



3 July 2019

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

### Results for the year ended 30 April 2019

*A year of strong revenue growth despite operational challenges; future set to build on strengths*

Purplebricks Group Plc (AIM: PURP), a leading hybrid real estate agency, announces its results for the year ended 30 April 2019 ("FY 2019").

Full Year	2019	2018 <sup>1</sup>	Change
<b>Group</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
Revenue	<b>136.5</b>	87.8	<b>55</b>
Gross profit	<b>79.9</b>	49.6	<b>61</b>
Gross profit margin (%)	<b>58.5%</b>	56.5%	<b>+200bps</b>
Operating loss	<b>(52.3)</b>	(27.8)	<b>(88)</b>
Adjusted EBITDA <sup>2</sup>	<b>(43.1)</b>	(22.6)	<b>(91)</b>
Cash at year end	<b>62.8</b>	152.8	<b>(59)</b>

#### Financial highlights

- Group revenue up by 55% to £136.5 million (FY 2018: £87.8 million)
- UK revenue up by 21% to £90.1 million
- UK ancillary revenue 44% of total<sup>3</sup> (FY 2018: 43%)
- Canadian business, acquired in July 2018, contributed revenue of £23.7 million
- Group gross margin up by 200bps to 58.5%, UK like-for-like<sup>2</sup> gross margin up by 70bps
- Operating loss of £52.3 million (FY 2018: £27.8 million)
- UK operating profit £5.3 million, an operating margin of 5.9% (FY 2018: 3.0%)
- UK Adjusted EBITDA<sup>2</sup> up 65% to £10.2 million (FY 2018: £6.2 million)

#### Operational highlights

- UK hybrid market share<sup>4</sup> of 76% (April 2018: 73%)
- 3.5x more sales than the number two UK estate agent (FY 2018: 3.1x)<sup>5</sup>
- UK average revenue per instruction up 6%
- Completed on £10.4 billion of UK property (FY 2018: £9.7 billion), saving customers £77 million in commission<sup>6</sup>
- Canadian business continues to meet management expectations
- On 7 May 2019, Michael Bruce stepped down, and Vic Darvey was appointed CEO

#### Strategic changes

- Previously announced closure of the Australian business in May 2019
- Today the Group announces its withdrawal from the US following a strategic review

**Vic Darvey, Group Chief Executive Officer, commented:** "It's been another year of strong revenue growth and we continue to build a highly relevant disruptive brand and defensible position in the market. With a base of clear brand leadership in both the UK and Canada and a differentiated, technology-led proposition driving business model advantages, we now have a clear plan to unlock the next wave of growth and extend our market leadership."

We have taken the difficult decisions to exit our businesses in both Australia and the US as it is very important that we now focus our resources on the UK and Canada, where we have a strong established presence and where there are significant opportunities to grow market share and deliver profitable growth for shareholders. Both exits will be conducted in an orderly manner with the expectation they will be completed by the end of 2019.”

## Outlook

Over the five years since we launched Purplebricks in the UK, we have fundamentally changed the estate agency market. We believe that our differentiated, technology-led proposition will drive profitable growth and will enable us to take market share from traditional agents. Current economic and political uncertainty in the UK means market conditions remain challenging with volumes continuing to trend downwards, partially offset by higher revenues per instruction. Recent management and strategic changes will enable a greater focus on operational excellence and allow us to leverage our unrivalled data position to drive customer experience and accelerate performance. Given the strength of our balance sheet, we will continue to invest in our brand, technology and product development, while ensuring greater control over cash management and generation. We are excited by the prospect of driving forward our well-established UK and Canadian businesses in FY 2020 and beyond, and reiterate our medium term objective to gain 10% share of the UK market.

<sup>1</sup> FY 2018 numbers have been restated under IFRS 15 throughout.

<sup>2</sup> 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 4 to the financial statements.

<sup>3</sup> Ancillary revenue percentage is a KPI used by the Board to measure the performance of the business in generating non-instruction income from customers. The management information in this KPI recognises consideration receivable at a point in time and therefore differs from the accounting in the Group’s financial statements

<sup>4</sup> Source: Rightmove

<sup>5</sup> Source: TwentyCi data

<sup>6</sup> Fees paid to Purplebricks vs typical commission of 1.3% plus VAT

<sup>7</sup> The content of the Purplebricks website should not be considered to form a part of or be incorporated into this announcement.

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## Presentation

A presentation for analysts and professional investors will be held at 09.30am (BST) at the offices of Buchanan, 107 Cheapside, London EC2V 6DN. To attend please email Kim van Beeck at kimvb@buchanan.uk.com.

The presentation will be webcast live and will be accessible via the Purplebricks website<sup>7</sup> at [www.purplebricksplc.com/investors/latest\\_results](http://www.purplebricksplc.com/investors/latest_results) and a replay will also be available on the Purplebricks website following the presentation.

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**Forward-looking statements**

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

**About Purplebricks**

Purplebricks is a leading hybrid real estate agency. Based in the UK, it also operates in Canada<sup>8</sup> and is invested in Homeday.de in Germany. Purplebricks combines highly experienced and professional Local Property Experts and innovative technology to help make the process of selling, buying or letting more convenient, transparent and cost effective. Purplebricks shares are traded on the London Stock Exchange AIM market.

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<sup>8</sup> Decisions were taken in May 2019 and June 2019 to exit the Australian and US markets respectively. We are in the process of running down those businesses.

