PURPLE BRICKS

Making every home move amazing

Purplebricks Group plc
Annual Report 2022

The best in class estate agent brand in the UK

Visit our corporate website at purplebricksplc.com

Strategic report
1 Operational and financial highlights
2 At a glance
4 Chairman's statement
7 Investment case
8 Our business model
10 Chief Executive's statement
14 Our strategy
16 Our culture
18 Key performance indicators
20 Financial review
24 Stakeholder engagement
29 Section 172 in action
31 Sustainability
39 Risk management and principal risks

Corporate governance
44 Board of Directors
48 Corporate governance statement
52 Nomination Committee
54 Audit Committee
58 Remuneration Committee
61 Directors' remuneration report
64 Directors' report

Financial statements
68 Independent auditor's report
79 Consolidated statement of comprehensive income
80 Consolidated statement of financial position
81 Company statement of financial position
82 Consolidated statement of changes in equity
83 Company statement of changes in equity
84 Consolidated statement of cash flows
85 Company statement of cash flows
86 Notes to the financial statements
129 Company information

Making every home move amazing

Our culture
Read more on p.16

Our customer experience
Read more on p.27

Our people
Read more on p.25

Operational and financial highlights

Revenue

£70.0m

FY21: £90.9m

Gross margin

60.1%

FY21: 63.5%

Operating loss

£(31.7)m

FY21: profit of £8.2m

Adjusted EBITDA[1]

£(8.8)m

FY21: profit of £12.0m

Cash at end of year[2]

£43.2m

FY21: £74.0m

Instructions[3]

40,141

FY21: 58,043

Average revenue per instruction[4]

£1,568

FY21: £1,501

1. The performance of the Group is monitored internally using a variety of statutory and alternative performance measures (APMs), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures.

   For full definitions and reconciliations of APMs, please refer to note 5 of the financial statements.

   Adjusted EBITDA is defined as operating profit, adding back depreciation, amortisation, share-based payment credits and charges, exceptional items and the results of associates.

2. Cash and cash equivalents.
3. Number of instructions won in the year, net of the number of instructions refunded in the year.
4. Average revenue per instruction represents fees receivable in respect of instructions (as defined above) and mortgage referrals, and conveyancing fees due in respect of completed transactions, divided by the number of instructions in the year.

At a glance

The UK's leading tech-led estate agent

OUR PURPOSE

Purplebricks is the UK's leading tech-led estate agent. Combining a clear brand with great technology and a fantastic customer experience, we make every home move amazing

OUR MISSION

To be the go-to place to buy, sell or let your home

OUR STRATEGY

1
Win more customers

2
Create the best home moving experience

3
Empower our people

+ Strategy
Read more on p.14–15

OUR VALUES

Embrace the move(ment)
We support customers throughout their whole home moving experience

Fearlessly progressive
Our proposition enables an increasingly efficient customer experience as the UK property market continues to embrace technology

We play together and win together
Our new operating model supports our employed colleagues

Our compelling employee value proposition attracts the best talent

We benefit from 93% brand awareness

We provide a best in class digital agent experience

We offer a low cost proposition, saving customers commission fees, which our customers love

£86.6m	**4.4**	**4.5**
Savings by our customers[1]	Trustpilot	feefo

1. Based on an average fee of 1.3%.

Chairman’s statement

Transforming the business for future growth

Paul Pindar
Chairman

While our operations have changed considerably over the course of the last eight years, that has also brought with it considerable challenges. The recent financial and performance challenges now require a swift and decisive response, which we are working through. To deliver for shareholders and other stakeholders, we need to improve performance and focus our strategy on where our model has most appeal.

Since the year end we have taken swift actions to reduce our cost base, improve our marketing disciplines, improve targeting of customer segments by our field teams and introduce better processes and controls. That’s how we can ensure we continue to delight customers and build a dynamic platform for our future growth. Crucially, any improvements we make have to be delivered consistently wherever we work, making the best use of our great people and our industry-leading technology. That’s why we have placed a huge focus on transforming our business model this year, with a simplified customer proposition and – most significantly – a redesigned employed operating model for our field sales force.

Financial performance

During this period of significant transformation for the Group, our results were impacted by underperformance in the field and the costs and disruption from changing our field workforce to employed, compounded by a shortage of supply in the market. Group revenue from continuing operations was down 23% to £70.0m (FY21: £90.9m), with an operating loss of £31.7m (FY21: profit of £8.2m). We made significant investments in a new marketing campaign and our new operating model as we moved from a variable to fixed cost base as well as a number of one off items, including the impairment of our Homeday investment. Lower trading activity in the first half of the year continued into the second half as our field sales force settled into their roles as employed team members and our investments in marketing did not deliver additional instructions, impacting our cash balance, which reduced to £43.2m at the year end (£74.0m at year end FY21).

Fully employed model

While it caused disruption to our business and trading, has yet to deliver the expected improvement in performance, and incurred some unavoidable one-off costs, I strongly believe that our move to a fully employed model for our field sales force is the right strategy for Purplebricks. For many years, our self-employed field team has delivered great results for our customers, enabling us to grow quickly as a business and respond flexibly to the demands of a highly cyclical industry. However, as Purplebricks matures as an organisation, we need to manage our people, processes and customer experience more consistently, and the new employed model gives us that degree of control.

I believe this change is an important part of Purplebricks’ journey, but it was never going to be an easy change to make. That’s why the Board and I were impressed with the way it was handled by Helena Marston, in her capacity as Chief People Officer at the time. With a field force of more than 600 people, across a wide set of geographies in the UK, Helena and her team executed the change in a professional and sensitive way – with due regard to both the maintenance of our business operations during the period and the needs of our employees, who have now become colleagues in the truest sense of the word.

> I strongly believe that our move to a fully employed model for our field sales force is the right strategy for Purplebricks.

We recognise it is a competitive market out there, and that the most successful businesses in the medium to long term will be those that are most responsive and able to provide the best customer service. What's important is that we are now able to focus more clearly on how we build talented sales teams both centrally and in local locations, the training and processes we provide, and the consistency of the offer we make to customers wherever they interact with Purplebricks.

Board and senior management changes

The changes this year have also included notable ones at the top of the organisation, and I would like to thank our previous Chief Executive Officer, Vic Darvey, and Chief Financial Officer, Andy Botha, for guiding the business during a period of considerable change and challenge, and for their important work in strengthening the wider Senior Leadership Team at Purplebricks.

As part of that team, first as Chief People Officer, and then Chief Operating Officer, Helena Marston stepped up to the position of Chief Executive Officer in April 2022. I am delighted to welcome Helena to her new role and have every confidence that she is the right person to lead the Company, having already made such an important contribution in her time with Purplebricks.

Steve Long joined as Chief Financial Officer in February 2022, and brings strong commercial, financial and strategic experience to the role, as well as a strong track record in delivering growth in a customer-facing, technology-focused business. I was also delighted to welcome Paul Sexton-Chadwick to the position of Chief Commercial Officer in June 2022, a newly created role that further strengthens the excellent management team we already have in place.

I would also like to welcome Ait Voncke, who joined the Board in July as the Axel Springer representative, and would like to thank Stephanie Caspar for her contributions during her tenure.

Board priorities and governance

The Board provides effective leadership in promoting the long-term sustainable success of the Group. It establishes the Group's purpose, values and strategy, ensuring that these are aligned to the culture of the business.

The Board continues to manage the Group's ambitions against risks, while ensuring we are running the business in a responsible way. We have a strong group of Non-Executive Directors who have been engaged in and supported the changes made across the organisation this year. The Board is constantly looking at how we run our business, and how we are pricing and structuring our fees, but it also recognises that our core model is a successful one, and that stability and transparency are essential to our long-term success.

The Board has overseen the appropriate and swift actions taken to address the process issues that became apparent within our lettings business in December 2021. I am confident that all issues are being addressed and that this part of the business has been stabilised. Our new processes are robust and effective, and I am satisfied with the progress made to date to rectify historical instances of non-compliance and the timeline for completion of this work. There is now much greater emphasis from the Board and management on governance. In shaping the Group's strategic direction, the Board has sought to ensure that good governance standards are embedded throughout the organisation. The Board remains committed to achieving high standards in our governance infrastructure, and we continue to adopt the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). We seek to comply with the QCA Code or provide a clear explanation of any areas where we do not. Information regarding the Company's compliance with the 10 principles of the QCA Code is set out on our investor website, purplebricksplc.com/about-us/governance.

Strengthening our culture

The Board is responsible for instilling throughout the Group a culture of integrity and openness that values diversity and is responsive to the views of its shareholders and wider stakeholders, including employees, agents, customers, regulators, strategic partners and the environment and communities in which we operate. This forms an integral part of the Board's discussions and decision making (see Our culture on pages 16 and 17).

During the year, an employee engagement survey was carried out, the results of which were shared with the Board. In addition, the discussions that the Board held through the year with members of the senior management team provided an insight into the Company's culture and enabled the Board to understand the views of employees on matters of significance to them (see Section 172 in action on page 24).

Chairman's statement continued

Diversity

Our brand touches a diverse set of customers, and the Board recognises the importance of reflecting their diversity across our employees and agents. We have made a meaningful step forward in the year to define our approach to diversity and inclusion and to promote diversity of race and gender as well as diversity of thinking across the organisation.

Distribution policy

Our distribution policy is reviewed regularly by the Board, but at present our priority is to retain a capital cushion in the Company, giving us flexibility around our decision making and over our pricing model, and enabling us to commit working capital when required. Our focus is therefore on the organic growth opportunities available to the business, rather than new acquisitions, and the Board has agreed that it remains too early to return capital to investors in the form of a dividend.

The year ahead

While the outlook for the housing market is uncertain, our goal is to stabilise the business and recover performance, and to earn the respect of customers because they recognise we provide them with the best service available. We have a clear plan in place to drive positive cash flow and ultimately return the business to profitability.

I firmly believe we now have the right ingredients – the structure, team and technology – in place to achieve that. Over the next 12 months we need to apply ourselves to that task, and management will need to ensure that everyone has the opportunity and the motivation to perform at a high level.

Even our culture, which in the early days of Purplebricks was heavily male dominated, has changed, with a stronger focus on diversity and female representation at every level. We are also putting into practice some innovative thinking in relation to our people and the way we use data, which means that we will continue to have the best people and that they will be well trained and resourced.

For example, we have previously recruited heavily from an estate agency background, which is not too difficult, as we have a well-recognised brand and people from within the industry want to join us. However, we are now focusing on also bringing in people from outside the industry – people who are good with people, people who look at things differently and people with a range of complementary skills. This will help us build further on our dynamic platform for growth.

I would like to take this opportunity to express my personal thanks to all of our colleagues in what has been another challenging year, and especially to those who have had to embrace a new relationship with the Company. We have ended the year with the right people, the right structure and great new leadership which gives me the confidence that we can deliver on our plans to return to growth. I look forward to working with everyone to deliver on our growth plans in the coming year – by doing what we do best and serving our customers brilliantly.

Paul Pindar
Chairman
1 August 2022

Reasons to invest

We are the largest UK estate agency brand and the leading technology-led estate agent, in a market ready for digital disruption.

1. Leading estate agency brand

We are the largest, best-known, tech-led estate agency in the UK. It is our priority to convert brand recognition into increased market share and extend brand consideration.

CEO statement Read more on p.10–13

2. Unique technology platform

We have worked hard to improve our tech platform, capitalising on consumers' increasing propensity to use apps, in order to make moving house as smooth as possible for our customers. Increased efficiency from our tech offering means a quicker and frictionless house selling experience.

Our strategy Read more on p.14–15

3. Differentiated pricing model

Our differentiated and disruptive pricing model challenges the traditional % commission fee model. This benefits our customers, especially with recent record house price inflation and cost of living increases, allowing them to retain more of the value in their home.

Business model Read more on p.8–9

4. Aligned operating model

We offer our agents increased security and stability following the transition to a fully employed operating model. We have much greater visibility and control over the performance of our field, starting with an increase in training, helping our agents be the best salespeople they can be. Our attractive proposition motivates and energises our employees to provide the best experience for our customers. As our instructions performance improves, our new model will provide operational leverage, accommodating significant additional sales volume with increased margins.

Our culture Read more on p.16–17

5. Clear strategy

We aim to provide the best end-to-end home moving experience for our customers. Growing, in any market environment, will result in value creation for our customers, employees and shareholders.

Our strategy Read more on p.14–15

Our business model

Investing in our differentiated business model

The Purplebricks business model creates value by providing customers with the most affordable way to sell their home through a fixed fair price and technology-enabled customer experience.

Our resources or inputs

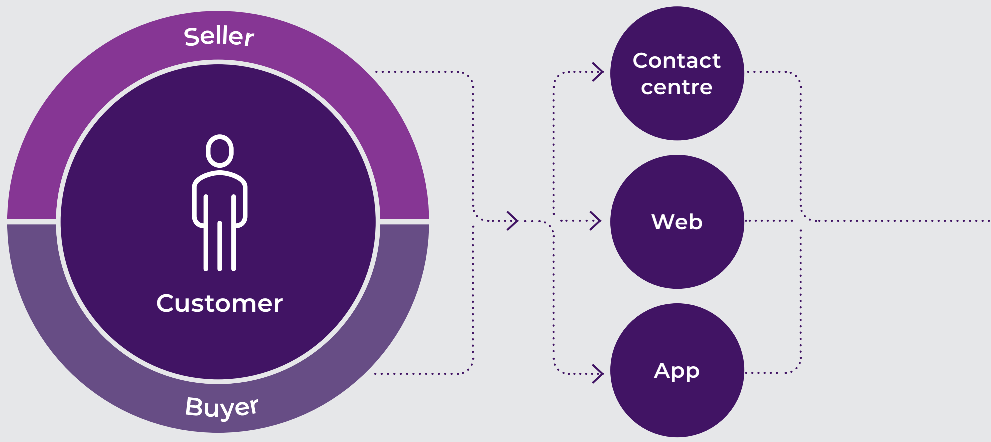
OUR PEOPLE
We seek a mix of capabilities with an appropriate balance of real estate and digital talent.

