Finance income	**0.5**	**0.8**

14. Finance expense

	2020 £m	2019 £m
Interest expense	0.1	0.1
Lease interest	0.1	-
Charge for factored receivables	4.1	4.1
Finance expense	**4.3**	**4.2**

15. Goodwill

	Lettings CGU £m	Canada £m	Group £m
Cost and carrying amount			
At 30 April 2019 and 30 April 2020	**2.6**	**16.9**	**19.5**

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

16. Intangible assets

GROUP

	Internally generated intangible £m	Capitalised software £m	Patents and trademark £m	Customer relationships £m	Proprietary technology £m	Brand £m	Other £m	Total £m
Cost								
Balance at 1 May 2018	4.2	0.8	0.1	1.1	-	-	-	6.2
Addition	-	0.2	-	-	-	-	0.4	0.6
Acquisition of subsidiary	-	-	-	1.7	2.9	13.3	-	17.9
Internally developed	2.6	-	-	-	-	-	-	2.6
Balance at 30 April 2019	6.8	1.0	0.1	2.8	2.9	13.3	0.4	27.3
Internally developed	2.1	-	-	-	-	-	-	2.1
Additions	-	0.1	-	-	-	-	-	0.1
Transfer	-	-	-	-	-	-	(0.4)	(0.4)
Effect of foreign exchange	-	-	-	-	-	(0.1)	-	(0.1)
Balance at 30 April 2020	**8.9**	**1.1**	**0.1**	**2.8**	**2.9**	**13.2**	**-**	**29.0**
Amortisation								
Balance at 30 April 2018	(1.4)	-	(0.1)	(0.2)	-	-	-	(1.7)
Amortisation for the year	(1.7)	(0.5)	-	(0.5)	(0.8)	-	(0.2)	(3.7)
Balance at 30 April 2019	(3.1)	(0.5)	(0.1)	(0.7)	(0.8)	-	(0.2)	(5.4)
Amortisation for the year	(2.2)	(0.3)	-	(0.6)	(1.0)	-	-	(4.1)
Impairment	(0.5)	-	-	-	-	-	-	(0.5)
Transfer	-	-	-	-	-	-	0.2	0.2
Balance at 30 April 2020	**(5.8)**	**(0.8)**	**(0.1)**	**(1.3)**	**(1.8)**	**-**	**-**	**(9.8)**
Net carrying value								
Balance at 30 April 2020	**3.1**	**0.3**	**-**	**1.5**	**1.1**	**13.2**	**-**	**19.2**
Balance at 30 April 2019	3.7	0.5	-	2.1	2.1	13.3	0.2	21.9

COMPANY

	Internally generated intangible £m	Capitalised software £m	Total £m
Balance at 30 April 2018	4.2	0.8	5.0
Addition	-	0.1	0.1
Internally developed	2.6	-	2.6
Balance at 30 April 2019	6.8	0.9	7.7
Internally developed	2.1	-	2.1
Balance at 30 April 2020	**8.9**	**0.9**	**9.8**
Amortisation			
Balance at 30 April 2018	(1.4)	-	(1.4)
Amortisation for the year	(1.7)	(0.2)	(1.9)
Balance at 30 April 2019	(3.1)	(0.2)	(3.3)
Amortisation for the year	(2.2)	(0.2)	(2.4)
Impairment	(0.5)	-	(0.5)
Balance at 30 April 2020	**(5.8)**	**(0.4)**	**(6.2)**
Net carrying value			
Balance at 30 April 2020	**3.1**	**0.5**	**3.6**
Balance at 30 April 2019	3.7	0.7	4.4