## **Chairman's statement**

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

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

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

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

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

## **Board**

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

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

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

## **Strategy**

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

**Governance overview**

As a fast-growing and relatively young business, we are aware that as we grow we need to maintain a governance infrastructure that is appropriate for our increasing size and profile. The Company has adopted the Quoted Companies Alliance Corporate Governance Code ("QCA Code") and is accordingly committed to complying with the QCA Code or providing a clear explanation of any areas in which the Company's governance structures and practices differ from the expectations set by the QCA Code.

**Distribution policy**

Due to the evolution of our business, the Board has concluded that it would be premature to consider returning capital to investors at this time as we continue to focus our financial resources on exploiting the many opportunities we see to realise our potential. As our strategy and financial performance develop, we will look to move to a progressive dividend policy in future years.

Paul Pindar  
Chairman  
2 July 2019

## Chief Executive's statement

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

### Brand leadership

We have clear brand leadership in the UK, with awareness currently at 96%<sup>9</sup> and a brand that is more familiar to UK consumers than any other estate agent brand. Our brand strength has been further validated this year with Purplebricks being named the 13th most relevant brand in the UK in the annual Superbrands® insight survey. This is an incredible achievement for such a nascent brand, being considered alongside other leading consumer brands including Google, Amazon, Netflix and PayPal.

### Customer value proposition

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

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

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

### People and culture

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

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

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

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

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<sup>9</sup> Source: the nursery, March 2019

Trusted Service' award in 2019 for maintaining a score of more than 4.5/5 over the previous 12 months.

### **Technology**

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

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

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

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

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

### **Strength of balance sheet**

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

### **UK**

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

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

- **We sold more homes:** Purplebricks sold Subject to Contract ("SSTC") 3.5x more properties than the next largest UK estate agent (FY 2018: 3.1 times)
- **Highest conversion:** Purplebricks had the highest level of conversion to SSTC and the lowest withdrawn level of the top 20 estate agency brands in the UK
- **Sold faster:** Purplebricks sold (SSTC) properties faster than the top 10 largest estate agency brands in the UK – at an average of 52 days

- **Secure best price:** compared to the top 50 largest traditional estate agency brands whose average instruction price is between £250,000-£300,000, Purplebricks achieved sales that are £9,000 higher on average
- **Number one at selling houses:** 77% of listings sold (completed, exchanged or SSTC) within 12 months to April 2019; 56% of listings are sold within two months
- **Largest market share:** Purplebricks lists more properties than any other agent brand on homes up to £1 million, which represents 96.5% of the entire market

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

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

### Canada

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

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

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

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

### Australia

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

### US

Having launched in the US in September 2017, we expanded rapidly into a total of seven states within a year. Each state required a significant investment in marketing to underpin the brand. Having not seen the revenue growth we had expected, in early May 2019 we put the US business under strategic review, to examine the feasibility of delivering growth in a more effective and cost-efficient manner. Having reviewed a number of alternative business models, the outcome of the strategic review was that while there remains a significant opportunity to disrupt the US market, it would take substantially



more management time and resources than the Company is able to commit at this time. Therefore, a decision was taken to withdraw from the US and either sell or close the business.

**Most importantly, our people**

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

Vic Darvey  
Chief Executive Officer  
2 July 2019

## Chief Financial Officer's report

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

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

The Group adopted IFRS 15 *Revenue from Contracts with Customers* in the current year, and has applied the fully retrospective approach permissible under the accounting standard, which required us to restate comparatives as though IFRS 15 had been applied at the time. A reconciliation between IFRS 15 and IAS 18 is given in note 13 to the financial statements.

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

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

Extract of consolidated statement of comprehensive income	FY 2019	FY 2018 Restated*
	£m	£m
<b>Revenue</b>	<b>136.5</b>	87.8
Cost of sales	<b>(56.6)</b>	(38.2)
<b>Gross profit</b>	<b>79.9</b>	49.6
Gross profit margin (%)	<b>58.5%</b>	56.5%
Administrative expenses	<b>(61.0)</b>	(35.3)
Marketing costs	<b>(70.7)</b>	(42.1)
Share of results of Joint Venture	<b>(0.5)</b>	-
<b>Operating loss</b>	<b>(52.3)</b>	(27.8)
Group Alternative Performance Measures <sup>2</sup>	FY 2019	FY 2018 Restated*
	£m	£m
<b>Adjusted EBITDA</b>	<b>(43.1)</b>	(22.6)
<b>Adjusted operating loss</b>	<b>(48.0)</b>	(24.3)
<b>Adjusted operating costs</b>	<b>(52.2)</b>	(30.0)

\* See note 13

<sup>2</sup> 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 4 to the financial statements.

## UK

Extract of consolidated statement of comprehensive income

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

UK Alternative Performance Measures<sup>2</sup>

	FY 2019	FY 2018 Restated*
	£m	£m
<b>Adjusted EBITDA</b>	<b>10.2</b>	6.2
<b>Adjusted operating profit</b>	<b>7.4</b>	4.6
<b>Adjusted operating costs</b>	<b>(19.8)</b>	(15.5)

\* See note 13

**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 unique visitors to the website in the year.

*Average revenue per instruction* equates to total sales revenue divided by the number of published instructions

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

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

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

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

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

<sup>2</sup> 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 4 to the financial statements.