OUR BRAND
We have continuously invested in our brand, making it the largest national estate agent brand in the UK. We enjoy high levels of brand awareness, and our focus is on converting that brand awareness into higher instructions.

OUR TECHNOLOGY PLATFORM
Our digital capabilities enable us to convert consumer interest through our website, online marketing and social media. Our Purplebricks app enables customers to have direct control of the sales transaction, whilst offering additional services to enhance the customer experience.

OUR CULTURE
Our inclusive culture encourages people to be the very best they can be, supported by our investment in training and development.

The smartest way to buy, sell or let your home



HOW WE GENERATE REVENUE

Sales instruction fees

- Over two-thirds of revenue is from fees earned when we are instructed to market a property, differentiating us from traditional estate agents, and working to the benefit of our customers, who don't pay increasing commission on their homes
- We offer a fixed fee to customers who can choose to pay upfront or defer payment for up to 10 months post instruction, using our conveyancing partner

Ancillary revenue

Ancillary revenue makes up over one-quarter of total revenue and includes:

- Conveyancing – we earn commission by introducing customers to third party partners for conveyancing services, due at completion of the transaction
- Mortgage referral fees earned when we refer customers to our mortgage partner
- Customers can choose to pay for accompanied viewings, interactive 3D tours, advert upgrades and energy certificate home reports

Lettings revenue

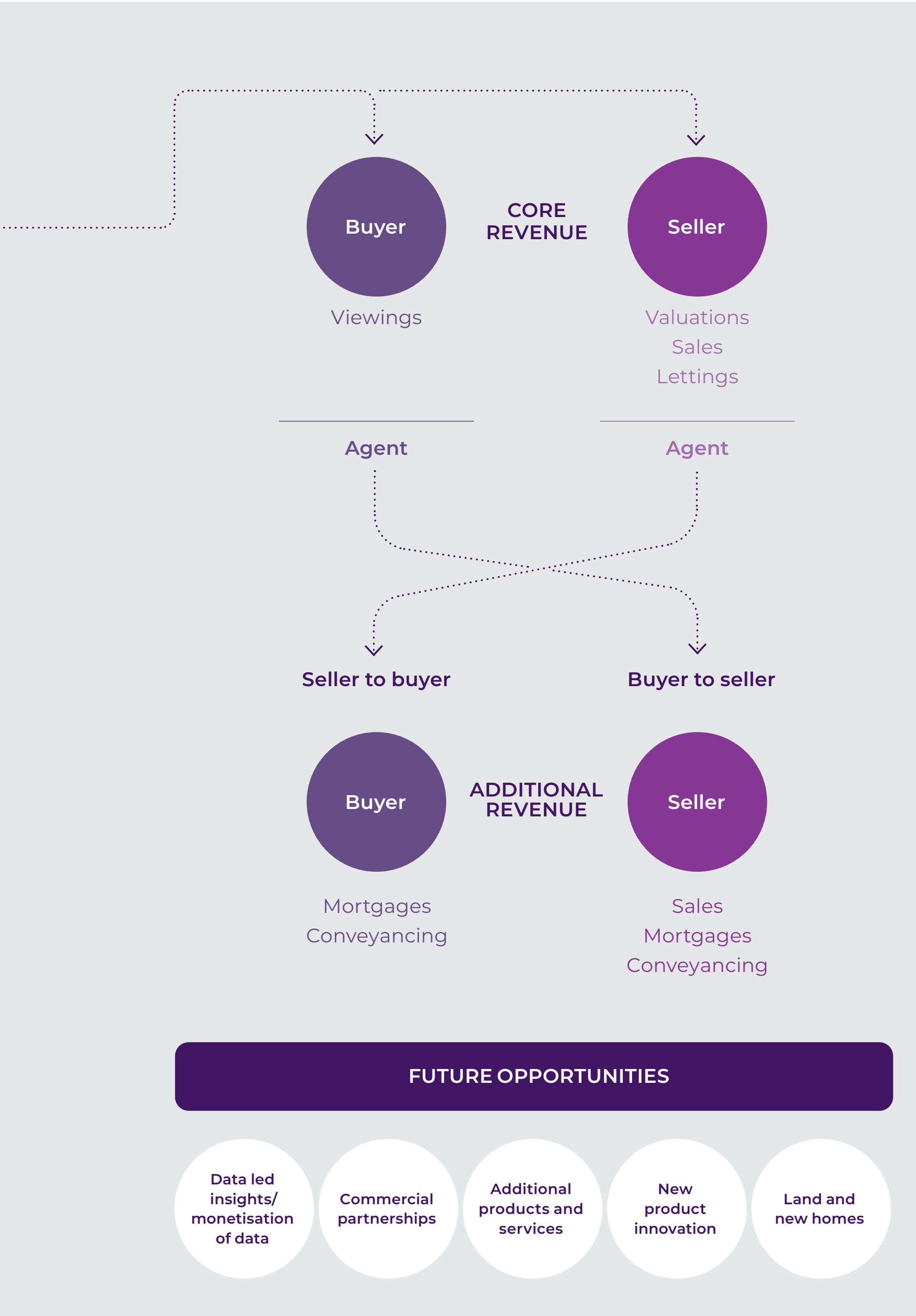
- We earn a steady stream of revenue from landlord setup services as well as monthly management services

UNDERPINNED BY OUR VALUES

Embrace the move(ment)

Fearlessly progressive

We play together and win together



Value-creating outputs

OUR SHAREHOLDERS

The Group's financial resources allow us to execute our strategy and invest in the business

£43.2m

Cash at the year end

OUR CUSTOMERS AND SUPPLIERS

We provide transparent value-for-money and excellent services to customers and pay all suppliers in line with their terms of payment

£86.6m

Savings by our customers

4.5*

Trustpilot scores

OUR PEOPLE

Improving engagement of our agents and our central support teams is a priority of our inclusive culture

7.5/10

Employee engagement score

OUR COMMUNITIES

We are committed to supporting our local communities and reducing our environmental impacts

Around 50

Local football team kits sponsored by Purplebricks

Chief Executive's statement

A disappointing performance during a year of transformation

Helena Marston
Chief Executive Officer

Last year was one of significant transformation and challenge for the business, in particular as we transitioned to an entirely new operating model, moving all our agents from self-employed to employed. Coupled with a constrained housing market, this had a significant impact on our instructions, which fell 31% last year.

The disruption from the changes to our operating model and the associated costs of moving to fully employed, combined with reduced instructions led to a deterioration of our financial performance compared with the prior year. Group Adjusted EBITDA[1] fell to a loss of £8.8m, down from a profit of £12.0m for FY21 and we made an operating loss of £31.7m (FY21: profit of £8.2m). The decline in our instructions also led to a fall in market share, ending the year at 3.4%[2] (FY21: 4.6%). More positively, average revenue per instruction (ARPI)[3] increased 4% from £1,501 to £1,568, driven by higher average fees.

While our financial performance was disappointing, the Company retains many strengths that I am determined to build on. Purplebricks is a powerful brand with prompted brand awareness at an impressive 93%. There is no doubt in my mind that we have a valuable and relevant offering which resonates strongly with the right customer base. Our low, fixed-price offering delivers exceptional value and our technology and data puts more control and transparency into the hands of our customers.

With such a great proposition, it has been incredibly frustrating to look back at a series of missteps that have meant we have so far failed to capitalise on the strength of this platform. In particular, our marketing campaigns in the year did not capture the benefits of our offer. It is an important goal of mine to ensure we help customers fully understand all the advantages of our proposition, something which we are urgently addressing this financial year.

With the control and visibility we have gained through the implementation of our new operating model, and the swift action we have taken to improve performance and service levels, I believe we will be in a much stronger position to convert brand awareness into instructions, grow our revenue streams and drive customer advocacy.

I am fully focused on steering the Company during the next phase of recovery, diversifying our revenue streams, growing instructions and fixing the operational and execution issues which have let us down in the past. I am confident that we will quickly begin to see the benefits of the actions we are taking.

Operational review

Field sales

Last year our sales execution was inconsistent, with variable levels of performance and insufficient thought given to targeting customers where our proposition would be most successful. We were also too slow to adjust our field force to align with the fall in instructions which saw us carry unnecessary costs in the year.

Transitioning our field operating model to a fully-employed model was a positive step to enable us to gain greater control of our field. It has enabled us to improve the consistency of our customer service and ultimately enhance our financial returns, as well as providing greater stability and benefits for our agents. I am also pleased that we are diversifying our workforce – bringing in people without estate agent experience, but with new perspectives and ideas derived from other relevant sales and customer-focused roles. We are already seeing promising results from the transition.

Marketing

Our marketing and advertising over the years has contributed greatly to the power of the Purplebricks brand. Although the budget for marketing grew significantly last year, its effectiveness was poor.

1. Adjusted EBITDA is defined as operating profit, adding back depreciation, amortisation, share-based payment charges/credits, results of associates and exceptional items.
2. Source: Rightmove.
3. Average revenue per instruction (ARPI) – fees receivable in respect of instructions and mortgage referrals, and conveyancing fees due in respect of completed transactions divided by the number of instructions in the year.

> I am fully focused on steering the Company during the next phase of recovery, capitalising on other revenue opportunities, growing instructions and fixing the operational and execution issues which have let us down in the past.

We moved away from shouting about our low fixed fee and launched the 'SOLD' national advertising campaign. We missed the opportunity of communicating our key differentiator in a market of that was seeing significant rises in house prices, and where our model could have saved consumers thousands in commission.

Our approach to marketing will be radically different this year, a change designed to deliver better results. We need to make our marketing investments work harder than ever before to reposition us as the preferred choice for our customers. We will go back to shouting about what makes us great and reminding customers that there is a better more cost-effective way to sell their homes than the high street. We will remind them that the "cut price" doesn't mean a sub-optimal service, but rather the opposite. We will set clear expectations on what it looks like and feels like to be a Purplebricks customer, whether that's online, offline or on the app, and create a consistent experience that customers want to shout about.

Pricing and proposition

The connections we make with customers are critical to our success. That is why it is so important that we listen to our customers and provide a service that they value. In 2021, we conducted significant pricing trials which led to the introduction of two new customer propositions, our Classic and Pro packages, as well as a Money Back Guarantee (MBG).

In focus

Market overview

UK housing market dynamics

The UK housing market is cyclical in nature, impacted by a combination of macroeconomic factors and government policy, which can materially impact annual sales volumes.

Throughout calendar year 2021, demand for homes has consistently exceeded supply, a situation which worsened, and continued into early 2022. Despite there being 6% fewer properties coming to the market compared to 2020, there was a 42% increase in the number of sales agreed.

1.48 million sales were agreed in the calendar year 2021, with the increase initially stimulated by the stamp duty holiday introduced in June 2020, which maintained momentum during the year despite it finishing in June 2021.

UK residential property sales ('000)

* Calendar year.

+ **Financial review**
Read more on p.20–23

Chief Executive's statement continued

Operational review continued

Pricing and proposition continued

The Classic and Pro packages were well received by customers. Offering a two-tier proposition has optimised choice for customers around the services they can use from us, meaning that they feel more in control of the process and it also enables us to provide a more cost-effective way to sell their home. The take-up of our assisted viewing Pro package has been especially encouraging, with higher conversion in the living room. Pro package attachment rates have increased by 15ppts since being introduced in 2021.

The impact of MBG was far below what the early trials indicated. When it was introduced, its objective was to inspire confidence among customers that we would deliver for them, and if we did not, they had the opportunity to get their money back. However, we have not seen the anticipated increase in instruction volumes and it has added complexity and cost to our operating model. As a result, in July 2022, we removed MBG from our customer offering.

Digital-led proposition

Our best-in-class digital proposition is a great asset to both our field agents and customers, and our tech-led customer offering and app sets up apart from the traditional high street agent. It remains the most transparent, efficient and effective method for customers buying and selling their homes. The efficiencies delivered through our technology continue to enable us to provide the most cost-effective, full-service way to sell your home. We invested in our technology again this year, to further enhance our digital capabilities. For example, our new Customer Relationship Management (CRM) system provides greater personalisation across the end-to-end customer journey. Meanwhile, virtual viewings and valuations which were especially useful in the Covid-19 period continue to be a valuable tool.

Lettings

We were disappointed to discover a process issue in our lettings business in December 2021 relating to how we had been communicating with tenants on behalf of landlords about deposit registrations and prescribed information. We acted quickly to assess the extent of any potential claims and made a provision of £3.6m accordingly. We are satisfied that this amount remains appropriate. The Board recognised that it was also important to learn from the issue and therefore sought independent third-party assurance in relation to the end-to-end process and controls in the lettings business. We have made significant changes in line with recommendations arising from this work, including the introduction of new processes and controls, and retraining our people. We believe that our structure now supports the delivery of our strategic goals whilst providing a better customer experience. We have now employed our lettings field team, which enables us to have more control over the customer experience, compliance and capability of our people. I am confident that we will soon have the platform to establish Purplebricks as the lettings agent of choice.

Recovery plan

Since my appointment in April 2022, I have looked closely at our proposition, the issues we faced, what was working, what was not, and what we need to do to turn things around.

I am in no doubt of the significant challenges that lie ahead of us. I believe that we now have the right plan in place: one which will change the direction of travel and deliver significant improvements, with a return to growth. We expect positive cash generation in early FY24 and retain significant headroom in our cash resources.

Our plan is centred on four key objectives:

1. Managing costs

Our cost base must reflect the reality of where the business is today while also recognising the opportunities for growth. We will remove £13 million from our cost base during FY23, equivalent to a 16% reduction in the operating cost base.

In marketing we will make smarter more targeted investments, using a range of channels throughout the year.

We have reduced the overall headcount, largely achieved through stronger performance management in the sales field which in turn is seeing an improvement in conversion. We have also reduced our office footprint from four to one.

We have left ourselves the flexibility to take further action on costs if required, whilst ensuring we maintain the capability to capture future growth opportunities quickly when the time is right.