17. Property, plant and equipment

GROUP	Computer equipment £m	Furniture & fittings £m	Leasehold improvements £m	Right-of-use assets - property £m	Right-of-use assets - other £m	Total £m
Cost						
Balance at 30 April 2018	1.2	0.5	-	-	-	1.7
Recognised on acquisition of subsidiary	0.4	0.1	-	-	-	0.5
Additions	0.7	0.3	0.2	-	-	1.2
Disposals	-	-	-	-	-	-
Balance as 30 April 2019	2.3	0.9	0.2	-	-	3.4
Recognised on adoption of IFRS 16 (see note 2)	-	-	-	2.1	0.1	2.2
Additions	0.6	0.1	0.1	0.7	-	1.5
Disposals	(0.3)	(0.2)	-	-	-	(0.5)
Effect of lease modification	-	-	-	0.1	-	0.1
Balance as 30 April 2020	**2.6**	**0.8**	**0.3**	**2.9**	**0.1**	**6.7**
Depreciation						
Balance at 30 April 2018	(0.5)	(0.1)	-	-	-	(0.6)
Charge for the year	(0.6)	(0.2)	-	-	-	(0.8)
Disposals	-	-	-	-	-	-
Balance as 30 April 2019	(1.1)	(0.3)	-	-	-	(1.4)
Charge for the year	(0.8)	(0.3)	-	(0.6)	-	(1.7)
Impairment	-	-	-	(0.6)	-	(0.6)
Disposals	0.3	0.2	-	-	-	0.5
Balance as 30 April 2020	**(1.6)**	**(0.4)**	**-**	**(1.2)**	**-**	**(3.2)**
Net book value						
At 30 April 2020	**1.0**	**0.4**	**0.3**	**1.7**	**0.1**	**3.5**
At 30 April 2019	1.2	0.6	0.2	-	-	2.0

COMPANY	Computer equipment £m	Furniture & fittings £m	Right-of-use assets - property £m	Total £m
Cost				
Balance at 1 May 2018	0.9	0.4	-	1.3
Additions	0.4	0.1	-	0.5
Balance as 30 April 2019	1.3	0.5	-	1.8
Recognised on adoption of IFRS 16 (see note 2)	-	-	0.7	0.7
Additions	0.3	-	0.1	0.4
Effect of lease modification	-	-	0.1	0.1
Balance as 30 April 2020	**1.6**	**0.5**	**0.9**	**3.0**
Depreciation				
Balance at 1 May 2018	(0.5)	(0.1)	-	(0.6)
Charge for the year	(0.3)	(0.1)	-	(0.4)
Balance as 30 April 2019	(0.8)	(0.2)	-	(1.0)
Charge for the year	(0.3)	(0.1)	(0.2)	(0.6)
Balance as 30 April 2020	**(1.1)**	**(0.3)**	**(0.2)**	**(1.6)**
Net book value				
At 30 April 2020	**0.5**	**0.2**	**0.7**	**1.4**
At 30 April 2019	0.5	0.3	-	0.8

Right-of-use assets have been recognised under IFRS 16 as set out in note 2. The majority of these assets relate to property leases. Other assets relate to vehicle leases and leases of certain office equipment. During the year Group lease payments totalled £1.0m, of which £0.1m related to repayment of interest and £0.9m related to repayment of principal amounts.

18. Investment in subsidiaries

COMPANY	£m
Cost	
1 May 2019	54.6
Share-based payment charge / (credit) in respect of employees of subsidiaries	(1.2)
Intercompany balances capitalised during the year	4.6
At 30 April 2020	58.0
Provision for impairment	
As at 1 May 2019	(22.7)
Provisions made during the year	(3.7)
As at 30 April 2020	(26.4)
Carrying amount	
At 30 April 2020	31.6
At 30 April 2019	31.9

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, certain of which operate and are incorporated in Canada. Subsidiaries in the US and Australia are no longer operating.

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

Investments in the US and Australia

During the year, the Company capitalised amounts receivable from its US subsidiary into cost of investment, resulting in an increase in cost of investment of £4.6m. Credits in respect of previously recognised share based payment charges in respect of US and Australian employees which lapsed on those employees leaving the business totaled £1.5m. This credit is offset by a charge in respect of Canadian employees of £0.3m. The net increase in cost of investment in US and Australian subsidiaries of £3.1m has been impaired in full. The other £0.6m impairment charge relates to BFL (see below). At 30 April 2020, there is no remaining investment in respect of the US and Australia. During the year the Company also impaired £5.2m of intercompany receivables due from Australia.

Impairment Review

BFL

The acquisition of BFL Property Management Limited ("BFL") in March 2017 gave rise to a cost of investment in the company balance sheet of £3.6m, and a goodwill amount in the consolidated balance sheet of £2.6m. As required by IAS 36, the carrying value of indefinite lived assets is tested annually for impairment.

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

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

A discounted cash flow calculation has been prepared in respect of the UK lettings business based on historical trends within this business out to 30 April 2023. These forecasts have taken account of recent experience during the COVID crisis, which has affected the Lettings business comparatively less significantly. A terminal value has then been calculated based on a terminal growth rate of 2.0%. The cashflows forecast have been discounted using a pre-tax rate of 8.5%. This calculation indicates significant headroom over the carrying value of goodwill attributable to the BFL CGU. This calculation indicates a recoverable value of £26.1m for this CGU, and headroom over the carrying value of goodwill of £23.5m.