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

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

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

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

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

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

## Canada from 6 July 2018

Extract of consolidated statement of comprehensive income	FY 2019 £m
<b>Revenue</b>	<b>23.7</b>
Cost of sales	<b>(11.1)</b>
<b>Gross profit</b>	<b>12.6</b>
Gross profit margin (%)	<b>53.2%</b>
Administrative expenses	<b>(8.4)</b>
Marketing costs	<b>(7.4)</b>
<b>Operating loss</b>	<b>(3.2)</b>
Canada Alternative Performance Measures <sup>2</sup>	FY 2019 £m
<b>Adjusted EBITDA</b>	<b>(2.1)</b>
<b>Adjusted operating loss</b>	<b>(2.8)</b>

<sup>2</sup> 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 4 to the financial statements.

<b>Canada KPIs<sup>10</sup></b>	<b>FY 2019 From 6/7/18</b>	FY 2018 6/7/17- 30/4/18	Change (%)
Instructions	<b>29,112</b>	31,020	(6.2)%
Average revenue per instruction	<b>£776</b>	£671	15.6%
Cost per instruction	<b>£253</b>	£132	91.7%
Marketing as a % sales	<b>31.1%</b>	18.5%	12.6ppt

For the period of ownership from 6 July 2018, our Canadian businesses performed in line with management expectations and generated revenue of £23.7 million and a gross profit of £12.6 million, giving a gross profit margin of 53.2%.

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

## Australia

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

Australia Alternative Performance Measures <sup>2</sup>	<b>FY 2019</b>	FY 2018 Restated*
	<b>£m</b>	£m
<b>Adjusted EBITDA</b>	<b>(17.9)</b>	(12.5)
<b>Adjusted operating loss</b>	<b>(17.9)</b>	(12.6)

\* See note 13

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

<sup>2</sup> 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 4 to the financial statements.

<sup>10</sup> The FY 2018 KPI information is for a period before the business was acquired by the Group, however has been included for comparability.

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

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

## US

Extract of consolidated statement of comprehensive income	FY 2019	Restated* FY 2018
	£m	£m
<b>Revenue</b>	<b>11.3</b>	1.6
Cost of sales	<b>(4.8)</b>	(0.6)
<b>Gross profit</b>	<b>6.5</b>	1.0
Gross profit margin (%)	<b>57.5%</b>	62.5%
Administrative expenses	<b>(16.1)</b>	(8.4)
Marketing costs	<b>(24.5)</b>	(9.4)
<b>Operating loss</b>	<b>(34.1)</b>	(16.8)
US Alternative Performance Measures <sup>2</sup>	<b>FY 2019</b>	FY 2018 Restated*
	£m	£m
<b>Adjusted EBITDA</b>	<b>(33.1)</b>	(16.3)
<b>Adjusted operating loss</b>	<b>(33.2)</b>	(16.3)

\* See note 13

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

While US revenue for the year grew more than 600%, operating losses increased to £34.1 million, more than doubling over the year reflecting a substantial increase in marketing spend and the establishment of an East Coast office.

Post year-end, following a period under strategic review to examine the feasibility of delivering the next phase of growth in a more effective and cost-efficient manner, a decision to withdraw from the US was made in July 2019. Investments and loans made to the end of FY 2019 were £53.1 million, and while it is a very recent decision, we expect total losses and closure costs of between £4 million to £6 million in FY 2020.

<sup>2</sup> 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 4 to the financial statements.

### **Material transactions and exceptional items**

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

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

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

### **Discontinued operations**

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

### **Tax**

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

### **Statement of financial position**

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

### **Cash flow**

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

Approved and signed on behalf of the Board

James Davies  
Chief Financial Officer  
2 July 2019

**Consolidated statement of comprehensive income  
for the year ended 30 April 2019**

		Restated*	
	Note	2019 £000	2018 £000
<b>Revenue</b>	5	<b>136,513</b>	87,787
Cost of Sales		<b>(56,626)</b>	(38,208)
<b>Gross profit</b>		<b>79,887</b>	49,579
Administrative and establishment expenses		<b>(61,016)</b>	(35,195)
Marketing costs		<b>(70,650)</b>	(42,142)
Share of results of joint venture		<b>(536)</b>	-
<b>Loss from operating activities</b>		<b>(52,315)</b>	(27,758)
<b>Finance income</b>		<b>817</b>	60
<b>Finance expense</b>		<b>(4,456)</b>	(1,492)
<b>Loss on ordinary activities before taxation</b>		<b>(55,954)</b>	(29,190)
Taxation on loss on ordinary activities		<b>1,093</b>	(887)
<b>Loss for the year</b>		<b>(54,861)</b>	(30,077)
<b>Items that may be reclassified subsequently to profit and loss:</b>			
Exchange differences on translation of foreign operations		<b>(95)</b>	(490)
Total other comprehensive income		<b>(95)</b>	(490)
<b>Total comprehensive loss</b>		<b>(54,956)</b>	(30,567)
<b>Earnings per share</b>			
Basic and diluted loss per share	7	<b>(18p)</b>	(11p)