2. Growing and diversifying revenues

Our low, fixed price is a core element of our offer. But as the high street's commission-based fees have benefited from huge house price inflation, our fees have not changed substantially for over two years. Therefore, we took the decision to raise fees by an average of 20% on 11 July 2022. We believe this level strikes the right balance, recognising the need to maintain a great value offer with the need to grow revenues and mitigate the cost inflation every business is experiencing.

With such a strong brand we need to capitalise on the other revenue opportunities this can provide and move us away from solely relying on instruction revenue and providing protection in a downturn market. As part of our plan to grow ARPI, we have made significant progress towards the launch of a new mortgage proposition. Pending the necessary approvals, we expect to become an Appointed Representative for mortgages and launch to customers by the end of the financial year.

> Our low, fixed-price offering delivers exceptional value and our technology and data puts more control and transparency into the hands of our customers.

This not only moves us up the value chain and creates opportunities to generate significantly more revenue, it also enables us to control the end-to-end customer experience.

While our absolute priority today is to improve the financial performance of the business, I cannot ignore the opportunity to explore future revenue streams, whether that be through monetising our data, selling additional home moving products and services, or potential commercial partnerships. We will continue to evaluate these opportunities so that we can move quickly and confidently when the time is right.

3. Growing instructions

One of the major benefits from moving to a fully employed model is the greater control we have in managing the service our customers receive, which leads to improved conversion in the living room as a higher proportion of customers asking us to value their property go on to instruct us to list and sell their property. We have re-trained all of our field agents and implemented a more rigorous performance management system and the results are already clear to see. Conversion in the living room has increased by 11% compared with FY22. We will remain focused on sustaining these improvements as we continue to train and incentivise our field.

We are also adopting a more targeted approach to winning customers. Historically we have tried to be everything for everyone which is neither efficient nor effective. Moving forward, using our data we will focus on key customer segments where we are more likely to win an instruction. This work is ongoing but already we are building a map which tells us the vendors to target and where to find them. Using a data-driven approach to customer segmentation enables us to utilise our sales field more effectively. At the same time, our marketing will be aligned to reach these customer segments and will be much more focused on driving home what makes us better value for customers, than the competition.

4. Raising standards

I am focused on creating a high-performance culture at Purplebricks that delivers amazing customer experiences whether online or off-line. We have learnt from our past mistakes and now regularly review our processes and procedures to ensure we are delivering on our obligations to our customers. We are strengthening our compliance capability and, where possible, we continue to automate our processes.

Our business is filled with talented people, and through our training interventions this year we are ensuring that all our employees live our values and work to the highest standards. We are creating an environment that inspires passion, pride and extraordinary commitment from our people.

I have added strength and depth to the senior leadership team in the business through a number of key appointments, including a new Chief Commercial Officer, Lettings Director, Director of Risk and Compliance and Head of Lettings Operations.

The Directors of our revenue streams each have 20 years+ of industry experience which I deeply value. This experience is vital alongside the other expertise in my team of growing customer and technology-focused businesses.

Summary and outlook

The path ahead is challenging but our clear recovery plan to improve business performance and cash generation is well under way. We have taken quick and decisive action in line with our plans to drive higher instructions, grow revenues, re-set our cost base and raise standards.

While we expect the supply dynamics in the housing market to remain challenging, and the macroeconomic environment is increasingly uncertain, I am confident that the actions we have taken alongside our sales and marketing plans will deliver revenue of £67.5–72.5 million in FY23, driven by instruction growth in the second half of the year, a further improvement in ARPI, and a return to positive cash generation in early FY24, with significant headroom in our cash resources.

Helena Marston
Chief Executive Officer
1 August 2022

Our strategy

To make every home move amazing

Our mission is to be the go-to place to buy, sell or let your home.

Purplebricks is focused on delivering a sustainable business for our customers, employees and shareholders by providing a seamless and trusted home selling experience, delivering relevant and lower cost services, products, tools and information to every customer who wants to buy, sell or let a home with us.

1

Win new customers

Our strategic priorities

- Channel diversification
- Pricing and proposition development

What it means

Purplebricks has been very successful in going from start-up to the largest estate agency brand in the UK by focusing on the single-minded proposition of a fixed upfront fee. We have created a committed audience of hybrid adopters but, today, 93% of the market are still using traditional agents with a pay on completion commission. While the fixed upfront fixed fee will allow us to grow beyond our current audience, iterating our pricing and moving to a more sophisticated pricing and proposition structure will aim to extend our total addressable market and appeal to new customer segments.

Progress in the year

- Following a significant piece of consumer research, and a pricing and proposition trial at the end of FY21, we launched two new customer propositions in July 2021:
  - Rolled out Money Back Guarantee, providing customers with a clear sense of accountability beyond the initial listing in order to increase market share. This initiative did not have the desired impact on growing instruction volumes and was removed in July 2022
  - National launch of a two-tier proposition with fixed fees – Classic and Pro packages – to simplify our offering, allow clearer differentiation versus the high street and grow average revenue per instruction (ARPI) via ancillaries. The move to Classic and Pro has uplifted our ARPI
- New Salesforce CRM deployed across the field to enable pricing tests to be carried out in field
- Continued to deliver great customer service:
  - Net Promoter Score of +82 (FY21: +79)
  - Feefo Platinum Trusted Service Award

Future focus

- Focus on key customer segments through use of data
- Marketing effectiveness to improve lead generation: new creative and channel mix aligned to target segments
- Realise benefits of shift to employed model to drive conversion and customer experience

Link to risks

A B C

Link to KPIs

1 2 3 4 5 6 7 8 9 10

2

Create the best home moving experience by redefining the end-to-end customer journey

Our strategic priorities

- Improve search and listings experience
- Create an end-to-end customer moving experience via our app
- Improve the agent digital toolkit

What it means

Technology has always been an area of differentiation for Purplebricks, and we will continue to invest in product, technology and data analytics to deliver rapid innovation in the end-to-end customer journey, bringing to life the customer experience in the living room and continually making it easier to move home.

We will also invest in creating a modern, higher performing agent workforce facilitated by data and technology – our aim is to increase agent productivity by delivering greater automation and efficiency in the way they support our customers.

Our app platform will deliver further personalisation and greater engagement by enabling us to introduce contextually relevant products and services to our customers.

See the Chief Executive's statement for further details on pages 10 to 13.

Progress in the year

- Rolled out iPhones and Microsoft tablets in the field to enable modern remote working and to bring to life the customer experience in the living room
- New Purplebricks agent iPhone app built and launched in H1 22 to digitally connect agent and customer instantly
- Salesforce CRM deployed across all field agents to unlock digital agility and capability including:
  - Personalised digital customer marketing capability
  - New set of agent self-generation tools
  - Local market data insights including pricing models layered into valuation process to create improved conversion metrics
  - Enhanced customer journey and richer data insights through to completion
- Agent messaging app deployed
- Trialling Hometrack Autoval to deliver accurate automated valuations

Future focus

- Evolve our customer experience
- Lead optimisation
- Future revenue innovation

Link to risks

A D E F

Link to KPIs

2 6 10

3

Empower our people by enabling them to be their best every day

Our strategic priorities

- Engaging and developing our people
- Articulating our employee value proposition to attract top talent
- Developing our organisation to create a diverse and high performing business

What it means

Creating a consistent identity and culture with shared values will provide a strong framework for driving the business forwards, keep us connected as a team and drive the achievement of our medium-term goals.

Improvement in our people, organisational agility, resilience, efficiency and capability will enable our strategy.

The field teams are our strongest connection to our customers, and it is key for us to continually look to find ways to improve the performance of the field to deliver a great customer experience.

Attracting the right leaders, offering better earnings opportunities, recruiting and training the right people and following the right process, using data and technology in the living room to demonstrate our point of differentiation, are the key factors in the achievement of our market share aspirations.

Progress in the year

- Transformation of field operating model across sales and lettings, causing disruption to performance:
  - Moved all field agents from self-employed to fully employed on 1 September 2021
  - Introduction of a new operating model gave the organisation better control over its workforce to drive performance and enable a better customer experience
  - Redesigned our field and support functions, grouping together the right capabilities in the right places, to enable our field agents to focus on listing homes and creating a great customer experience
  - Designed a compelling proposition versus the high street with competitive packages and uncapped commission
- Invested in an enlarged training and development team to support the larger employee base
- Introduced an organisation-wide Voice employee engagement survey

Future focus

- Embedding our high performing culture fully across the field, creating consistency of service and performance
- Developing our people, with a strong focus on new agent hires
- Developing our organisation to create a diverse and high performing business

See the Sustainability section for further details on the D&I strategy on pages 31 to 38.

Link to risks

C

Link to KPIs

9 10

Our culture

A culture of inclusion

We're building a culture where everyone belongs and can be at their very best.

Our values

Embrace the move(ment)

This is an adventure. It won't always be plain sailing, but with passionate people who believe in our journey, we know we'll make every home move amazing.

Fearlessly progressive

We're not another estate agency; we're in the business of transforming an industry. To do this, we need curiosity, entrepreneurial spirit and agility to explore uncharted territory.

We play together and win together

We believe work should be fun and including others is important. The only way to realise our ambitions is to play as a team. No matter what position you play you are valued for your talents and uniqueness.

Adapting our culture to our new operating model

In FY20 we defined and articulated our values – our shared beliefs and ways of doing things – making them the foundation of our house strategy and purpose to be the go-to-place to buy, sell or let your home. During the first half of FY22 the operating model underwent significant transformation as we moved our self-employed field sales agents to permanent employees of the Group. The integration of approximately 600 agents into the organisation, and adapting to a new culture, has inevitably taken time to embed and this will continue throughout this coming year.

Bringing the field on the journey with us

The more established head office functions, which support our field teams, have benefited from being on a cultural journey for longer. This means there's a disconnect across the business as we fully integrate our field teams into the Purplebricks way of working, and the collective journey we were on has inevitably slowed as a result. As we continue to move through this period of transition, retaining and recruiting people in the field who are able to adapt to new ways of working is fundamental to getting our culture back on track. It's important to highlight this won't happen overnight, and significant focus is required to get this right and build a culture we can all be proud of.

Diversity, equity and inclusion (DE&I)

We want Purplebricks to be an amazing place to work, that celebrates diversity and welcomes new ways of thinking and where everyone can be themselves. Our ONE PB workplace group and DE&I programme enables our people to be a part of the conversation and embrace difference. By creating a space like this, we can attract talent from a diverse range of backgrounds, which not only benefits Purplebricks, but also reflects well on the customers and communities we service across the UK.

Engaging our people

As we come out of the other side of the Covid-19 pandemic, our engagement tools have never been better. We've fully established a regular rhythm of communication, which enables and inspires our people to be at their best every day.

Our communication channel, "Workplace", allows us to share the very latest news from across the business and the things our people need to know, as well as getting them involved in some fun stuff! Our monthly Purple Round-up newsletter pulls all this content together (and more!), so they know what's coming next and where to circle back if they've missed it. Workplace also provides an incredible platform and opportunity for our leaders to be visible and get involved in the conversation – we encourage this to happen as often as possible. We operate a feedback culture and encourage our people to speak up.

Our Executive Leadership Team (ELT) and key business leaders also host a bi-monthly Live Q&A to share the very latest business updates and provide our people with the opportunity to ask questions or share what's on their mind.

Bringing our culture into the living room

Creating a diverse workforce, that embraces our culture and technology, will give us an edge with our customers in the living room. We want our people to reflect our values and the society they work in and represent Purplebricks in the best possible light. We've acknowledged there's work to do to ensure this is more consistent, but we're up for the challenge.

Listening to our people

In November 2021 we had our very first Voice employee engagement survey – with nearly 80% of our colleagues completing the survey, and an overall engagement score of 75%, it's given us the capability to listen to what our people are saying and take positive action on the feedback given on a team, division and business level. We're conducting the Voice survey twice a year, and this forms a critical part of what we do to continually make Purplebricks a better place to work and build a culture we're all proud of.

Growing our people

As well as attracting the best talent, we appreciate the importance of growing and nurturing our own talent internally – with a fully established learning and development function, delivering industry-leading content both online and in the classroom, we're able to grow skillsets and continually raise the bar to ensure we win customers the living room. The significant investment we're putting into our people now needs to reflect on how we perform in the market. We've also identified the importance of providing opportunities for our people to fulfil their ambitions and build their careers; we now have a clear pathway of how this can be done.

Putting all of this together, we've never been in a stronger position to attract, grow and retain the most unique and amazing people.

Making every home move amazing

Our culture

Empowering our people with a flexible working and remote first approach

Supporting our values

When it comes to how our people work, it's important to have a choice, so they can do what's best for our customers and what's best for them. Since moving to an employed model, our Field Sales teams have control over their own diaries and we've adopted a flexible approach to working hours – they're in charge and we trust them to get the job done and give our customers the best possible service. Regular face-to-face meet-ups also mean they get to see other team members and have time with their leaders.

Our Digital teams operate a remote first policy, which means they can focus on what they do best, rather than having daily commute time to worry about. If our people do want to come into the office for some face-to-face time, to collaborate with other Purplebricksters, join a meeting or just because they fancy it, they can do this in our newly refurbished head office site at One Cranmore in Solihull – it's a working space we can all be proud of!

Employee engagement

7.5/10

First ever Voice employee engagement survey

+ **Sustainability**
Read more on p.31–38

Key performance indicators

Assessing our performance

The Group uses key performance indicators to track and assess the financial performance of the business against its strategic targets.

1

Instructions

40,141

Definition

The number of instructions won in the year, net of the number of instructions refunded in the year.

Performance

Underperformance of marketing activity and disruption arising from change in model, along with a challenging market, saw a 31% year-on-year reduction in instructions.

Link to strategy

2

Average revenue per instruction

£1,568

Definition

Total fee income divided by the number of instructions in the period.

Performance

4% increase in average revenue per instruction to £1,568 (FY21: £1,501) driven by the introduction of the Classic and Pro pricing proposition.