Changes to the assumptions used which are required to cause an impairment in carrying value are:

i) an increase in discount rate to 46.2%;

ii) a reduction in assumed revenue growth rates of 13.5% in each year forecasted; and

iii) a negative terminal growth rate assumption.

The Directors no not believe that there is reasonably possible change in a key assumption on which management has based its determination of the unit's recoverable amount that would cause the unit's carrying amount to exceed its recoverable amount.

Impairment of cost of investment in BFL

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

As at 30 April 2020, management have re-performed a discounted cash flow calculation taking into account contracts held by BFL. These calculations indicate that the remaining carrying value of the investment of £0.6m is not supported by the contracts which BFL continues to operate. Therefore this amount has been impaired in full.

Canada

The acquisition of DuProprio ("Canada") in July 2018 gave rise to a cost of investment in the company balance sheet of £30.9m, a goodwill amount in the consolidated balance sheet of £16.9m, and other intangibles of £17.8m, including £13.3m in respect of the DuProprio brand. The goodwill and brand are not amortised.

As required by IAS 36, the carrying value of indefinite lived assets is tested annually for impairment. The assessment has been performed at the total Canada level, as Canada is assessed as a single income generating unit.

Trading since acquisition has been in line with expectations at the time of acquisition, with significant growth outside Quebec driven by investment in the Purplebricks brand in this region.

A discounted cash flow calculation prepared in respect of the Canada business over the period to 30 April 2025, based on historical trends, current market conditions including experience to date of the COVID crisis and the timing and extent of future recovery, as well as expectations of future market trends. These forecasts indicate significant headroom over the carrying value of indefinite life intangible assets attributable to the CGU.

Key assumptions within this calculation include the rate of revenue growth within the forecast period, the growth rate of 2.0% used to calculate the terminal value and the discount rate of 13.0% used to discount the forecast cashflows. This calculation indicates a recoverable value of £42.4m for this CGU, and headroom over the carrying value of the assets of the business of £10.0m.

Changes to the assumptions used which are required to cause an impairment in carrying value are:

i) an increase in discount rate to 15.2%;
ii) a reduction in assumed revenue growth rates of 5.5% in each year forecasted;
iii) a negative terminal growth rate assumption.

The Directors no not believe that there is a reasonably possible change in a key assumption on which management has based its determination of the unit's recoverable amount that would cause the unit's carrying amount to exceed its recoverable amount. The proceeds from the sale of the Canadian business post year end, as disclosed in note 31, were in excess of the carrying value of goodwill and intangible assets, which supports the view that the carrying value is recoverable as at 30 April 2020.

During the year, a reorganisation of the Canadian group of companies was carried out to simplify its corporate structure and reduce the number of Canadian entities from 10 to 4.

Name of subsidiary	Country of incorporation	Country of operation	Nature of business	Registered office
BFL Property Management Limited	United Kingdom	United Kingdom	Residential lettings	(1)
Purplebricks Australia Pty Limited	Australia	Australia	Real estate agency	(2)
Purplebricks Inc	USA	USA	Real estate agency	(3)
Centerpoint Closing Services LLC	USA	USA	Real estate agency	(3)
9059-2114 Quebec Inc	Canada	Canada	Real estate agency	(4)
4523024 Canada Inc	Canada	Canada	Real estate agency	(4)
CF Real Estate Maritimes Inc	Canada	Canada	Real estate agency	(4)
8495122 Canada Inc	Canada	Canada	Real estate agency	(5)

Registered offices:

(1) Suite 7, Cranmore Place, Cranmore Drive, Shirley, West Midlands B90 4RZ, United Kingdom

(2) 50 Miller Street, North Sydney, NSW 2060, Australia

(3) 400 Spectrum Center Drive, Ste. 360, Irvine, California 92618

(4) 300 - 8389 ave Sous-le-Vent, Lévis (Québec) G6X 1K7, Canada

(5) 4000 - 1 Place Ville-Marie, Montréal (Québec) H3B-4M4 Canada

19. Investment in jointly controlled entity

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

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

Purplebricks and the Axel Springer group operate JV HoldCo as a joint venture under a Joint Venture Agreement.

Based in Berlin, Homeday operates homeday.de, a transaction-based digital real estate platform in Germany that brings customers together with experienced brokers and supports them in buying and selling property.