\*See note 2.2

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

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



**Consolidated statement of financial position  
at 30 April 2019**

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

\*See note 2.2

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

**Consolidated statement of changes in equity  
for the year ended 30 April 2019**

	Share Capital £000	Share Premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Retained Earnings £000	Total Equity £000
At 1 May 2018 - Restated	3,019	176,400	4,545	(374)	(33,412)	150,178
Issue of shares	-	-	-	-	-	0
Cost of share issue charged to share premium account	-	-	-	-	-	0
Exercise of options	12	952	(203)	-	203	964
Tax in respect of share options	-	-	-	-	3,276	3,276
Share-based payment charge	-	-	4,263	-	-	4,263
<b>Transactions with owners</b>	<b>12</b>	<b>952</b>	<b>4,060</b>	<b>-</b>	<b>3,479</b>	<b>8,503</b>
Loss for the year	-	-	-	-	(54,861)	(54,861)
Exchange differences on translation of foreign operations	-	-	-	(95)	-	(95)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(95)</b>	<b>(54,861)</b>	<b>(54,956)</b>
<b>At 30 April 2019</b>	<b>3,031</b>	<b>177,352</b>	<b>8,605</b>	<b>(469)</b>	<b>(84,794)</b>	<b>103,725</b>
<b>for the year ended 30 April 2018</b>						
	Share Capital £000	Share Premium £000	Share-based payment reserve £000	Foreign exchange reserve £000	Retained Earnings £000	Total Equity £000
At 1 May 2017 as previously reported	2,705	74,901	1,669	116	(3,984)	75,407
Effect of IFRS 15 (note 13)	-	-	-	-	(1,228)	(1,228)
At 1 May 2017 – Restated	2,705	74,901	1,669	116	(5,212)	74,179
Issue of shares	278	99,722	-	-	-	100,000
Cost of share issue charged to share premium account	-	(650)	-	-	-	(650)
Exercise of options	36	2,427	(582)	-	582	2,463
Tax in respect of share options	-	-	-	-	1,295	1,295
Share-based payment charge	-	-	3,458	-	-	3,458
<b>Transactions with owners</b>	<b>314</b>	<b>101,499</b>	<b>2,876</b>	<b>-</b>	<b>1,877</b>	<b>106,566</b>
Loss for the year	-	-	-	-	(30,077)	(30,077)
Exchange differences on translation of foreign operations	-	-	-	(490)	-	(490)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(490)</b>	<b>(30,077)</b>	<b>(30,567)</b>
<b>At 30 April 2018 - Restated</b>	<b>3,019</b>	<b>176,400</b>	<b>4,545</b>	<b>(374)</b>	<b>(33,412)</b>	<b>150,178</b>

**Consolidated statement of cash flows  
for the year ended 30 April 2019**

		Restated*
	2019	2018
Note	£000	£000
Loss for the year after taxation	(54,861)	(30,077)
<i>Adjustments for:</i>		
Amortisation of intangible assets	8	3,704
Depreciation	822	425
Share-based payment charge	4,263	3,458
Interest income	(763)	(232)
Interest expense	50	-
Fair value movement in respect of derivatives	(54)	(60)
Share of result of joint venture	536	-
Taxation	(1,093)	906
<b>Operating cash outflow before changes in working capital</b>	<b>(47,396)</b>	<b>(24,324)</b>
Movement in trade and other receivables	(6,573)	(7,934)
Movement in trade and other payables	4,944	8,441
Movement in deferred income	1,024	7,473
Cash utilised in operations	(48,001)	(16,344)
Taxation paid	(1,036)	-
Interest paid	(50)	-
<b>Net cash outflow utilised in operating activities</b>	<b>(49,087)</b>	<b>(16,344)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(1,146)	(761)
Development expenditure capitalised	8	(2,606)
Purchase of intangible assets	8	(671)
Interest income	763	232
Investment in joint venture	11	(11,249)
Acquisition of subsidiary net of cash acquired	9a	(27,290)
<b>Net cash flow utilised in investing activities</b>	<b>(42,199)</b>	<b>(3,462)</b>
<b>Cash flow from financing activities</b>		
Proceeds from issue of shares	964	102,462
Costs of issue of share	-	(650)
<b>Net cash flow from financing activities</b>	<b>964</b>	<b>101,812</b>
Net (decrease)/increase in cash and cash equivalents	(90,322)	82,006
Effect of foreign exchange rates	243	(490)
Cash and cash equivalents at beginning of year	152,846	71,330
<b>Cash and cash equivalents at the end of the year</b>	<b>62,767</b>	<b>152,846</b>

\*See note 2.2

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

## **Notes to the financial statements**

### **1. General information**

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

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

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation and consolidation**

This financial information has been prepared on the going concern basis under the historical cost convention as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value.

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 April 2019 or 2018. The financial information for the year ended 30 April 2018 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. The auditor reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006. The audit of the statutory accounts for the year ended 30 April 2019 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's annual general meeting.

This financial information has been extracted from the annual consolidated financial statements for the year ended 30 April 2019 Purplebricks Group plc, which will be delivered to the Registrar of Companies when they become available. These financial statements will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS as adopted by the European Union.

#### **2.2 Restatement**

Following the adoption of IFRS 15 Revenue from Contracts with Customers, the Group has restated the Statement of Comprehensive income, the Statement of financial position, the statement of cash flows and the statement of changes in equity. More information of the impact of this are set out in notes 2.4.1 and note 13.