Link to strategy

3

Total fee income

£63.0m

Definition

Fees receivable for instructions at the point of instruction and conveyancing and mortgage referral fees due in relation to completed transactions.

Performance

Instructions and average revenue per instruction together drive total fee income.

Link to strategy

6

Unique visitors

12.8m

Definition

The number of unique visitors to the website in the year.

Performance

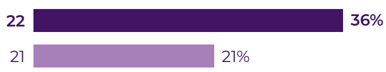
Decrease of 12% from FY21 from underperformance of marketing activity.

Link to strategy

7

Marketing as % of revenue

36%



Definition

Total marketing costs, including portals, divided by revenue.

Performance

Up significantly year on year due to investment in new creative and reduced portal costs in FY21.

Link to strategy

8

Cost per instruction

£629

Definition

Total marketing costs, including portals, divided by instructions.

Performance

Up from £326 in FY21 reflecting increased spend not translating into increased instructions.

Link to strategy

4

Revenue

£70.0m

Definition

Statutory revenue including lettings, with instructions revenue spread over the service period, and conveyancing fees at referral.

Performance

Reflects lower activity, partly offset by increase in ARPI, and by release of deferred income in FY22.

Link to strategy

5

Adjusted EBITDA

£(8.8)m

Definition

Profit or loss from operating activities, adding back depreciation, amortisation and share-based payment charges or credits and exceptional costs. This measure also excludes results of associates.

Performance

Reflects lower volumes, higher cost of sales and higher marketing spend.

Link to strategy

Link to strategy

Win new customers

Create the best home moving experience

Empower our people

Strategy
Read more on p.14–15

9

(Loss)/profit for the year

£(42.0)m

Definition

The result of the Group for the year including discontinued operations.

Performance

Reflects disappointing trading performance, together with a number of exceptional costs and derecognition of deferred tax assets.

Link to strategy

10

Cash

£43.2m

Definition

Cash and cash equivalents at year end.

Performance

Reflects operating losses, working capital effects, and one-off costs associated with the change in our field sales model.

Link to strategy

Financial review

Review of the year

Steve Long
Chief Financial Officer

The business has underperformed in a challenging market. Significant investments in the change to an employed model, a new marketing creative and the Money Back Guarantee proposition have not delivered an increase in instruction volumes, at a time when new housing instructions in the market have reduced following the end of the stamp duty holiday. This, along with significant exceptional costs in the year, has impacted revenue, profitability and cash flow.

A clear plan is in place to return to profitability and growth. A number of actions have already been taken to address the cost base, improve ARPI and increase the number of instructions. The Group retains headroom in cash resources to deliver against our plans to turn the business around.

Overview of results

	Group			UK		
	2022 £m	2021 £m	Change	**2022 £m**	2021 £m	Change
Revenue	**70.0**	90.9	(23)%	**70.0**	90.9	(23)%
Cost of sales	**(27.9)**	(33.2)	(16)%	**(27.9)**	(33.2)	(16)%
Gross profit	**42.1**	57.7	(27)%	**42.1**	57.7	(27)%
Gross profit margin	**60.1%**	63.5%	(340)bps	**60.1%**	63.5%	(340)bps
Adjusted operating costs	**(25.7)**	(26.5)	(3)%	**(25.7)**	(26.5)	(3)%
Marketing costs	**(25.2)**	(18.9)	33%	**(25.2)**	(18.9)	33%
Net other income and expenditure	**—**	(0.3)	—	**—**	(0.3)	—
Adjusted EBITDA	**(8.8)**	12.0	—	**(8.8)**	12.0	—
Depreciation and amortisation	**(3.5)**	(3.0)	17%	**(3.4)**	(2.8)	21%
Share-based payment credit	**2.2**	2.3	—	**2.2**	2.3	—
Exceptional items	**(19.3)**	(2.1)	—	**(23.2)**	(2.1)	—
Share of results of associate	**(2.3)**	(1.0)	—	**—**	—	—
Operating (loss)/profit	**(31.7)**	8.2	—	**(33.2)**	9.4	—

Key Performance Indicators (KPIs)

KPI	Definition	2022	2021	Change
Instructions	Number of instructions won in the year, net of the number of instructions refunded in the year	**40,141**	58,043	(31)%
Total fee income	Fees receivable in respect of instructions (as defined above, excluding Money Back Guarantee provision) and mortgage referrals, and conveyancing fees due in respect of completed transactions	**£63.0m**	£87.1m	(28)%
ARPI	Total fee income divided by the number of instructions in the year	**£1,568**	£1,501	4%
CPI	Marketing costs divided by the number of instructions in the year	**£629**	£326	93%

Revenue

FY22 saw a marked reduction in new listings to market following a period of heightened demand until the end of the stamp duty holiday. Our investment in marketing did not deliver the anticipated results, and performance of the sales function was disrupted while we implemented changes to our operating model. These factors resulted in a 31% decrease in the number of instructions to 40,141.

This was partially offset by a 4% increase in the average revenue per instruction (ARPI) to £1,568 (FY21: £1,501), driven by higher average fees following the introduction of Classic and Pro packages.

Total fee income (as defined above) was down 28% year on year at £63.0m (FY21: £87.1m). This measure does not include lettings revenue, which was down 18% year on year at £5.4m (FY21: £6.6m), following restructuring and refocusing of the lettings business.

Revenue was 23% down year on year at £70.0m (FY21: £90.9m), including a reduction in deferred income in line with lower instruction volumes.

The Group's Money Back Guarantee product was launched on a trial basis in May 2021 and nationwide in July 2021. Revenue is reported after deduction of the provision for potential future Money Back Guarantee refunds. As instructions only become eligible for refund a minimum of 10 months post instruction, no significant payments under the Money Back Guarantee have been made in FY22. The Money Back Guarantee has not had the desired impact on instructions and was withdrawn in July 2022.

Gross profit margin

Gross profit of £42.1m was down 27% (FY21: £57.7m), due to a reduction in revenue and a lower gross profit margin (FY22: 60.1%; FY21: 63.5%) following the change to an employed sales model.

The majority of our cost of sales is represented by amounts paid to our field sales. Up until August 2021, these amounts were commissions paid to self-employed Local Property Experts (LPEs). From September 2021, we moved to an employed field sales model. Therefore, for the majority of the year, cost of sales represented both salary and commission costs paid to employed agents. The largely fixed nature of these costs, along with reduced levels of activity, has led to a significant reduction year on year in the gross profit, despite an increase of £3.1m in prepaid cost of sales linked to deferred income, arising from lower margins in H2 22.

Adjusted operating costs

Adjusted operating costs (see definition in note 5) decreased by 3% to £25.7m (FY21: £26.5m), with additional investment in technology and the move to an employed model more than offset by the higher capitalisation rate year on year of our Digital teams.

Financial review continued

Marketing

Marketing costs increased by 33% to £25.2m (FY21: £18.9m), reflecting investment in a new creative and above the line marketing. FY21 marketing costs benefited from lower activity in the pandemic-affected first half and reduced costs from the portals.

Marketing cost per instruction (CPI) was £629, significantly up from £326 in FY21, and marketing costs as a percentage of revenue rose from 21% in FY21 to 36% in FY22.

Adjusted EBITDA

Adjusted EBITDA (see definition in note 5) was a loss of £8.8m (FY21: profit of £12.0m), reflecting lower revenue, lower gross margin and an increase in marketing costs.

Depreciation and amortisation

Depreciation and amortisation was £3.5m, up from £3.0m in FY21, mainly reflecting digital investments across both years. In the prior year, amortisation arising on consolidation of £0.2m represented charges in respect of intangibles relating to the historical acquisition of the BFL lettings business, which have now been impaired in full as described below, along with associated goodwill.

Share-based payment credits

Share-based payment arrangements gave rise to a credit in the year of £2.2m, slightly lower than the credit of £2.3m in the prior year. FY22 saw significant credits arising on reversal of charges taken in previous years in respect of both options held by LPEs (which lapsed on termination of their self-employed contracts), and former employees leaving the business.

Exceptional items

Exceptional items include amounts that management believes are necessary to present separately in order to show a more comparable view of the performance of the business.

Exceptional costs in FY22 amounted to £19.3m (FY21: £2.1m). These include £3.5m in respect of the move to an employed field sales model, £3.6m for potential claims which could arise under the Housing Act 2004 within the lettings business, £2.7m from impairment of goodwill and other intangible assets relating to the lettings business, £9.2m from impairment of the Group's investment in its associate Homeday and £0.3m relating to the exit of the former CEO.

In the prior year, the exceptional amount reflected costs of supporting the network of independent LPEs in response to the Covid-19 pandemic of £0.9m and restructuring costs of £1.2m.

Operating loss and loss for the year

Overall, the Group made an operating loss of £31.7m (FY21: profit of £8.2m), including our share of losses of an associate of £2.3m (FY21: £1.0m). The Group's total loss for the year was £42.0m (FY21: profit of £6.8m, which included a profit of £2.9m reflecting the results of, and profit on disposal of, the Canadian business which was sold in July 2020, and which was presented within the discontinued operations line in the income statement).

Taxation

A tax charge of £7.2m for the year (FY21: credit of £0.3m) represents the decision to derecognise in full deferred tax assets, primarily in relation to brought forward losses, in light of current year losses.

Investment in Homeday

During the year, the Group recognised gains on step-down of our shareholding of £1.0m, relating to our joint venture partner's further investments in Homeday which we chose not to match. These gains partly offset our share of Homeday losses for FY22 of £3.3m. Overall our share of loss from associate was £2.3m (FY21: £1.0m, being £3.0m share of losses offset by £2.0m step-down gains).

The Group's investment in Homeday has been impaired in full at 30 April 2022, resulting in a charge of £9.2m at the Group level. This reflects continued losses following a significant slowdown in the German residential property market, in excess of those which had been forecast earlier in FY22, and a reassessment of the discount rate applied to Homeday's projected future cash flows in line with a more challenging macro-economic outlook.

No further investment in Homeday was made during the year and no further investment is currently anticipated.

Cash, working capital and statement of financial position

Non-current assets of £6.9m were lower than prior year (£26.8m), primarily due to the derecognition of £7.4m of deferred tax assets and impairment of £2.7m of goodwill and intangibles relating to the lettings business and £9.2m in respect of the investment in Homeday.

Current assets of £64.2m were lower than prior year (£90.0m), due to a reduction in cash of £30.8m, offset by increases in accrued income following introduction of the Money Back Guarantee product and in prepaid cost of sales due to a lower gross margin in FY22.

Current liabilities of £27.3m were broadly in line with prior year (£28.5m). Following the introduction of the Money Back Guarantee, in FY22 a loan from factor liability is now presented. This amount of £5.5m offsets a £5.8m reduction in deferred income from £14.8m to £9.0m. £3.1m of the reduction in deferred income relates to instruction volumes, with the remaining £2.7m representing presentational changes relating to Money Back Guarantee.

FY22 saw a total cash outflow of £30.8m (FY21: inflow of £43.0m). This reflected both the challenging trading conditions experienced in FY22 and a number of other individual factors, including £4.0m of exceptional costs and investments in tangible and intangible fixed assets of £5.3m, including £0.9m in relation to hardware provided to the employed field sales force, as well as £1.0m in respect of repayment of UK Coronavirus Job Retention Scheme (CJRS) receipts which were accrued for at 30 April 2021.

Approved and signed on behalf of the Board.

Steve Long
Chief Financial Officer
1 August 2022

Making every home move amazing

Our customer experience

Investing in tech and digital to improve customer experience

Supporting our customers and sales agents with technology is core to the Purplebricks model. Our Digital squads are largely focused on coding and deploying updates to our suite of apps and customer website, with additional investment in the year in Salesforce CRM and agent toolkits to drive performance improvement.

App downloads

266,000

FY21: 319,000

Offers accepted via app

31,600

FY21: 36,000

Stakeholder engagement

Meeting our stakeholders' needs

Our tech-led business model connects buyers, sellers, landlords and renters with our sales and lettings agents. It is enabled by our digital platform and app, but is reliant upon Purplebricks working with, listening to and responding to all our stakeholders' needs. The ongoing sustainable success of the business is dependent on our relationship with a wide range of stakeholders.

Directors' Section 172 Statement

The Board considers its principal stakeholders to be its employees, customers, shareholders, partners and suppliers, local communities, and Governments and non-governmental organisations. The Board recognises its responsibility to take into consideration the needs and concerns of its principal stakeholders as part of its discussion and decision-making process.

The Board reviews key topics through the year, carefully considering stakeholder interests when making decisions on strategically important matters as the Directors discharge their duties in alignment with section 172. Where there may be competing priorities, these are discussed by the Board and the commercial, human and broader business impacts are considered against the longer-term sustainability of the business. It takes seriously the views of these stakeholders in setting and implementing our strategy.

These pages outline the priorities of employees, customers, partners and shareholders, how the Board engages with these groups and the impact this has had on decision making throughout the year.

The Company takes its environmental responsibilities very seriously and is committed to reducing the footprint of its operations. As an online business its operations have a low impact on the environment. The Company will further assess opportunities to reduce its environmental impact in FY23.

The Directors of the Company take their duties under section 171(1) of the Companies Act 2006 seriously and consider that they have acted in good faith, and in ways which would promote the success of the Company for the benefit of its members as a whole, and having regard to the stakeholders and matters set out in section 172(1) (a–f) in the decisions taken during the year ended 30 April 2022.

In addition to the information provided here, more detail on how our stakeholders influence and shape our business and how we seek to act in their interests can be found throughout the Strategic and Governance Reports:

- Board discussions – see pages 52 to 60;
- sustainability – see pages 31 to 38; and
- Strategic Report – see pages 1 to 43.

Making every home move amazing

Our people

Moving our field sales team to fully employed

Significant changes to our operating model

The decision to move all sales agents from a self-employed model to employed was taken by the Board following a thorough review and business case at the start of the FY22 financial year. The Covid-19 pandemic particularly impacted the self-employed field teams and, alongside the desire for the Company to have full control over its resources, the new operating model was introduced on 1 September 2021.