Axel Springer has the right once per year to choose to increase its investment in JV Holdco beyond 50% by acquiring shares from Purplebricks at defined points up to 2023 for variable consideration which is based on the future performance of Homeday GmbH or a return on investment for Purplebricks.

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

Current year developments

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

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

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

Under the amended Shareholders' Agreement, put and call options exist between JV HoldCo and the other shareholders of Homeday which may require or allow JV HoldCo to acquire shares held by the other shareholders, for consideration to be determined with reference to the performance of Homeday in the calendar years 2022 and 2023. The potential liabilities of JV HoldCo under these put and call options has been included in the total consideration calculated at the point of acquisition of Homeday by JV HoldCo.

Accounting approach

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

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

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

Potential future developments

Under the amended Joint Venture Agreement Purplebricks has the right, at its discretion, to provide further capital and loan funding to Homeday through JV HoldCo. Should Purplebricks choose not to participate in further funding of Homeday through JV HoldCo, its share in JV HoldCo and thus indirectly in Homeday may decrease if its joint venture partner decides to exercise its right to conversion of the convertible loans from AVIV to 107. Media. (in the limited time window (two weeks per year) in which this is possible).

Under the amended Joint Venture Agreement Purplebricks has the right, at its discretion, to provide further funding to JV HoldCo to put JV HoldCo in a position to meet its purchase price payment obligations resulting from the put and call options. Should Purplebricks choose not to participate in such further funding of Homeday through JV HoldCo, its share in JV HoldCo and thus indirectly in Homeday may decrease if its joint venture partner decides to make further investments in Homeday via JV HoldCo on its own.

There are no significant legal restrictions on the ability of 107. Media to declare or pay cash dividends. However, future dividends would be dependent on the future trading and cash generating performance of Homeday.

20. Trade and other receivables and contract assets

	GROUP		COMPANY	
	2020 £m	2019 £m	2020 £m	2019 £m
Receivable within 12 months				
Trade and other receivables	6.8	6.2	3.2	0.6
Amounts owed by group undertakings	-	-	-	1.4
Prepayments	3.4	5.2	2.3	3.4
	10.2	**11.4**	**5.5**	**5.4**
Contract assets - accrued income	5.3	9.7	5.3	8.2
Contract assets – prepaid cost of sales	5.3	6.3	5.1	5.6
	20.8	**27.4**	**15.9**	**19.2**
Receivable after more than 12 months				
Amounts owed by group undertakings	**-**	**-**	**6.0**	**-**

In order to manage both liquidity requirements and credit risk in the UK, the Group operates committed facilities with a third party finance house. Further detail is set out in the accounting policy detailed in note 2.25.

In Canada, the Group's fees are typically received at the point at which they become due. In 2020, receivables in the US and Australia were not sold on and the Group therefore bore credit risk in those territories.

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

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

Restatement

At 30 April 2020, contract assets (accrued income and prepaid cost of sales) have been separately presented on the face of the statement of financial position. The comparative statement of financial position has been restated to conform to the current year's presentation. No changes have been made to the total amounts.

The majority of expected credit loss provision at 30 April 2019 related to operations in the US and Australia. As these operations have terminated in the year, any unutilised loss provision was released to profit and loss. Given the nature of the Group's receivables in the UK and Canada, management have assessed that no significant future credit losses are likely. The movement in loss allowances for trade receivables during the year was as follows:

	GROUP £m	COMPANY £m
Opening loss allowance at 1 May 2019	0.9	0.1
Credit to loss allowance recognised in profit or loss during the year	(0.4)	(0.1)
Receivables written off during the year as uncollectible	(0.5)	-
Loss allowance at 30 April 2020	**-**	**-**

GROUP

As at 30 April 2020	Current £m	0-30 days past due £m	31-60 days past due £m	60+days past due £m	Total £m
Gross carrying amount	4.9	0.8	0.6	0.5	6.8
Loss allowance	-	-	-	-	-
Net carrying amount	**4.9**	**0.8**	**0.6**	**0.5**	**6.8**
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%

GROUP

As at 30 April 2019	Current £m	0-30 days past due £m	31-60 days past due £m	60+days past due £m	Total £m
Gross carrying amount	3.8	0.9	0.7	1.7	7.1
Loss allowance	-	-	(0.1)	(0.8)	(0.9)
Net carrying amount	**3.8**	**0.9**	**0.6**	**0.9**	**6.2**
Expected loss rate	0.0%	0.0%	11.0%	47.0%	12.7%