#### **Prior period error**

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

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

## Notes to the financial statements (continued)

### 2.2 Restatement (continued)

#### Extract from statements of cash flows

	<b>2018</b>
	<b>£000</b>
Operating cash outflow before changes in working capital previously reported	(19,589)
Increase in the loss before tax due to adoption of IFRS 15 (see note 13)	(3,011)
Decrease due to removing the adjustment for debt factoring finance costs	(1,724)
Operating cash outflow before changes in working capital (restated)	<u>(24,324)</u>
Cash flows from investing activities previously reported	(3,694)
Reclassification of interest income from cash flows from financing activities	232
Cash flows from investing activities (restated)	<u>(3,462)</u>
Cash flows from financing activities previously reported	100,320
Increase due to removal of cash outflows from debt factoring finance costs	1,724
Reclassification of interest income to cash flows from investing activities	(232)
Cash Flows from financing activities (restated)	<u>101,812</u>

### 2.3 Going concern

The financial statements have been prepared on the going concern basis. The directors have prepared a monthly forecast to July 2020, which on the basis of the assumptions made, shows that the Group can operate with its existing resources. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance that may arise as a result of current economic conditions and other risks faced by the Group show that the UK is likely to continue being profitable and cash generative during the year ended April 2020, partially offsetting net cash consumption by the Group's international operations. At the financial year-end the Group reported cash balances of £62.8 million. The directors have performed sufficient sensitivity analysis to be satisfied that the going concern basis of preparation is appropriate.

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

### 2.4 New accounting standards adopted in the period

#### 2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers

##### Revenue recognition

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

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

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

## Notes to the financial statements (continued)

### 2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers (continued)

Accordingly, the information presented for the year to 30 April 2018 has been restated. The effect of initially applying this standard mainly arises from:

- later recognition of instruction fee revenue, and associated cost of sales, following identification of the relevant performance obligations and when and how revenue relating to these is allocated and recognised,
- earlier recognition of revenue from Conveyancing referrals and Brokerage activities, and associated cost of sales, following assessment of the relevant performance obligations and when and how revenue relating to these is recognised.

Please see the tables set out at note 13 for further information.

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

Tables 2 - 6 summarise the impacts of adopting IFRS 15 on the Group's previously reported:

- Statement of profit or loss and other comprehensive income for the year ended 30 April 2018.
- Statement of financial position as at 30 April 2018 and 30 April 2017.
- Earnings per share for the year ended 30 April 2018.
- The consolidated statement of cash flow for the year ended 30 April 2018 has been restated to reflect the adjustments detailed in these tables.

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

#### Contracts with customers

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

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

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

#### Instructions ("a")

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

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

## Notes to the financial statements (continued)

### 2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers (continued)

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

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

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

#### *Australian model*

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

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

#### *US model*

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

#### *Previous accounting policy and impact of adoption of IFRS 15*

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

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

## Notes to the financial statements (continued)

### 2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers (continued)

#### *Previous accounting policy and impact of adoption of IFRS 15*

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

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

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

#### **Conveyancing ("b")**

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

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

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

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

#### *Previous accounting policy and impact of adoption of IFRS 15*

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



## Notes to the financial statements (continued)

### 2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers (continued)

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

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

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

#### Brokerage (c)

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

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

#### *Previous accounting policy and impact of adoption of IFRS 15*

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

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

The impact on reported revenue for the year ended 30 April 2018 is show within "other" revenue in table 5 in note 13.

## **Notes to the financial statements (continued)**

### **2.4.1 Implementation of IFRS 15 Revenue from Contracts with Customers (continued)**

#### **Lettings landlord setup services (d)**

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

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

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

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

#### *Previous accounting policy and impact of adoption of IFRS 15*

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

Therefore, on adoption of IFRS 15, the amount of reported accrued income has increased, and the amount of reported revenue has increased. The impact of the relevant adjustments revenue for the year ended 30 April 2018 is shown within "Other" revenue in table 5 in note 13.

#### **Lettings monthly management services (e)**

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

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

## **Notes to the financial statements (continued)**

### **2.4.2 Implementation of IFRS 9 Financial Instruments**

The Group has initially adopted IFRS 9 *Financial Instruments* in these financial statements.

The adoption of IFRS 9 has had no impact on the Group's statement of financial position or results as previously disclosed, as the requirements of IFRS 9 do not change any of the Group's previous accounting approaches or judgements.

### **2.5 New accounting policies adopted in the period**

#### **2.5.1 Joint Ventures**

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

The Group's interests in joint ventures are accounted for using the equity method.

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 is tested for impairment when indicators of impairment exist.

## Notes to the financial statements (continued)

### 3. Critical accounting estimates and judgements

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

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

#### Estimates

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### 3.1 Measurement of intangible assets

The Group recognises an intangible asset in respect of software developed in house. This software is a key part of the Group's operating model and value proposition. Management are required to estimate the time and related value attributable to the element of the development team that relates to developing intangible assets which meet the criteria for capitalisation in IAS 38. Because the amounts spent on the development team are material, a significant change in this estimate could have a significant effect on the value of costs capitalised. The impact of a change to this estimate could result, at the most extreme, in a -7% or +5% change to adjusted operating costs for this year ended. Further details are included at note 8.

#### 3.2 Impairment

Determining whether goodwill, investments or intercompany balances are impaired requires an estimation of the value in use of the cash-generating units to which value has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. The assumptions and sensitivities applied by management in determining whether there is any impairment are set out in notes 8, 9 and 10.

#### 3.3 Measurement of deferred tax assets

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

#### 3.4 Revenue recognition

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

## Notes to the financial statements (continued)

### 3. Critical accounting estimates and judgements (continued)

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

#### Judgements

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

#### 3.5 Revenue recognition

The Group provides services for instruction fees, including fees receivable up front and fees receivable at completion of sale. The Group has taken a judgement that under IFRS 15 the performance obligation relating to these fees is discharged over time (between instruction and completion) rather than at a point in time. Further detail is set out in the revenue recognition policy above.