Agents moved to employed

c600

Facilitating effective engagement and collaboration

Active engagement with our stakeholders is fundamental to the long-term success and sustainability of our business and we recognise that effective engagement and collaboration with all stakeholders will be crucial in supporting the UK's net-zero revolution.

Link to strategy

- Win new customers
- Create the best home moving experience
- Empower our people

Our people

Why they're important to us

Across our head office functions and within our field agent teams, our people blend their sales, marketing, digital and customer service skills and knowledge with our technology to create inspirational experiences for our customers to make every home move amazing. Our newly employed agents in our field sales team are the direct voice of the customer and they represent the Purplebricks values and culture in the living room.

What is important to them

- Feeling engaged with the business and its overall purpose
- Wellbeing, work–life balance and hybrid working
- Feeling valued, trusted and empowered
- Having the right training, support, tools and skills to do their work
- Being fairly rewarded and incentivised for their work

How we engage

- We provide all our people with a clear strategy and all employees have an annual personal appraisal and regular one-to-one meetings with their line manager to monitor performance against an agreed plan.
- Empowering our people is a strategic pillar for us; this includes communicating with them openly and authentically and ensuring they have the best training and technology to complete their work, be successful and thrive.
- The Senior Leadership Team holds monthly Q&A calls with all employees enabling sharing of information and gathering of employee feedback. Virtual events are used to maintain dialogue with colleagues working remotely.
- More recently, senior leadership visited customers in the living room alongside their sales colleagues.
- Prior to moving all Territory Operators and field agents from self-employed to employed, an event was held where we communicated the opportunity to all Territory Operators, who in turn held one-to-one calls with their agents to offer them a role within the organisation.

Considerations and outcomes

- During the pandemic our self-employed workforce was not eligible for Government support, which led the Company to establish a hardship fund. Providing our agents with stability of earnings and opportunities as employees was a contributory factor to moving our field force to fully employed.
- During the second half of the year we closed two offices, reflecting the hybrid working patterns of our people.
- We actively listen to all our people through our employee engagement survey. Five areas of feedback have been actioned since the first survey in November 2021, including launching a recognition platform, "PurplebrickSTARS", to celebrate peers for the great work they do.

Link to strategy

Stakeholder engagement continued

Shareholders

Why they're important to us

Our investors include individual and institutional shareholders and their support of the leadership and strategy through their holdings is essential to the business. We maintain an active and open dialogue with our investors throughout the year through our investor relations programme.

What is important to them

- Staying up to date with Purplebricks' strategy and business performance
- Timely, open and relevant communication
- Access to executive management
- Shareholder value
- Understanding the remuneration policy and management incentivisation

How we engage

- We take a thorough approach to our regular reporting content, delivered through the Annual Report and Accounts and Interim Report.
- Investor roadshows are held at full year and half year results, enabling direct one-to-one Q&A sessions with investors, analysts and potential investors.
- All recorded results presentations and CEO interviews are made available online through our investor website, purplebricksplc.com.
- Feedback from investors following the twice-yearly roadshow meetings is shared with the Board and senior team.
- The Board receives monthly reports on investor views, and related activity, as well as ad hoc updates outside the monthly Board reporting as required.

Considerations and outcomes

- The Board takes advice and guidance from its advisors on what is important to shareholders in planning all communications, to ensure it addresses their immediate concerns and any new and emerging key topics.
- Shareholder value was considered throughout the year when evaluating changes in the strategic approach and operating model.
- During the year the top 10 shareholders were offered a call with the CEO or Chairman following market announcements in which they were able to provide feedback for the Board to consider.

Link to strategy

Link to strategy

Win new customers

Create the best home moving experience

Empower our people

Our customers

Why they're important to us

Purplebricks is focused on delivering a low cost, seamless and trusted home moving experience, delivering services, products, tools and information to every customer who wants to buy, sell or let a home. As such our buyers, sellers and landlords are at the heart of everything we do.

What is important to them

- A quick and smooth property sale
- Best price for their home
- Value-for-money service
- Open honest communication
- Comparable service to traditional high street agents
- A well-managed tenancy experience

How we engage

- Our customer contact centre provides pre and post-sales advice to all customers, providing an additional personal channel.
- Customer feedback surveys are sent to all customers at key stages of the customer transaction, providing an anonymised feedback channel.
- Direct feedback by customers is enabled through our app and through our 600 agents who visit customer homes for valuations and viewings.
- We actively seek customer feedback and have a robust process for managing customer complaints.

Considerations and outcomes

- Customers are central to all decisions made by the Company and the Board considers the needs of customers when taking decisions on all aspects of the Company's interactions with customers including: technology employed on the website and app, standards and behaviours of our employed agents, quality and availability of post-sales service and reviews of our pricing.
- Following its successful introduction during the pandemic, access to virtual viewings for all listings was standardised as part of our Pro package in response to customer feedback.
- We conducted pricing and proposition research and trials in early 2021; in response to customer feedback from these we launched a Money Back Guarantee and Pro package offering.
- Following the issues in our letting business in December 2021, a number of process and control enhancements were put in place, including the processes around timely registration of deposits, and provision of prescribed information and other information to tenants.

Link to strategy

Stakeholder engagement continued

Partners, suppliers and community

Why they're important to us

Partners are an important part of the Purplebricks ecosystem. We drive quality and productivity and integrate with partners to create cross-selling opportunities at the right stage of the move process.

We believe that our long-term success is closely linked to the success of the communities in which we operate. Communities are where our current and future customers, colleagues and their families, partners and other stakeholders live. All of these are crucial to our success and growth.

What is important to them

- Prompt payment
- Fair contractual terms
- Well-managed operations and processes
- Local job opportunities
- Supporting local causes

How we engage

- Purplebricks is committed to treating our growing group of strategic partners and suppliers fairly. We endeavour to pay all partners and suppliers in line with their payment terms and, where this is not possible, we take steps to minimise the impact on their business.
- We create jobs and provide development opportunities in the communities where we operate. Through our locally based agents, we support local initiatives and causes, wherever possible.
- Purplebricks has been providing support to local football teams by purchasing football kits for nearly 50 local teams, and ensuring children can have wider access to fitness and competitive sport (see Community on pages 35 and 36).

Considerations and outcomes

- We rely on our partners to provide financial and legal services which are essential enablers to the property sales process and revenue enhancement opportunities for the Company. Enhancements to our offering, integration with technology or price changes which could impact the use of these partner services or provide additional revenue opportunities for partners are carefully considered with our partners. The introduction of the Money Back Guarantee, which would give rise to a redemption rate, has the potential to impact our financing partner, Duologi, and its views were sought and listened to during the design stage of the redemption journey.
- Our support of local football teams has meant that children have access to local sport in the community, and take pride in playing for their team in a smart branded kit.

Link to strategy

Section 172 in action

Board decisions are taken with due consideration to the matters as outlined in section 172 of the Companies Act. Below are two key decisions made by the Board during the year and the considerations made during their approval.

Moving all field sales agents from self-employed to employed

During the first half of the year the following was presented to the Board in relation to the self-employed field workforce:

- move all sales agent roles to permanent employees of Purplebricks, offering new contracts to existing agents and Territory Operators, and introduce a new operating structure; and
- invest in central administration functions to manage agents and new tech equipment for all field workforce.

Section 172 considerations

Long-term success of the business	People	Suppliers and community	Customers
– The benefits to the business due to being able to control its sales channel and quality of customer service. – The impact on the financial performance of the business from ability to scale and drive better margins through improved consistency and better service to customers.	– The impact of implementation on management and employees within the business and the additional strain on the current business alongside other material changes in the business. – The additional career development opportunities available as a result of a larger number of in-house roles.	– The positive and negative impacts on the self-employed Territory Operators and their agents and how they were expected to respond to a fundamental change in employment status. – The positive impact on the wider community where we recruit and operate, and the improvement in external perception of the brand.	– The expected improvement in service to end customers through improved investment in field training and improvement in service standards. – Improved brand perception from customers dealing directly with employees of Purplebricks.

Outcomes and actions	
	The Board approved the change of employment status for the field sales teams, including the additional costs of transition and employment and the increase in central overheads.

Strategic report

Corporate governance

Financial statements

Section 172 in action continued

Introduction of new pricing and product propositions

Following the conclusion of pricing and proposition research and in-market trials in H1 22, the Board was presented with options and recommendations on the introduction of new pricing and propositions to address some customer barriers to using Purplebricks, as follows:

- introduction of a Money Back Guarantee (MBG) for all customers who instructed Purplebricks, with terms and conditions attached;
- simplification of the Purplebricks customer offering into two options with different price points; and
- investment in digital technology and a new marketing campaign to support the rollout of the new propositions.

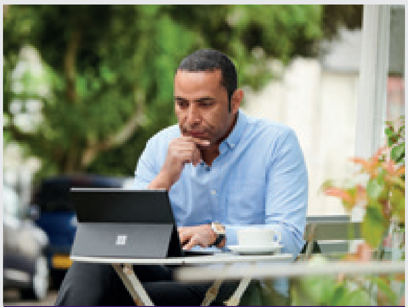
Section 172 considerations

Long-term success of the business	People and suppliers	Customers
– The benefits to the business of increasing instruction volume through more consideration and a simplified proposition for customers. – Revenue growth through increased volume and higher price points for ancillary products.	– Impact on ability of field agents to win more instructions in the living room when a MBG is available. – Additional cost of training agents and post-sales customer service team. – Impact of refund rate on existing agreement with financing partner.	– The positive impact on customers from the simplification of the product offering and removal of some confusion amongst the target audience. – The ease by which customers can understand the new pricing and the terms and conditions of the MBG. – Improved quality of product and service.

Outcomes and actions	The Board agreed with the proposed changes and the additional investment in marketing and digital required to support the introduction of the new propositions, both launched simultaneously in July 2021. Since launch the MBG has not had the desired impact on instruction growth and the decision was made to withdraw this feature in July 2022. Classic and Pro propositions have been a success, driving growth in ARPI.

We are taking steps to create the best legacy for our future

We aim to make every home move amazing while developing our people, operating as a sound community partner and being mindful of our impact on the environment.



Our people

We play together and win together.

During the past year we embraced the opportunity to bring our field team in house, allowing us to fully embed our values. As our team of Purplebricksters expands we remain focused on making every home move amazing and strengthening our culture.

People
Read more on p.32–34

Our community

We create amazing experiences and opportunities around the UK.

As the UK's largest estate agency brand we're proud to be a valued member of many different communities throughout the UK. We're passionate about supporting them to thrive – from the jobs and development opportunities we create through to the local initiatives and causes we support.

Community
Read more on p.35–36

Our environment

Fearlessly progressive in our pursuit of a cleaner and healthier planet.

Whilst we're an online business with a lean physical infrastructure, we are aware of our responsibility to our people and planet. With the move to the employed model during the year our business travel and carbon emissions have significantly increased, as we have more people out on the road visiting properties. We are committed to developing a plan in the coming year to reduce our environmental impact, drawing on our creativity and knowledge of cleaner technologies to reduce our carbon and greenhouse gas emissions.

Environment
Read more on p.37–38

Sustainability continued

People

We operate and actively encourage an open and supportive winning culture at Purplebricks. See Our culture on pages 16 and 17 for more information.

Adapting our HR practices to our new operating model

Following the changes to our operating model and moving all our field teams from self-employed to employed, we have invested in our internal HR team and practices to support the enlarged workforce and ensure we can recruit and train the best agents in the industry.

Training and development

Our fully established L&D team allows us to design and deliver our own training with less reliance on external providers than ever before. We use a variety of platforms to ensure the most suitable and impactful medium is used to maximise learning transfer and create quality materials that we can tailor and amend in house, allowing us to quickly respond to changing legislation, processes and feedback.

One of our L&D platforms houses all of our digital e-learning courses, video courses and useful training aids via our LMS 365 platform. Since July 2021 we've seen over 2,900 Purplebricks employees complete over 22,700 courses via our LMS platform.

Over the course of the past 12 months we have launched a new Sales Academy designed to create living room-ready agents from both inside and outside of the estate agency industry. The Academy onboards new members of our field team to Purplebricks, trains them on our processes and technology and ensures competence in compliance. Attendance at the Academy is compulsory and is delivered through self-study, online learning and virtual and in-person delivery. It is blended with on-the-job observations, feedback and coaching delivered by line managers and L&D Business Partners.

> We continue to develop our line managers through a Line Manager Academy that helps to create a first class employee experience.

In addition to this, we have created a launched a Lettings Operations Academy and Lettings Field Academy. These Academies have incorporated many of our lessons learned over the past 12 months and aim to produce agents and an operations team fully competent in customer service, processes and compliance as we strive to be the industry-leading standard for lettings compliance.

Since launching our new Sales and Lettings Academies, we've delivered 10 Academies across the country, equipping our agents with the knowledge and skills they need to deliver excellent customer outcomes.

Alongside this, we continue to develop our line managers through a Line Manager Academy that helps to create a first class employee experience, where our people are supported and developed to perform to the best of their ability.

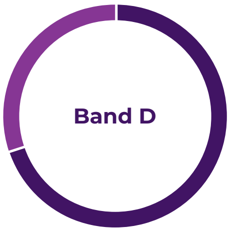
Recruitment

Our recruitment team provides support across the business. In our approach to recruitment we combine a number of approaches including competency-based interviews, cultural assessments, psychometric assessments and, for more senior roles, case study interviews. Addressing bias aligns with our focus on diversity, equity and inclusion and it's for this reason that there is a multi-stage assessment approach and multiple stakeholders involved in decision making for recruitment. Allowing candidates to meet more than one person not only limits bias, it allows a more rounded assessment of cultural fit and provides the candidate with transparency, allowing them to make a confident decision that Purplebricks is the business for them. Having employed our field sales, this allows us to ensure thorough assessment of agents for both competency and cultural fit, although line managers are empowered to make the final decision based on the needs of the team. Line managers are supported through line manager training to ensure a quality approach to recruitment that provides a great candidate experience. Through improvements to our talent acquisition system currently in progress, we will also be able to introduce blind CV sifting over the next 12 months to further tackle the risk of unconscious bias in the initial CV sifting stage.