COMPANY

As at 30 April 2020	Current £m	0-30 days past due £m	31-60 days past due £m	60+days past due £m	Total £m
Gross carrying amount	3.1	-	-	0.1	3.2
Loss allowance	-	-	-	-	-
Net carrying amount	**3.1**	**-**	**-**	**0.1**	**3.2**
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%

COMPANY

As at 30 April 2019	Current £m	0-30 days past due £m	31-60 days past due £m	60+days past due £m	Total £m
Gross carrying amount	0.4	-	-	0.3	0.7
Loss allowance	-	-	-	(0.1)	(0.1)
Net carrying amount	**0.4**	**-**	**-**	**0.2**	**0.6**
Expected loss rate	0.0%	0.0%	0.0%	44.6%	17.4%

Summary of movements in contract assets - accrued income

	GROUP £m	COMPANY £m
Balance at 1 May 2018	6.4	6.3
Revenue recognised prior to invoice	(13.3)	(14.1)
Amounts invoiced	16.6	16.0
Balance at 30 April 2019	9.7	8.2
Revenue recognised prior to invoice	(18.5)	(16.7)
Amounts invoiced	14.1	13.8
Balance at 30 April 2020	**5.3**	**5.3**

Accrued income at 30 April 2020 relates primarily to referrals to the Group's conveyancing partners, where the Group's performance obligation is fulfilled at referral but payment is due on completion of the property sale. All accrued income is expected to convert to cash within 12 months. The level of accrued income has decreased year on year due to a lower number of cases on hand at 30 April 2020 due to the COVID-19 crisis.

Summary of movements in contract assets - prepaid cost of sales

	GROUP £m	COMPANY £m
Balance at 1 May 2018	6.3	5.1
Costs capitalised	31.0	23.6
Amounts amortised to the income statement	(31.0)	(23.1)
Balance at 30 April 2019	6.3	5.6
Costs capitalised	32.7	20.6
Amounts amortised to the income statement	(33.7)	(21.1)
Balance at 30 April 2020	**5.3**	**5.1**

As set out in note 2.5, within prepayments are amounts relating to payments of commissions to LPEs and to LLEs. Commissions are payable to agents at the point at which an Instruction is taken. These costs are capitalised at the start of the transaction and then amortised, and costs therefore recognised, in line with recognition of revenue relating to the associate services, as those services are provided. The table above sets out movements in these costs.

21. Trade and other payables, contract liabilities, leases and borrowings

	GROUP		COMPANY	
	2020 £m	2019 £m	2020 £m	2019 £m
Amounts falling due within one year				
Trade payables	3.2	11.3	2.3	7.0
Other taxation and social security	1.8	2.4	0.9	0.9
Other creditors	1.4	0.2	-	0.1
Accruals	5.4	11.1	4.9	5.5
	11.8	**25.0**	**8.1**	**13.5**
Contract liabilities - deferred income	14.6	19.3	13.0	14.7
Provisions (see below)	0.4	-	0.4	-
Borrowings	0.1	-	-	-
Lease liability	0.7	-	0.3	-
	27.6	**44.3**	**21.8**	**28.2**
Amounts falling due after more than one year				
Borrowings	0.1	-	-	-
Lease liability	1.4	-	0.5	-
	1.5	**-**	**0.5**	**-**

As set out in note 2.5, the Group invoices instruction services in advance of providing the service. This gives rise to contract liabilities in the form of deferred income. The number of customers being serviced at 30 April 2020 was lower than the number being serviced at 30 April 2019. This has given rise to a lower deferred income balance. However the effect is partially offset by an increase in the estimated service period (see also note 2.5), due to the effect of COVID-19 on the UK and Canada housing markets as at 30 April 2020. All deferred income relates to partially unsatisfied performance obligations in respect of instructions revenue. All of the performance obligations will be satisfied within one year of the reporting date, and therefore all deferred income will be recognised within one year of the reporting date.

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.

Amounts falling due after more than 1 year - borrowings

During the year, the Group took out a loan of £0.3m to fund the acquisition of a new telephony system in Canada. This loan bears interest at 3.0% and is repayable in monthly instalments until May 2021.

Movements in provisions

	GROUP		COMPANY	
	2020 £m	2019 £m	2020 £m	2019 £m
As at 1 May 2019	-	-	-	-
Amounts charged to income statement	0.4	-	0.4	-
As at 30 April 2020	**0.4**	**-**	**0.4**	**-**

Provisions were made during the year against legal claims. All amounts at year end are expected to be utilised within one year.