### 4. Alternative performance measures

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

#### Adjusted EBITDA

##### *Definition*

Profit or loss from operating activities, adding back depreciation, amortisation and share-based payment charges and non-recurring costs.

##### *Relevance to strategy*

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

- Depreciation: a non cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Amortisation: a non cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Share-based payment charges: a non cash item which varies significantly depending on the share price at the date of grants under the Group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the Group's results period on period and also improves comparability with other companies which typically do not operate similar share-based payment schemes.
- Non-recurring costs: a one-off item which exists only in a single accounting period. We believe adjusting for such non-recurring items improves comparability period on period.

##### *Reconciliation*

Please see segmental reporting in note 6.

## Notes to the financial statements (continued)

### 4. Alternative Performance Measures (continued)

#### Adjusted operating costs

##### Definition

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

##### Relevance to strategy

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

##### Reconciliation

Group	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Administrative expenses</b>	<b>(61.0)</b>	(35.2)
Depreciation & amortisation	<b>4.5</b>	1.7
Share-based payment charge	<b>4.3</b>	3.5
Non-recurring costs	<b>0.5</b>	-
<b>Adjusted operating costs</b>	<b>(51.7)</b>	(30.0)
UK	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Administrative expenses</b>	<b>(24.7)</b>	(19.5)
Depreciation & amortisation	<b>2.3</b>	1.6
Share-based payment charge	<b>2.1</b>	2.4
Non-recurring costs	<b>0.5</b>	-
<b>Adjusted operating costs</b>	<b>(19.8)</b>	(15.5)

#### Adjusted operating profit/loss

##### Definition

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

##### Relevance to strategy

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

##### Reconciliation

Group	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Operating loss</b>	<b>(52.3)</b>	(27.8)
Share-based payment charge	<b>4.3</b>	3.5
<b>Adjusted operating loss</b>	<b>(48.0)</b>	(24.3)
UK	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Operating profit</b>	<b>5.3</b>	2.2
Share-based payment charge	<b>2.1</b>	2.4
<b>Adjusted operating profit</b>	<b>7.4</b>	4.6

## Notes to the financial statements (continued)

### 4. Alternative Performance Measures (continued)

Canada	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Operating loss</b>	<b>(3.2)</b>	-
Share-based payment charge	<b>0.4</b>	-
<b>Adjusted operating loss</b>	<b>(2.8)</b>	-
Australia	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Operating loss</b>	<b>(18.8)</b>	(13.2)
Share-based payment charge	<b>0.9</b>	0.6
<b>Adjusted operating loss</b>	<b>(17.9)</b>	(12.6)
US	<b>2019</b>	2018
	<b>£m</b>	£m
<b>Operating loss</b>	<b>(34.1)</b>	(16.8)
Share-based payment charge	<b>0.9</b>	0.5
<b>Adjusted operating loss</b>	<b>(33.2)</b>	(16.3)

### Like-for-like UK gross profit margin

#### Definition

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

#### Relevance to strategy

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

#### The adjustments made to gross profit are in respect of:

- i) costs relating to the former deferred payment provider, which were recognised in FY 18 in cost of sales – deferred payment provider costs under the new commercial arrangement are recognised as finance costs.
- ii) Costs relating to an outsourced property management service within the Lettings business recognised in FY 18 as cost of sales – these activities are now undertaken by an in-house team, the costs of which are presented within administrative expenses.

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

## Notes to the financial statements (continued)

### 4. Alternative Performance Measures (continued)

#### Reconciliation

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

  

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

### Group revenue growth excluding Canada

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

#### Definition

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

#### Relevance to strategy

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

#### Reconciliation

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



## Notes to the financial statements (continued)

### 5. Revenue

Revenue by contract type	FY 19 £'000	Restated* FY 18 £'000
Instructions	83,404	60,296
Conveyancing	19,877	15,566
Other	33,232	11,925
Total revenue	<b>136,513</b>	<b>87,787</b>

\* See note 2.2

### 6. Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale and letting of properties, however management report to the Board including the CODM using geographical segments. The financial information reviewed by the board is materially the same as that reported under IFRS and falls under the four geographic locations: UK, Australia the US and Canada. During the year, no customer contributed 10% or more of the Group's revenues (2018: none).

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

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

## Notes to the financial statements (continued)

### 6. Segmental reporting (continued)

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

	2019 £'000	2018 £'000
<b>Non current assets</b>		
UK	77,184	29,469
Australia	141	139
US	164	90
Canada	4,485	0
Consolidation adjustments	(20,808)	(18,536)
Total	61,166	11,162
<b>Total assets</b>		
UK	228,935	211,892
Australia	5,016	3,835
US	4,558	3,326
Canada	9,918	0
Consolidation adjustments	(95,875)	(35,547)
Total	152,552	183,506
<b>Total liabilities</b>		
UK	28,115	24,429
Australia	32,617	12,645
US	49,003	12,109
Canada	7,231	0
Consolidation adjustments	(68,139)	(15,855)
Total	48,827	33,328

## Notes to the financial statements (continued)

### 7. Earnings per share

	Basic and diluted 2019	Restated* Basic and diluted 2018
Loss £'000	(54,861)	(30,077)
Weighted average number of shares ('000)	<b>303,090</b>	273,072
Loss per share (£)	<b>(0.18)</b>	(0.11)

\* See note 2.2

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

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

Weighted average number of shares 2018	273,072
Weighted average issue of new shares and exercise of options	30,018
Weighted average number of shares 2019	<b>303,090</b>

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

## Notes to the financial statements (continued)

### 8. Intangible assets

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

The internally generated intangible asset relates to capitalised development costs in respect of the customer facing Purplebricks software platform. The intangible asset in respect of brand acquired has an indefinite life and is tested annually for impairment. All other intangible assets are amortised over their useful economic lives. In the case of the internally developed intangible asset, amortisation is charged on a straight line basis over three years. The useful economic life of the customer relationships is five years. Capitalised software is amortised over three years on a straight line basis. The remaining useful lives of each asset are in keeping with the amortisation policy.