We are ambitious with the calibre of candidates that we want to bring into our business and it's for this reason we are increasingly focused on recruiting great sales capability from industries beyond just estate agency. Our Sales Academy allows us to onboard people and build fully competent estate agencies, which means we can recruit for great customer service capability rather than knowledge of the industry.

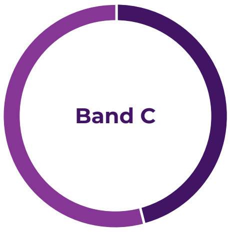
Internal growth has been a key focus within Purplebricks and as we have a mature L&D team in place we are able to support professional development moves, which has resulted in 93 internal promotions and role changes since 1 July 2021. During the year we made over 500 new hires.

Sustainability continued



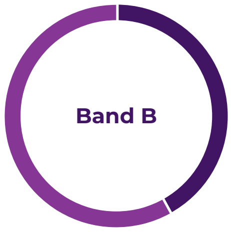
Includes all employees whose standard hourly rate places them **in the upper quartile**

- Males **70.3%**
- Females **29.7%**



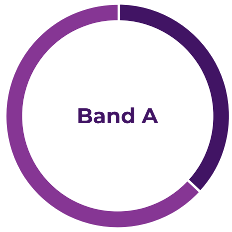
Includes all employees whose standard hourly rate places them **in the upper middle quartile**

- Males **45.5%**
- Females **54.5%**



Includes all employees whose standard hourly rate places them **in the lower middle quartile**

- Males **41.6%**
- Females **58.4%**



Includes all employees whose standard hourly rate places them **in the lower quartile**

- Males **36.6%**
- Females **63.4%**

Gender reporting

Increasing the gender diversity of our leadership teams continues to be an important area of work for the Company. Across Purplebricks, colleagues have worked to identify and eliminate biases and barriers that may be holding women back from promotion to senior roles.

1. The **mean gender pay gap** is 33.3%
2. The **median gender pay gap** is 30.7%
3. The percentage of:
   - **Male employees** receiving a bonus is 26.6%
   - **Female employees** receiving a bonus is 39.8%
4. The **mean gender bonus gap** is 49.7%
5. The **median gender bonus gap** is 18.7%
6. The percentage of males and females in each pay quartile band is shown above

Race at Work Charter

We're proud to be a signatory of the Race at Work Charter. The Charter is designed to foster a public commitment to improving outcomes for Black, Asian and Minority Ethnic employees in the workplace. As part of the Charter, Laura Bache, Interim Chief People Officer, is the executive sponsor for race and is accountable for the commitments we have made and ensuring racial diversity remains a priority.

Health and safety

We remain committed to the highest standards of health and safety in our work activities for our employees, our field agents, our customers and our partners.

For our newly employed field colleagues we have installed a robust set of safety processes and protocols based on the Suzy Lamplugh principles of guidance, published by The Suzy Lamplugh Trust, which is the UK's pioneering personal safety charity. The Suzy Lamplugh Trust is widely regarded as a field expert in lone-working and personal safety training, and stalking training.

Our established network of mental health first aiders, established during the pandemic, continue to support their colleagues who may be experiencing mental health difficulties at work. All of our employees have access to our Employee Assistance Programme as well as discounts for one-to-one private counselling sessions.

The year has seen further improvements in, and strengthening of, our health and safety culture across the business, summarised below:

- Display Screen Equipment (DSE) assessment and associated guidance were offered to all employees, supporting safe and healthy homeworking.
- Following the transition to hybrid working we have not received any related reports of accidents or injuries.
- Our reportable injuries were low (those required to be reported to the Health and Safety Executive (HSE)), with one incident reported.
- No fire safety incidents were reported in the reporting period.
- Revised first aid training took place in late 2021.
- All relevant buildings were certified as Covid secure prior to reopening and general use (including compliance with all statutory requirements due to periods of vacancy).

Modern Slavery Act

Purplebricks will take a zero-tolerance approach to any form of modern slavery. We are committed to trading in an ethical manner, with integrity and transparency in all business dealings. We are committed to creating effective systems and controls to safeguard against any form of modern slavery or human trafficking taking place within our business or supply chains. We strive to provide our customers with excellent service. In order to achieve that we require our suppliers to also meet our level of professional standards and compliance.

Community

We are making a positive difference to our local communities.

Local communities form an integral part of our business model, employing local agents across the country, each with a wealth of knowledge about their local area and passion for the communities within which they work and live.

Our customers are at the heart of our local communities and we are passionate about supporting them where they live, work and play – from the jobs and development opportunities we create through to the local initiatives and causes we support.

Grassroots football plays such an important role in many local communities, providing a home for social activity and bringing people together from all walks of life, as well as helping people to stay fit and healthy, and developing individuals' sporting skills.

Our focus is on where we, as a business, can make a difference to these teams. The rising cost of living impacts us all, but with grassroots sports participation levels dropping across the country, the cost of a kit is sometimes a sticking point in whether someone continues playing the sport. Therefore, we focus our support on grassroots and junior sports teams as in many cases it keeps these clubs playing the game as it is one less cost for them to worry about.

Finding the money for new kits has been a particular challenge for many community clubs over recent years, due to the financial implications of Covid-19, with numerous teams suffering a loss of income when training was paused. This was true for Exeter-based team Cranbrook United FC, which received its new Purplebricks branded kits last summer. Club Chairman Ben Rushton said: "It's brilliant to have the support of Purplebricks in Exeter. The pandemic hit youth football hard and without the support from a company which wants to invest in the local community, the team would not have a kit to play in."

The sponsorship programme has also benefited several newly formed teams, helping to kick start their journeys by providing them with branded kits to play in. Sharon Uppal, Co-Coach for Sutton Town Football Club's newly formed girls' team, said: "The support of Purplebricks has been crucial in getting our team off the ground. The girls love their kits and there is a real sense of belonging when they are kitted up for their games. It is great that large organisations like Purplebricks are seeing the importance of supporting grassroots girls' football."

Sustainability continued

Our Purplebricks logo now appears on nearly 50 local team kits.

Since publishing our sponsorships blog on our website and LinkedIn, we have been inundated with requests from local sports clubs across the country. As much as we would like to support all, we must ensure that our local sponsorship makes sense from a business perspective. Using TwentyCi, we check our current market share in the area and ensure that the local opportunity can help drive growth in the area. We liaise with our colleagues in the field to ensure that the community partnerships make sense for that town and get them to engage with the local team.

The UK property market is still largely dominated by traditional high street agents. This is the case in many of the towns that we want to operate in. One of our biggest challenges in these areas is to make people aware of us as a brand and consider using our service. When partnering with local clubs, it opens a variety of opportunities for us to engage in these areas, growing our brand presence. It gives us good local press coverage and, where we can have our field colleagues involved with the team, gets their name and face out into the community. We are also then able to create engaging social content across our national channels.

Case study

Slough Town FC U13 Girls

Kay Lathey from Slough Town FC U13 Girls, a team recently sponsored by Purplebricks, said: "Football is so much more than just a game. The actual game and fitness benefits aside, being part of a team teaches the girls life skills and problem solving. It gives them a much wider social circle, as very few of them go to school together, and so it's a social outlet for some who may struggle in the traditional educational setting. The social aspect is far wider than just the girls though, as parents come together to support the team, help each other with lifts and have made friends along the way. Purplebricks' support has ensured our club can continue to offer an outlet for girls in the area who want to play football."

Sam Taylor, Area Director for Slough, says: "Slough is performing significantly better than Twickenham, which is next door and doesn't have local sponsorships live, in terms of valuations and viewing numbers. I would say this is partly down to our mix of local and national marketing activities, as well as our hyper-local community sponsorship. The great news with Suburban/Outer London is that many communities will mix, and people will often have friends and family in neighbouring areas and so visibility in Slough (as one example) will have a much further reaching effect on business levels and numbers."

Environment

Purplebricks is committed to reducing its environmental impact and contribution to climate change.

Purplebricks Group plc is committed to reducing its environmental impact and contribution to climate change through continuous improvement procedures. We vacated one of our two Solihull offices and closed our Liverpool office during the year, and plan to review the remaining property portfolio throughout FY23, with the aim of reducing building emissions as well as unnecessary employee commuting. Our London office has an electricity supply provided by a REGO-backed (renewable) source, which has prevented an increase in our operational emissions from newly leased buildings.

We have also initiated the refurbishment of our remaining Solihull office One Cranmore with LED lighting being fully installed throughout the office in FY22.

There has been a significant rise in business travel emissions within this reporting period primarily due to the employment of previously self-employed sales agents in September 2021. In addition, the lifting of Covid-19 restrictions throughout the year has seen an increase in all emission sources as we start to return to a sense of normality.

In order to decrease the emissions intensity of our transport fleet, we operated the Octopus Electric Vehicles salary sacrifice lease scheme for senior leadership and executive team members within the Group during the reporting period, incentivising the uptake of ultra-low emissions vehicles.

Total energy (kWh)

Up 595%

Total SECR emissions

Up 620%

Sustainability continued

GHG emissions data

		FY22	FY21	% change
Energy (kWh)				
Natural gas		**90,122**	21,462	319.9%
Grey fleet		**1,022,702**	17,616	5,705.5%
Electricity		**261,684**	158,793	64.8%
Total energy (kWh)		**1,374,508**	197,871	594.6%
Emissions (tCO_2e)				
Scope 1	Natural gas	**16.5**	3.9	323.1%
Scope 2 (location-based method)	Electricity	**55.6**	37.0	50.3%
*Scope 2 (market-based method)**	*Electricity*	***48.5***	*28.9*	*67.8%*
Scope 3	Grey Fleet	**251.9**	4.1	6,043.9%
Total SECR emissions		**324.0**	45.0	620.0%
Emissions intensity ratio				
Emissions intensity (tCO_2e/£m turnover)		**4.63**	0.50	826.0%

* Included for comparison only.

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires Purplebricks Group plc to disclose annual UK energy consumption and greenhouse gas (GHG) emissions from SECR regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the 12-month period ending 30 April 2022.

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, gaseous fuels such as natural gas, and business travel in company-owned vehicles and grey fleet. The table above details the SECR regulated energy and GHG emissions sources from the current and previous reporting periods.

Emissions intensity ratio

4.6

Methodology

Electricity and natural gas disclosures have been calculated using metered kWh consumption taken from supplier fiscal invoices where available. Derby Square (Liverpool office), Fora Space (London office) and Norfolk Street (Liverpool key storage facility) energy consumption has been estimated using office floor areas and energy benchmarks taken from CIBSE Guide F (3.8% of total).

GHG emissions associated with Scope 2 purchased electricity have been reported using both market-based and location-based methodologies. Where fuel mix disclosures were not available, such as for landlord supplies, the emissions factor for the residual fuel mix of the UK was instead adopted. Only emissions calculated using the location-based methodology have been carried into the total emissions figure – market-based emissions have been included for comparison only.

Transport disclosures have been calculated using business mileage expense claim records. Fuel volumes and mileages have been converted into equivalent energy and GHG emissions using emissions factors published by BEIS in 2021. Where vehicle information such as engine size and type were not captured against a mileage claim, a vehicle of average size and fuel type was assumed.

Risk management

We face multiple risks with the potential to disrupt our strategic and operational objectives. The Group therefore recognises the importance of identifying and actively managing risk to make better informed decisions and to balance risk with opportunity.

Risk Management Framework

We seek to manage identified risks, rather than eliminate them, and to achieve reasonable mitigation against material misstatements or loss within the business. Assessing the nature and significance of risk to business performance, and regularly assessing how these risks may be mitigated is critical for the success of our business.

We have a structured and systematic risk management framework, monitoring risk from both a bottom-up functional and top-down Group level, with the Board being accountable for ensuring a robust assessment of risk and reviewing the effectiveness of the risk management strategy. The Board has delegated the role of leading on risk and challenging management in this area to the Audit Committee, which presents back to the wider Board for overall decisions on risk appetite and key decision-making.

Each business function monitors and reports on risk on a continuing basis. The most significant risks are consolidated into the corporate risk register and reviewed by the Executive Leadership Team and the Board, which has ultimate ownership of the principal risks. Through the functional and corporate registers risks are identified, evaluated, and measured. Where risks are identified to be outside of the Group's appetite, mitigating controls and/or actions are implemented and monitored.

FY22 Risk

The Group has seen significant transformation during the year. Coupled with lower market instructions won and a shortage of supply in the market our financial performance has been impacted. The change to our operating model during FY22 has altered our risk profile. Risk associated with our previous network of self-employed agents, independent of the Group, has diminished as the Group is now able to directly monitor and manage compliance with laws, regulations, and policies. This change in model has also given the Group the opportunity to further develop our in-house capability, expertise, and knowledge.

During an internal review the Company became aware of process issues in relation to lettings regulations. Swift action was taken, and is continuing, to address the issues and rectify our processes (see note 3.1 for more detail). We have recognised that these issues have highlighted an increased level of risk to our brand reputation and in the area of compliance, although we are confident that appropriate measures to understand and address the process issues involved are now in place.

Risk appetite

The risk appetite is reviewed on an annual basis. The Group operates in a fast-paced and agile environment, as such, the Board has a moderate appetite for commercial risk. Taking controlled, measured risk, proportionate to the expected benefits, is essential as our business grows and evolves.

In other areas, such as the health and safety of our people and the protection of our customer data, the Board maintains a low risk appetite.