Summary of movements in deferred income

	GROUP £m	COMPANY £m
Balance at 1 May 2018	16.8	13.5
Payments received	85.9	52.2
Revenue recognised net of refunds	(83.4)	(51.0)
Balance at 30 April 2019	19.3	14.7
Payments received	64.5	42.9
Revenue recognised net of refunds	(69.2)	(44.6)
Balance at 30 April 2020	**14.6**	**13.0**

Deferred income at 30 April 2020 relates primarily to instructions revenue received or receivable at instruction but where the Group's performance obligation is fulfilled over time. The amount of deferred income at 30 April 2020 is lower than at prior year, as the decline in transaction volumes caused by the COVID-19 crisis has only been partially offset by an increase in the expected performance period year on year. The Group expects to recognise all deferred revenue as income within the next 12 months.

22. Lease liabilities

	GROUP £m	COMPANY £m
Amounts payable within 12 months	0.8	0.4
Amounts payable later than one year but less than 5 years	1.4	0.5
Amounts payable after more than 5 years	0.2	-
Minimum lease payments	2.4	0.9
Future finance charges	(0.3)	(0.1)
Minimum lease payments less future finance charges	2.1	0.8
Recognised as a liability – current	**0.7**	**0.3**
Recognised as a liability – non-current but not later than 5 years	1.2	0.5
Recognised as a liability – after more than 5 years	0.2	-
Recognised as a liability – total non-current	**1.4**	**0.5**
Recognised as a liability – total	2.1	0.8

As at 30 April 2020, the group and Company leased properties, vehicles and certain office equipment with a carrying amount of £1.8m, as set out in note 17. Lease expiry dates range from less than 12 months to 9 years.

As the group and Company had no finance leases in the prior year, no lease liabilities were included in borrowings until 1 May 2019. See note 2 for an explanation of how lease liabilities were recognised on 1 May 2019 in the process of adopting IFRS 16 and for further information about the change in accounting policy for leases.

Future lease liabilities in respect of low-value leases not accounted for under IFRS 16 are immaterial.

Capital commitments approved by the Board and existing at 30 April 2020 amounted to £nil (2019:£nil). Total commitments under non-cancellable operating leases under IAS 17 as at 30 April 2019 were as follows:

GROUP	2019	
	Land and buildings £m	**Other** £m
Payable		
Within one year	1.5	0.1
In the second to fifth years	2.5	0.1
After five years	0.3	-
	4.3	**0.2**

COMPANY	2019	
	Land and buildings £m	**Other** £m
Payable		
Within one year	0.5	-
In the second to fifth years	1.0	-
After five years	-	-
	1.5	**-**

23. Notes to the cashflow statement

Cash and cash equivalents are represented by:	GROUP 2020 £m	GROUP 2019 £m	COMPANY 2020 £m	COMPANY 2019 £m
Cash at bank and on deposit with instant availability	10.7	14.0	7.7	8.8
Cash on deposit available within 35 days' notice	10.1	46.1	10.1	46.1
Cash on deposit available at between 36 and 100 days' notice	10.2	2.7	10.2	2.7
	31.0	**62.8**	**28.0**	**57.6**

Cash and cash equivalents comprise cash and short-term bank deposits with a maturity of up to 100 days. The carrying amount of these assets is approximately equal to their fair value.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

GROUP	At 1 May 2019 £m	Lease liabilities recognised on adoption of IFRS 16 £m	New leases £m	Lease modifications £m	Repayment of leases £m	New borrowings £m	Repayment of borrowings £m	At 30 April 2020 £m
Borrowings (see note 21)	-	-	-	-	-	0.3	(0.1)	0.2
Lease liabilities (see note 2.4.1)	-	2.3	0.7	-	(0.9)	-	-	2.1
Total liabilities from financing activities	**-**	**2.3**	**0.7**	**-**	**(0.9)**	**0.3**	**(0.1)**	**2.3**

COMPANY	At 1 May 2019 £m	Lease liabilities recognised on adoption of IFRS 16 £m	New leases £m	Lease modifications £m	Repayment of leases £m	At 30 April 2020 £m
Lease liabilities (see note 2.4.1)	-	0.8	0.1	0.1	(0.2)	0.8
Total liabilities from financing activities	**-**	**0.8**	**0.1**	**0.1**	**(0.2)**	**0.8**

Finance expense in respect of losses on derecognition of financial assets is a non-cash item. See note 2.25

There were no lease liabilities or borrowings as of 30 April 2019.