## Notes to the financial statements (continued)

### 9. Goodwill

	BFL £'000	Duproprio £'000	Group £'000
<b>Cost</b>			
At 1 May & 30 April 2018	2,606	-	2,606
Acquisition of subsidiary	-	16,880	16,880
As at 30 April 2019	<u>2,606</u>	<u>16,880</u>	<u>19,486</u>
<b>Carrying amount:</b>			
<b>At 30 April 2019</b>	<b><u>2,606</u></b>	<b><u>16,880</u></b>	<b><u>19,486</u></b>
At 30 April 2018	<u>2,606</u>	-	<u>2,606</u>

#### 9a Acquisition of subsidiary (Canada)

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

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

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

## Notes to the financial statements (continued)

### 10. Investment in subsidiaries

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

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

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

#### **Impairment Review**

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

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

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

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

## Notes to the financial statements (continued)

### 10. Investment in subsidiaries (continued)

#### BFL

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

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

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

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

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

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

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

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

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

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

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

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

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

## Notes to the financial statements (continued)

### 10. Investment in subsidiaries (continued)

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

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

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

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

Sensitivity analysis performed has included assessment of the impact of using an alternative revenue multiple and effects of a change in foreign exchange rates. This analysis indicates that conditions which would require an impairment of goodwill and other indefinite lived intangible assets are an increase in foreign exchange rate of 8% or decrease in revenue multiple of 7%, which are not considered to be likely.

### 11. Investment in jointly controlled entity

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

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



## Notes to the financial statements (continued)

### 11. Investment in jointly controlled entity (continued)

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

Based in Berlin, Homeday operates homeday.de, a transaction-based digital real estate platform in Germany that brings customers together with experienced brokers and supports them in buying and selling property. Following the investment, Dr. Andreas Wiele, President Classifieds Media Axel Springer SE, and James Davies, CFO of Purplebricks, have each taken a seat on the Advisory Board of Homeday.

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

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

JV HoldCo and the other shareholders of Homeday have entered into an Investment Agreement and a Shareholders' Agreement.

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

Under the Shareholders' Agreement, Put and Call options exist between JV HoldCo and the other shareholders of Homeday which may require or allow JV HoldCo to acquire shares held by the other shareholders, for consideration to be determined with reference to the performance of Homeday in future periods leading up to the exercise dates of the options in 2021 and 2024.

As it is not sufficiently possible at this stage to determine the likelihood of the option conditions being met, or the potential performance of Homeday in these periods, no range of potential purchase prices is provided at this stage.

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

### 12 Post balance sheet event

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

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

## Notes to the financial statements (continued)

### 12 Post balance sheet event (continued)

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

The Australia and US operations represent in their entirety the segments as disclosed in note 6.

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

### 13. Revenue recognition – transition to IFRS 15

**Table 1 - impact of transition to IFRS 15 on retained earnings at 1 May 2017**

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

## Notes to the financial statements (continued)

### 13. Revenue recognition – transition to IFRS 15 (continued)

**Table 2a – condensed statement of profit or loss and other comprehensive income for the year ended 30 April 2018**

	Year ended 30 April 2018					As restated under IFRS 15 £'000
	IFRS 15 adjustments by geographical segment					
	Under previous accounting policies £'000	UK £'000	AUS £'000	USA £'000	Canada £'000	
<b>Revenue</b>	93,697	(3,765)	(1,661)	(484)	-	87,787
Cost of sales	(41,107)	1,791	880	228	-	(38,208)
<b>Gross Profit</b>	52,590	(1,974)	(781)	(256)	-	49,579
Administrative and establishment expenses	(35,195)	-	-	-	-	(35,195)
Marketing costs	(42,142)	-	-	-	-	(42,142)
<b>Loss from operating activities</b>	(24,747)	(1,974)	(781)	(256)	-	(27,758)
Finance income	60	-	-	-	-	60
Finance expense	(1,492)	-	-	-	-	(1,492)
<b>Loss on ordinary activities before taxation</b>	(26,179)	(1,974)	(781)	(256)	-	(29,190)
Taxation on loss on ordinary activities	(887)	-	-	-	-	(887)
<b>Loss for the period</b>	(27,066)	(1,974)	(781)	(256)	-	(30,077)
<b>Items that may subsequently be reclassified to profit and loss</b>						
Exchange differences on translation of foreign operations	(490)	-	-	-	-	(490)
<b>Total other comprehensive income</b>	(490)	-	-	-	-	(490)
<b>Total comprehensive profit/(loss)</b>	(27,556)	(1,974)	(781)	(256)	-	(30,567)