Risk management and principal risks continued

Principal risks

Roles and responsibilities

THE BOARD
- Provides strategic direction on the appropriate balance between risk and reward
- Sets the "tone" and culture for managing risk and embedding risk management
- Ensures the most significant risks facing the organisation are visible and properly managed

THE AUDIT COMMITTEE
- Monitors and reviews the Company's systems of internal control and risk management
- Makes recommendations to the Board for improvements or developments
- Reviews the Company's risk appetite and risk management framework

THE EXECUTIVE LEADERSHIP TEAM
- Promotes and supports the embedding of risk management throughout the business
- Ensures there is active management of identified and emerging risks through controls and mitigating actions
- Formally reviews the Company-wide risk register on a regular basis

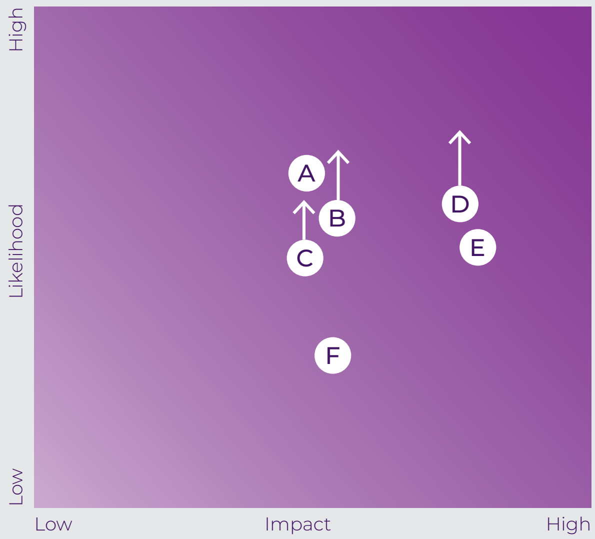
RISK COMMITTEE
- Formally reviews the Company/functional risk register on a regular basis
- Ensures there is active identification of new and emerging risks in each operating area through controls and mitigating actions
- Ensures there is active management of those risks identified as needing mitigation and/or remediation

Principal risks and opportunities

These are the risk factors which we believe to be the most material to our business model, which could adversely affect the operations, revenue, profit, cash flow or assets of the Group and which may prevent us from achieving the Group's strategic objectives.

The heat map below highlights the residual/net positioning of our principal risks from a likelihood and impact perspective, and the direction of any movement from the prior year. Due to the changes made to the operating model and leadership during the year we have taken the opportunity to refresh our principal risks.

A more detailed description of the principal risks can be found on pages 41 to 43.



A Market and performance
B Brand reputation
C People
D Compliance with laws and regulations
E Cyber security and protection of data
F Financial control environment

Risk trend

- The risk has increased in significance
- The risk has decreased in significance
- The risk is unchanged in significance
- NEW New risk

Link to strategy

- Win more customers
- Create the best home moving experience
- Empower our people

A Market and performance

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
The success of the Group is dependent on maintaining scale in a competitive sector, which is largely dependent on the macro-economic conditions in the UK and internationally. **Risk movement from prior year** NEW	Economic uncertainty, such as that created by the cost of living crisis/inflation, can adversely affect the performance of the Group and the wider market, resulting in us failing to achieve our strategic objectives, leading to lower market share than planned, with associated financial and reputational impact.	Local market conditions and macro-economic factors are monitored closely, with KPIs tracked on a weekly basis. The Executive Leadership Team continues to assess the Group's strategy to react effectively to changes in market conditions.	To use our technology-led business model and competitive pricing framework to offer our customers the best home moving experience in the market, to ensure our market share remains unaffected or grows despite any potential adverse market conditions.

B Brand reputation

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
The Group has established an identifiable and respected brand which could be damaged by factors (in either the field or head office) such as unethical, unlawful or non-brand compliant activity, poor customer service, negative customer reviews or negative press. **Risk movement from prior year**	We could lose both existing and potential customers, and suffer significant brand reputation and financial consequences.	The Group continues to actively monitor its brand sentiment and Net Promoter Scores to ensure both its marketing and service quality reflect customer needs. In FY22 the brand reputation was affected by process issues in the lettings business, as described in note 3.1. Corrective action has been taken to rectify processes to protect our customers and brand in future. The Group strives to maintain its reputation for being a trusted estate agency service provided at a fair fixed price and monitors its customer feedback, both direct and through third party providers, on a real-time daily basis.	To better understand the needs of our customers, enabling a more focused marketing strategy.

Risk management and principal risks continued

C People

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
The Group's success is dependent on the quality of its management, operational teams and agents. There is a risk we might not be successful in attracting, retaining, training and developing the right employees. **Risk movement from prior year**	We might be unable to effectively deliver our services to customers, and meet our strategic objectives.	We are now directly responsible for our field sales teams, including their health and safety, having moved to a fully employed sales model in the year, with lettings also moving to an employed model in July 2022. We aim to provide competitive commission packages and flexible working practices to attract and retain the best agents. Under the new model we are benefiting and supporting our people and making Purplebricks fit for the future. During the year we have invested in our recruitment, HR operations and learning and development team to support the attraction, retention, development and training of our colleagues.	To further develop our capability, expertise and knowledge.

D Compliance with laws and regulations

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
The Group operates in a sector with an evolving legal and regulatory environment and monitors developments to ensure legal, regulatory and ethical compliance, with particular focus on anti-money laundering compliance, which is key to our operations. **Risk movement from prior year**	Failure to comply with applicable laws and regulations would adversely impact the Group's reputation and operations.	We operate ongoing monitoring of developments within the industry, embedding any changes within our systems and processes. Controls and processes continue to be enhanced with regard to anti-money laundering checking and other key compliance areas. The lettings process issues in FY22 have further highlighted the importance of effective controls; the Board has overseen the appropriate and swift actions taken to address these issues and to implement robust new processes, and progress is being made to rectify historical instances of non-compliance. The Board have sought independent third party assurance and advice in relation to the end-to-end process and controls in the lettings business, including in relation to compliance with applicable laws and regulations.	To build enhanced collaborative networks with stakeholders and peers, to monitor the implications of regulatory change.

Risk trend

- The risk has increased in significance
- The risk has decreased in significance
- The risk is unchanged in significance
- NEW New risk

Link to strategy

- Win more customers
- Create the best home moving experience
- Empower our people

E Cyber security and protection of data

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
The Group's website and IT environments could be the target of cyber attacks. Through such an attack, there is a risk that we fail to manage and protect both customer and employee data, or we may not comply with legal or other regulatory requirements relating to customer data security and data privacy in the course of our business activities, including in our marketing activity, agent activity and other operational activity. **Risk movement from prior year**	We lose or misuse customer and employee data, resulting in a failure to comply with GDPR and other regulations – leading to adverse financial consequences and reputational impact.	The digital team monitors the resilience of our IT systems on an ongoing basis to ensure that customers and their data are protected, by running security programmes on a monthly basis, as well as tabletop exercises/"red teams" on an annual basis. GDPR legislation continues to be considered as part of every development to ensure we embed compliance within the Group's processes. Further, all staff receive training on security, data protection and compliance matters.	To maintain a best in class website and in-house IT environment which are resilient to any potential cyber attacks and allow us to focus more on the pursuit of our strategic objectives.

F Financial control environment

Link to strategy

Principal risk	Impact	Mitigation	Opportunity
Inaccurate financial information may result in suboptimal decisions being taken by management and inadequate financial controls could result in financial loss to the Group. **Risk movement from prior year**	Inaccurate financial reporting may lead to suboptimal decision making/financial loss, and the potential for misstatement in external reporting.	The systems of internal control deployed within the Group are designed to prevent financial loss, and significant improvements continue to be made in the control environment and procedures. Controls are strongest in areas where management considers the potential exposure to the Group of material loss or misstatement to be at its greatest, including areas such as bank accounts, cash collection and revenue recognition.	To develop a best in class financial information and control environment which proactively informs the business, manages risk and fosters a culture of risk and control awareness.

Approval of the Strategic Report

The Strategic Report was approved by the Board of Directors on 1 August 2022 and signed on its behalf by:

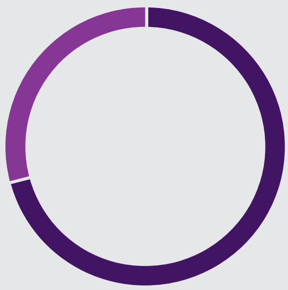
Helena Marston
Chief Executive Officer

Steve Long
Chief Financial Officer

Board of Directors

A diverse range of skills and experience

Board members by gender*

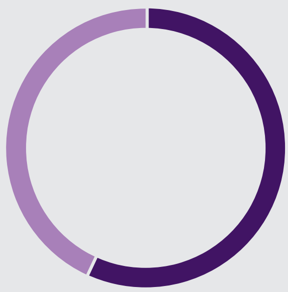


Male	5
Female	2

Balance of the Board*

Executive	2
Non-Executive	5

Board tenure*



0–2 years	4
2–4 years	0
4+ years	3

* As at 1 August.

Paul Pindar
Non-Executive Chairman

Paul was an early investor in Purplebricks and became the Group's Non-Executive Chairman in December 2015.

Committees

None

Career

Paul was the third longest serving FTSE 100 CEO when he stood down from Capita plc in 2014. When he joined as Finance Director in 1987, after advising on the £0.3m management buyout (MBO) of the business while working for 3i Group plc, Capita had 33 employees and an annual revenue of £1.3m. Paul became Managing Director in 1991 and Chief Executive in 1999. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5bn.

Board skills and experience

Paul has a significant breadth and depth of experience from his career at Capita.

Other appointments

- Non-Executive Chairman of Literacy Capital plc
- Chairman of Bookmark Reading Charity's Corporate Partnership Board

Helena Marston
Chief Executive Officer

Helena was appointed Group Chief Executive Officer in April 2022. Helena joined Purplebricks in May 2020 as Chief People Officer and was promoted to Chief Operating Officer at the end of 2021.

Committees

None

Career

Helena has held several senior leadership roles at Virgin Media, Kuwait Energy, Jaguar Land Rover and Vodafone. She drove significant performance improvements in leadership and organisational culture for these world-leading multinational companies.

Since joining the Company, Helena has taken over responsibility for all aspects of Purplebricks' people and operational strategy, ensuring the Group has the optimum structure to deliver a high performance culture, having designed and led the complex project to move all field agents to fully employed in 2021.

Board skills and experience

Helena has a wealth of experience in global leadership roles in a number of highly competitive, complex businesses.

Other appointments

- Non-Executive Director of Homeday GmbH

Steve Long
Chief Financial Officer

Steve joined the Board in February 2022.

Committees

None

Career

Steve is a Chartered Accountant with over 10 years' experience in strategic planning, execution and effective delivery of all aspects of the financial management of a business.

Steve held a number of positions at esure Group, where he took a leading role in the development of the finance function and broader commercial and strategic direction of the business, including the Group's IPO and other corporate actions, as well as the sale to private equity in 2018. Immediately prior to joining Purplebricks Steve was Finance Director, Strategy and Transformation, where he was responsible for the development, financial management and execution of the Group's strategic plans and transformation programme.

Steve holds a BA (Hons) in Politics, Philosophy and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Board skills and experience

Steve has held a number of senior financial positions and was interim Chief Financial Officer at esure from January 2018 to March 2020. He previously spent a number of years at KPMG where he worked with a variety of clients within the financial services audit and advisory function.

Other appointments

None

Board of Directors continued

A diverse range of skills and experience

Scheduled meetings	Attendance
Paul Pindar	9
Vic Darvey[1]	8
Helena Marston[1]	—
Andy Botha[2]	4
Steve Long[2]	2
Simon Downing	9
Adrian Blair	9
Stephanie Caspar[3]	7
Elona Mortimer-Zhika	9

Changes in the year:

1. Vic Darvey resigned on 31 March 2022 and was replaced by Helena Marston on 20 April 2022.
2. Andy Botha resigned on 29 October 2021 and was replaced by Steve Long on 1 February 2022.
3. Stephanie Caspar resigned on 21 July 2022 and was replaced by Ait Voncke on the same date.

Simon Downing
Senior Independent Director

Simon joined the Board in April 2018.

Committees

Remuneration Committee (Chair);
Nomination Committee;
Audit Committee

Career

Simon is a graduate engineer and has over 30 years of experience in building and investing in technology businesses; he is a past winner of the UK EY Technology Entrepreneur of the Year award.

Board skills and experience

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

Other appointments

- Chairman of Civica Group and Audiotonix Group
- Non-Executive Director of Literacy Capital plc
- Senior Advisor to Ardian

Adrian Blair
Non-Executive Director

Adrian joined the Board in April 2018.

Committees

Nomination Committee (Chair);
Remuneration Committee;
Audit Committee

Career

Adrian is currently Chief Business Officer at Cera Care, a global leader in digital-first healthcare at home, and one of the fastest growing companies in Europe. Prior to this Adrian was Chief Executive Officer at Dext, leading its successful transformation prior to its sale in 2021 to Hg Capital. For seven years until 2018, Adrian was Global Chief Operating Officer at Just Eat plc. Before Just Eat, Adrian held a variety of commercial leadership roles at Spotify and Google, in California and London.

Board skills and experience

As CEO of Dext, Adrian worked with the board to implement a new multi-product strategy, re-brand the company and achieve a successful exit. At Just Eat, Adrian was responsible for all commercial operations in the UK and in 12 international markets. Over seven years, he was instrumental in building Just Eat into one of the most successful technology companies in Europe. Adrian was part of the team that led Just Eat through its listing on the London Stock Exchange in 2014.

Other appointments

- Co-Founder and Non-Executive Chair of the Leadership Development and Social Mobility Business of Circl.org.

Elona Mortimer-Zhika
Non-Executive Director

Elona joined the Board in September 2020.

Committees

Audit Committee (Chair)

Career

In 2016 Elona joined IRIS Software Group as Chief Financial Officer. IRIS is backed by Hg, Europe's leading software investor.

Elona was promoted to Chief Operating Officer in 2018 and became Chief Executive Officer in September 2019.

Before joining IRIS, Elona held several senior leadership roles at big four accountancy firms and private equity-backed businesses, including Mavenir, Acision, Arthur Andersen and Deloitte.

Elona has a First Class Honours Degree in Accounting and Economics and is a Fellow of the Institute of Chartered Accountants in England and Wales.

She is also a patron of Boardwave, a powerful community of software leaders.