24. Share capital

	Number	Nominal value	2020 £m	2019 £m
Allotted, authorised, issued and fully paid				
Class:				
Ordinary	306,806,039	£0.01	3.1	3.0
			3.1	**3.0**

During the year the Company issued a total of 3,715,692 shares of £0.01 each, for total consideration of £76,000. (2019: 1,247,338 shares of £0.01 each, for total consideration of £964,000).

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

	Ordinary shares
Ordinary shares at 1 May 2019	303,090,347
Shares issued during the year	3,715,692
Ordinary shares at 30 April 2020	**306,806,039**

25. Share premium

	£m
Balance at 1 May 2018	176.4
Premium arising on issue of shares in satisfaction of share options	1.0
Balance at 30 April and 1 May 2019 and at 30 April 2020	177.4

26. Reserves

Share-based payment reserve

The share-based payment reserve represents all current and prior period share-based payment charges less amounts transferred to retained earnings on exercise of share options.

Retained earnings

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

Share premium

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.

27. Financial instruments

Capital risk management

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

The capital structure of the Company currently consists of cash and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company's Audit Committee reviews the capital structure as part of its risk analysis.

The Company is not subject to externally imposed capital requirements.

Principal financial instruments

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

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables

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

	GROUP		COMPANY	
	2020 £m	2019 £m	2020 £m	2019 £m
Financial assets held at amortised cost				
Trade and other receivables	6.8	6.2	3.2	0.6
Amounts owed by group undertakings	-	-	6.0	1.4
Accrued income	5.3	9.7	5.3	8.2
Cash and cash equivalents	31.0	62.8	28.0	57.6
	43.1	**78.7**	**42.5**	**67.8**

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

	GROUP		COMPANY	
	2020 £m	**2019** £m	**2020** £m	**2019** £m
Financial liabilities held at amortised cost				
Trade payables	3.2	11.3	2.3	7.0
Other taxation and social security	1.8	2.4	0.9	0.9
Other creditors	1.4	0.2	-	0.1
Accruals	5.4	11.1	4.9	5.5
Lease liabilities	2.1	-	0.8	-
Borrowings	0.2	-	-	-
	14.1	**25.0**	**8.9**	**13.5**

Fair value of financial instruments

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

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

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

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

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

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

Financial risk management

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

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

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

Liquidity risk management

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

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

2020 GROUP

Financial liabilities held at amortised cost	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	2.6	0.6	-	-	-	-	**3.2**
Other taxation and social security	1.8	-	-	-	-	-	**1.8**
Other creditors	0.7	0.7	-	-	-	-	**1.4**
Accruals	2.7	2.7	-	-	-	-	**5.4**
Lease liabilities	0.1	0.2	0.4	0.6	0.6	0.2	**2.1**
Borrowings	-	-	0.1	-	0.1	-	**0.2**
	7.9	**4.2**	**0.5**	**0.6**	**0.7**	**0.2**	**14.1**

2019 GROUP

Financial liabilities held at amortised cost	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	8.5	2.8	-	-	-	-	**11.3**
Other taxation and social security	1.8	0.6	-	-	-	-	**2.4**
Other creditors	0.2	-	-	-	-	-	**0.2**
Accruals	8.3	2.8	-	-	-	-	**11.1**
Lease liabilities	-	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	-	**-**
	18.8	**6.2**	**-**	**-**	**-**	**-**	**25.0**

2020 COMPANY

Financial liabilities held at amortised cost	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	1.2	1.1	-	-	-	-	**2.3**
Other taxation and social security	0.9	-	-	-	-	-	**0.9**
Other creditors	-	-	-	-	-	-	**-**
Accruals	2.5	2.4	-	-	-	-	**4.9**
Lease liabilities	-	0.1	0.2	0.3	0.2	-	**0.8**
Borrowings	-	-	-	-	-	-	**-**
	4.6	**3.6**	**0.2**	**0.3**	**0.2**	**-**	**8.9**

2019 COMPANY

Financial liabilities held at amortised cost	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	More than 5 years £m	Total £m
Trade payables	5.2	1.8	-	-	-	-	**7.0**
Other taxation and social security	0.7	0.2	-	-	-	-	**0.9**
Other creditors	0.1	-	-	-	-	-	**0.1**
Accruals	4.1	1.4	-	-	-	-	**5.5**
Lease liabilities	-	-	-	-	-	-	**-**
Borrowings	-	-	-	-	-	-	**-**
	10.1	**3.4**	**-**	**-**	**-**	**-**	**13.5**

Interest rate sensitivity analysis

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

Credit risk management

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

Trade receivables across the Group have been assessed with regard to credit risk characteristics which vary from country to country and according to the nature of the counterparty. The Group also considers days past due in making this assessment as well as historical credit losses experienced within over a period of 12 month before 30 April 2020.