## Notes to the financial statements (continued)

### 13. Revenue recognition – transition to IFRS 15 (continued)

**Table 2b – condensed statement of profit or loss and other comprehensive income for the year ended 30 April 2018**

	Year ended 30 April 2018				As restated under IFRS 15 £000
	IFRS 15 adjustments by contract type				
	Under previous accounting policies £000	Instructions £000	Conveyancing £000	Other £000	
<b>Revenue</b>	93,697	(6,301)	153	238	87,787
Cost of sales	(41,107)	3,013	(26)	(88)	(38,208)
<b>Gross Profit</b>	52,590	(3,288)	127	150	49,579
Administrative and establishment expenses	(35,195)	-	-	-	(35,195)
Marketing costs	(42,142)	-	-	-	(42,142)
<b>Loss from operating activities</b>	(24,747)	(3,288)	127	150	(27,758)
Finance income	60	-	-	-	60
Finance expense	(1,492)	-	-	-	(1,492)
<b>Loss on ordinary activities before taxation</b>	(26,179)	(3,288)	127	150	(29,190)
Taxation on loss on ordinary activities	(887)	-	-	-	(887)
<b>Loss for the period</b>	(27,066)	(3,288)	127	150	(30,077)
<b>Items that may subsequently be reclassified to profit and loss</b>					
Exchange differences on translation of foreign operations	(490)	-	-	-	(490)
<b>Total other comprehensive income</b>	(490)	-	-	-	(490)
<b>Total comprehensive profit/(loss)</b>	(27,556)	(3,288)	127	150	(30,567)

## Notes to the financial statements (continued)

**Table 3a – condensed statement of financial position as at 30 April 2017**

	Year ended 30 April 2017				As restated under IFRS 15 £000
	Under previous accounting policies £000	Instructions £000	Conveyancing £000	Other £000	
<b>Non-current assets</b>					
Goodwill	2,606	-	-	-	2,606
Intangible assets	2,757	-	-	-	2,757
Property, plant and equipment	718	-	-	-	718
Deferred tax asset	3,087	-	-	-	3,087
	<u>9,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,168</u>
<b>Current assets</b>					
Tax receivable	-	-	-	-	-
Trade and other receivables	4,865	3,288	3,105	-	11,258
Cash and other cash equivalents	71,330	-	-	-	71,330
	<u>76,195</u>	<u>3,288</u>	<u>3,105</u>	<u>-</u>	<u>82,588</u>
<b>Current liabilities</b>					
Trade and other payables	(7,301)	-	(558)	-	(7,859)
Deferred income	(2,307)	(7,063)	-	-	(9,370)
Derivative financial instruments	(104)	-	-	-	(104)
	<u>(9,712)</u>	<u>(7,063)</u>	<u>(558)</u>	<u>-</u>	<u>(17,333)</u>
<b>Net current assets</b>	<u>66,483</u>	<u>(3,775)</u>	<u>2,547</u>	<u>-</u>	<u>65,255</u>
<b>Total assets less current liabilities</b>	<u>75,651</u>	<u>(3,775)</u>	<u>2,547</u>	<u>-</u>	<u>74,423</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	(244)	-	-	-	(244)
<b>Net assets</b>	<u>75,407</u>	<u>(3,775)</u>	<u>2,547</u>	<u>-</u>	<u>74,179</u>
<b>Equity</b>					
Share capital	2,705	-	-	-	2,705
Share premium	74,901	-	-	-	74,901
Share-based payments reserve	1,669	-	-	-	1,669
Foreign exchange reserve	116	-	-	-	116
Retained earnings	(3,984)	(3,775)	2,547	-	(5,212)
<b>Total equity</b>	<u>75,407</u>	<u>(3,775)</u>	<u>2,547</u>	<u>-</u>	<u>74,179</u>

## Notes to the financial statements (continued)

### 13. Revenue recognition – transition to IFRS 15 (continued)

**Table 3b – condensed statement of financial position as at 30 April 2018**

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

## Notes to the financial statements (continued)

### 13. Revenue recognition – transition to IFRS 15 (continued)

**Table 3c – condensed statement of financial position as at 30 April 2018**

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

## Notes to the financial statements (continued)

### 13. Revenue recognition – transition to IFRS 15 (continued)

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

Earnings per share restated	Basic and diluted Year ended 30 April 2018	Year ended 30 April 2018	Basic and diluted Year ended 30 April 2018
	As previously stated	Increase in loss on adoption of IFRS 15	As restated
Loss for the period (£000)	(27,066)	(3,011)	(30,077)
Weighted average number of shares	273,072,000	-	273,072,000
Loss per share (£)	(0.10)		(0.11)

**Table 5 – impact of adoption of IFRS 15 on brokerage and lettings revenue**

	Year ended 30 April 2018 £000
Other revenue as previously reported	11,686
Impact of adoption of IFRS 15	48
	<u>11,734</u>

**Table 6 – impact of adoption of IFRS 15 on consolidated statements of cash flows for the year ended 30 April 2018**

	30 April 2018			As restated £000
	Under previous accounting policies £000	IFRS 15 adjustments £000	Other restatements – see note 2.2 £000	
<u>Loss for the year after taxation</u>	(27,066)	(3,011)	-	(30,077)
Operating cash outflow before changes in working capital	(19,589)	(3,011)	(1,724)	(24,324)
Movement in trade and other receivables	(4,515)	(3,419)	-	(7,934)
Movement in trade and other payables	8,323	118	-	8,441
Movement in deferred income	1,161	6,312	-	7,473
Net cash utilised in operating activities	(14,620)	-	(1,724)	(16,344)