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

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

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

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

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

Foreign currency risk management

A significant part of the Group's transactions are carried out in pound sterling (GBP). Exposures to currency exchange rates arise from the Group's trading activity carried out by its overseas operations, which is primarily denominated in Canadian dollars (CAD). The Company holds CAD denominated loans with its Canadian subsidiary arising from intercompany recharges. Loans to the Company's US and Australia subsidiaries have been impaired in full.

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

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

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

30 April 2020	**AUD** $m	**USD** $m	**CAD** $m	**AUD** +/- 10% (£m)	**US** +/- 7% (£m)	**CAD** +/- 10% (£m)
Trade and other receivables	-	-	8.1	-	-	0.5
Cash and cash equivalents	-	-	4.3	-	-	0.2
Trade and other payables	-	-	(16.5)	-	-	(0.9)
	-	**-**	**(4.1)**	**-**	**-**	**(0.2)**

30 April 2019	**AUD** $m	**USD** $m	**CAD** $m	**AUD** +/- 10% (£m)	**US** +/- 7% (£m)	**CAD** +/- 10% (£m)
Trade and other receivables	3.9	1.6	6.8	0.2	0.1	0.4
Cash and cash equivalents	2.4	2.9	2.0	0.1	0.2	0.1
Trade and other payables	(4.2)	(5.4)	(10.3)	(0.2)	(0.3)	(0.6)
	2.1	**(0.9)**	**(1.5)**	**0.1**	**-**	**(0.1)**

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the group's exposure to currency risk as at 30 April 2020.

28. Related party transactions

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

Company - balances with subsidiary undertakings

Trade receivables	2020 £m	2019 £m
Purplebricks Australia PTY Limited	-	30.0
Provision	-	(30.0)
Purplebricks Inc.	-	44.3
Provision	-	(44.3)
BFL Property Management Limited	-	0.2
DuProprio Inc.	6.0	1.2
	6.0	**1.4**

During the year Purplebricks Group plc lent £5.2m to Purplebricks Australia PTY Limited (2019: £22.6m) and £4.6m to Purplebricks Inc (2019: £35.7m). These amounts were to allow these companies to conduct the orderly closure of their operations. During the year, amounts owed by Purplebricks PTY Limited were forgiven and written off in the books of the Company. Amounts owed by Purplebricks Inc (net of provisions already held) were capitalised into cost of investment and written off.

During the year, the Company provided management services to Canada which have been recharged. Funding to support expansion outside of Quebec has also been provided. Movements in the balance with BFL relate to intra-group cash sweeps. BFL Property Management Limited repaid £0.2m in the year.

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

During the year Isabel Bruce, a person closely associated with Michael Bruce, received salary and taxable benefits of £26,000 (2019: £11,000).

In August 2019, the Group made an investment of €5.0m (£4.6m) into to its related party Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft bmH ("JV HoldCo"), a company incorporated in Germany in which the Group holds a 50% stake and which the Group operates as a joint venture together with its related party Axel Springer SE, an entity closely associated with Dr. Stephanie Caspar, a Non-executive Director of Purplebricks. JV HoldCo has subsequently made further investments into Homeday which have given JV HoldCo control over Homeday. See note 19 for more detail.

Axel Springer SE, an entity closely associated with Dr. Stephanie Caspar, Non-executive Director, purchased 43,662,417 shares on 3 June 2019 at £1.00 per share.

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

29. Commitments

Capital commitments, approved by the Board and existing at 30 April 2020 amounted to £nil (2019: £nil).

30. Ultimate controlling party

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

31. Post balance sheet event

Sale of Canadian business

On 15 July 2020 the Group completed the sale of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian cooperative financial group. Headline consideration was $60.5m Canadian Dollars (£35m) adjusted for working capital and debt, to be verified in line with completion accounts in due course. Part of the proceeds were allocated to the repayment of intra-Group debt owed to Purplebricks Group plc.

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

Directors

Paul Pindar, Chairman

Vic Darvey, Chief Executive Officer (appointed 7 May 2019)

Andy Botha, Chief Financial Officer (appointed 11 May 2020)

Simon Downing, Senior non-executive director

Adrian Blair, non-executive director

Dr Stephanie Caspar, non-executive director (appointed 27 July 2020)

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