Her awards include Top 50 Women in Accounting 2021; UK Tech Awards Business Woman of the Year 2020; Global Banking and Finance Businesswoman of the Year UK 2020; and Venus National Finance Professional of the Year 2018.

Elona is passionate about diversity and is a mentor in the F-Ten ICAEW programme supporting women in leadership positions.

Board skills and experience

As Chief Executive Officer of IRIS, Elona is responsible for guiding the strategic direction and managing all operations across the Group.

Other appointments

- Chief Executive Officer of IRIS Software Group

Ait Voncke
Non-Executive Director

Ait joined the Board in July 2022 as the Axel Springer Board representative.

Committees

None

Career

Ait joined AVIV Group, which comprises Axel Springer's online classifieds offering for real estate, as CEO in January 2021. Ait previously served as Senior Vice President and General Manager at Expedia Group after being a part of the founding team of Groupon in Europe. Ait began his career at Accenture where he spent over a decade advising technology companies globally and latterly founding the Internet, Media and Technology team for Accenture in Austria.

Board skills and experience

Ait sits on a number of boards and has 25 years of international experience in leading growth projects and organisational change, and setting up greenfield business. He has a passion for leading and motivating diverse teams, working in an international entrepreneurial environment and steering complex projects. He has an academic background in Engineering and Business Administration.

Other appointments

- Ait is a director of AVIV Group GmbH, Digital Classifieds France SAS, Immoweb SA, Housell Inmo Online Services Sl, and is a director of the voluntary supervisory board of Falguiere Conseil SAS and Homeday GmbH.

Corporate governance statement

Governance framework

We have a clearly defined governance framework, comprising the Board, our Board Committees and our Executive Leadership Team. Each of these bodies has clearly defined roles and responsibilities, which are summarised below.

THE BOARD

The Board is responsible for maintaining governance structures and processes that are fit for purpose and support good decision making

The Board is collectively responsible for:

- creating and delivering long-term sustainable value;
- setting the Group's strategic direction;
- balancing the interests of our stakeholders including shareholders, customers, employees and the communities we serve;
- ensuring stakeholder views are heard in the boardroom and are considered in decision making where appropriate;
- leading and overseeing our culture; and
- maintaining a strong and effective system of governance throughout the Group, including understanding the risks the Group faces.

A summary of the Board's skills and experience is set out on pages 44 to 47.

BOARD COMMITTEES

In performing its duties the Board is supported by three Board Committees

The Board is supported by three Committees – Nomination, Audit and Remuneration – that are responsible for maintaining effective governance. The Committees are delegated to by the Board with specific mandates contained in approved terms of reference. These cover the composition, key activities and responsibilities of the relevant Committee and can be viewed on our website. Membership of each of the Committees is set out on pages 44 to 47.

SENIOR MANAGEMENT TEAM

The senior management team is composed of the two Executive Directors and experienced senior managers

Day-to-day management of the Group's activities, governance and oversight is the responsibility of the Executive Leadership Team, comprised of the Executive Directors and a team of highly skilled senior managers, which is empowered to deliver the strategy set by the Board at a functional and cross-functional level in line with our risk management framework, compliance policies, internal control systems and reporting requirements.

The Executive Leadership Team meets regularly. These more formal meetings are supported by a number of cross-business forums that serve to facilitate the sharing of knowledge, ideas and best practice. These meetings and forums are an essential part of the Group's devolved management approach, facilitating quality discussion and decision making.

ROLES AND RESPONSIBILITIES

Chairman
- Leads the Board, sets the agenda and promotes a culture of open and constructive debate
- Ensures individual Director and collective Board effectiveness
- Promotes the highest standards of corporate governance, in line with best practice
- Ensures effective engagement with all stakeholders, including shareholders and colleagues

Chief Executive Officer and Executive Director
- Leads the senior management team
- Promotes the Group's purpose, vision and culture agenda
- Ensures the execution of strategy, with responsibility for the Group's overall performance
- Facilitates effective two-way communication between the Board and the workforce

Chief Financial Officer and Executive Director
- Supports the Chief Executive Officer in developing and implementing the Group's strategy
- Provides strategic and financial guidance to ensure that the Group's financial commitments are met
- Is responsible for the preparation and integrity of financial reporting
- Ensures maintenance of effective internal controls and risk management systems and procedures

Non-Executive Directors
- Contribute to strategy development
- Scrutinise and challenge management's execution of strategy within the Group's risk appetite and control framework
- Provide a range of external perspectives and encourage robust debate
- Assist and add value in the decision-making process

Senior Independent Director
- Provides a sounding board to the Chairman and appraises the Chairman's performance
- Acts as an intermediary for other Directors, if needed
- Available to respond to shareholder concerns when contact through the normal channels is inappropriate

A full description of the Board's role, including its specific responsibilities, is available on our website at purplebricksplc.com/about-us/governance.

ROLES AND RESPONSIBILITIES

Nomination Committee
- Ensures the Board and its Committees have the correct balance of skills and experience
- Has overall responsibility for succession planning at the executive level

+ Read more on pages 52 and 53

Audit Committee
- Oversees the Group's financial reporting
- Maintains an appropriate relationship with the external auditor
- Monitors the Group's internal control and risk management systems

+ Read more on pages 54 to 57

Remuneration Committee
- Establishes the Group's remuneration policy
- Ensures that there is a clear link between performance and executive remuneration

+ Read more on pages 58 to 60

ROLES AND RESPONSIBILITIES

Executive Directors
- Responsible for day-to-day management of the Group's activities
- Develop and implement the Group's strategy
- Have overall responsibility for governance, processes and controls

Executive Leadership Team
- Comprises senior managers responsible for the key Group functions
- Meets weekly with the Executive Directors to review the business and policies
- Monitors the people agenda and assesses the extent to which vision and culture have been embedded throughout the Group
- Shares knowledge and collaborates on key Group-wide projects

Corporate governance statement continued

The Board in FY22

In line with its key responsibilities outlined earlier, the focus areas for the Board during the year included:

Succession planning

This year saw significant changes to the Board with the appointments of a new CFO and a new CEO. On 14 October 2021, we announced that Andy Botha had stepped down from his role as Chief Financial Officer and Director with effect from the end of October 2021. On the same day the Company announced that Steve Long would be joining Purplebricks as Chief Financial Officer in Q1 22. Steve was appointed by the Board as Director on 1 February 2022.

On 10 March 2022, we announced Vic Darvey's intention to leave the Company and step down from the Board for personal reasons with effect from 31 March 2022. Helena Marston, the former Chief Operating Officer, took over the role of Chief Executive Officer effective 20 April 2022 following the completion of all required due diligence checks as required by the AIM Rules. Helena was appointed by the Board as Director on the same day.

Strategic developments

The Company launched new pricing structures in July 2021, including a Money Back Guarantee and a simplified two-tier proposition. Feedback, however, showed that the MBG was not highly valued. As we recognise that it has not inspired customer confidence in our ability to sell their homes, the Money Back Guarantee has been removed from 25 July 2022. We hope its removal will support our field agents and focus attention on communication of our affordable fixed upfront fee. The Board remains confident that the two-tier proposition delivered by our fully employed field team will accelerate revenue growth, increase market share and drive progress towards the Group's medium-term targets over the coming years.

Following a review of how the Company can best serve its customers and meet the demands of a strong market, we also moved to a fully employed model of the field sales as of September 2021. As of 1 July 2022 the lettings field has also been brought in house to complete the move to a fully employed model. While the Board continues to believe that moving to a fully employed model will ensure that the Company can scale up quickly to meet consumer demand and will help in the delivery of a consistently high level of service across the country, including an enhanced opportunity to increase ancillary revenues, the execution of this strategy has not yet been completed and there is more work to be done to deliver the benefit.

Lettings business

During the year the Board was made aware of a process issue affecting the lettings business relating to how deposit registrations and prescribed information had been communicated to tenants on behalf of its landlords. In response, the Board sought independent third party assurance and advice in relation to the end-to-end process and controls in the lettings business, including compliance with applicable laws and regulations. This included forensic analysis of the processes to identify current risks, errors or failings in the end-to-end processes and recommended areas for improvement. On the back of the advice and further investigations by the Company, the Board agreed a number of process and control enhancements, including in relation to timely registration of deposits, and provision of prescribed information and other information to tenants. The execution of these actions has been ongoing since January 2022. A provision of £3.6m has been made for potential future claims which could arise under the Housing Act 2004, of which £2.8m remains at 30 April 2022, after utilisation in H2 22 of £0.8m. The Board has challenged and debated the process, key judgements and assumptions associated with the provision and is satisfied that they are appropriate, recognising the estimation uncertainty and degree of estimation involved in calculating this provision.

Other areas of focus

At several of the meetings during FY22, the Board received various presentations and functional updates from the Executive Leadership Team members and other members of senior management incorporating actions, progress and risks in relation to the strategic priorities.

Through the Chief Financial Officer, the Board was regularly updated on the financial performance of the Group. During the period without a Chief Financial Officer this was provided by the Chief Executive Officer.

During FY22, the Board reviewed and approved the results announcements and trading updates and was updated on investor views, shareholder relations, analysts' reports, media updates, share register movements, share price performance and engagement with investors. This enabled a good understanding of what is driving the value of the business from an investor point of view.

During the year, the Board was also updated on employee proposition, engagement, succession planning, talent management and diversity, particularly at senior management level; monitored progress on diversity and inclusion across the Group; and considered updates on people management throughout the Covid-19 pandemic, including increased focus on management initiatives to support the wellbeing of our colleagues.

Strong and effective governance

The Company has adopted the QCA Code on the basis that it is the corporate governance code most suited to the requirements and size of the business.

The Board recognises the importance of identifying and actively managing existing and potential risks to allow the business to deliver successfully against its strategic goals. This is achieved through our governance and risk management framework (see Risk management on pages 39 to 43).

Board agenda and meetings

The Board agenda is set in collaboration between the Chairman, Chief Executive Officer and Company Secretary.

The Board held 9 Board meetings in FY22.

Informal meetings and discussions are also held either before or after Board meetings. Ad hoc meetings are held as required where topics warrant more time or decisions need to be made outside of the normal schedule of meetings.

Our cultural framework

OUR PURPOSE
To make every home move amazing

OUR MISSION
To be the go-to place to buy, sell or let your home

OUR STRATEGY
To provide a seamless and trusted **home moving experience**, delivering services, products, tools and information to **every customer** who wants to **buy, sell or let a home** and to **all Local Property Partners** who derive real value from working with us

OUR VALUES
Embrace the move(ment)
Fearlessly progressive
We play together and win together

All Directors are expected to attend all meetings of the Board and of those Committees on which they serve and to devote sufficient time to the Group's affairs to enable them to fulfil their duties as Directors. The table on page 46 summarises attendance at Board meetings with further details on attendance at Committee meetings in the appropriate sections.

Relations with shareholders

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

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

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

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

Additional shareholder information is also set out on page 65.

Culture and stakeholder engagement

The Board is responsible for instilling throughout the Group a culture of integrity and openness that values diversity and is responsive to the views of its shareholders and wider stakeholders.

This is achieved through the establishment of our strategy, values and purpose which were reviewed and refreshed by the Board during the year.

Culture is monitored and assessed by the Board to ensure alignment with Group strategy and is reinforced through its decision making.

Feedback gathered from members of the Board and senior management on their engagement with stakeholder groups gives the Board and its Directors, collectively and individually, a better understanding of the points of view of stakeholders. This ensures that decisions taken are more rounded and based on actual, rather than perceived, stakeholder views. Regular feedback, including employee engagement surveys, helps the Board to understand the views of the workforce which are taken into consideration when reviewing and setting our strategy, further details of which can be found on pages 14 and 15.

The Purplebricks values are set by the Board and cascaded throughout the business. Upon joining the Group, employees are also required to undertake e-training modules, as part of their induction programme. These cover our values and other topics including anti-money laundering, anti-bribery, conflicts of interest and whistleblowing.

Regular refresher training is carried out by all employees on a two-year cycle, and new e-learning modules are developed.

Our stakeholder engagement can be found on pages 24 to 28.

Nomination Committee

Overseeing Board independence and success

Adrian Blair
Chair of the Nomination Committee

Attendance at Nomination Committee meetings

During the year the Nomination Committee held two scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	2	2
Simon Downing	2	2

Objectives

The objectives of the Nomination Committee are:

- to ensure the Board has an appropriate balance of skills, diversity, experience, knowledge and independence;
- to ensure that the most suitable candidates for Executive and Non-Executive positions are identified and nominated to fill vacancies as and when they arise;
- to ensure that appropriate succession plans are in place for Directors and senior executives of the Company;
- to evaluate the balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board and retirements and appointments of additional and replacement Directors, and to make appropriate recommendations to the Board on such matters;
- to prepare a description of the role and capabilities required for a particular appointment;
- to undertake a Board evaluation process to identify developmental processes that can enhance the performance of the Board; and
- to ensure that the Board Committees are made up of a suitable mix of skills and experience.

Key activities carried out in FY22

During the year the Committee met twice and:

- led the recruitment process for the Chief Financial Officer, Steve Long, who joined the Board in February. The Committee recommended his appointment to the Board and approved his induction programme;
- recommended the promotion of Helena Marston to Chief Executive Officer; and
- discussed the future leadership of the business and Board composition, focusing on the importance of diversity as the business evolves.

> The Nomination Committee oversaw the appointment of the new CEO and CFO this year.

Roles and responsibilities

The role of the Committee is to develop and maintain a formal, rigorous and transparent procedure for making recommendations on appointments and reappointments to the Board. In addition, it is responsible for reviewing the succession plans for Executive Directors and Non-Executive Directors.

This involves:

- keeping under review the leadership needs of the Group, both Executive and Non-Executive, with a view to ensuring the continued ability of the Group to compete effectively in the marketplace;
- regularly reviewing the structure, size and composition of the Board to ensure it has an appropriate balance of skills, diversity, experience, knowledge and independence, and reporting and making recommendations to the Board with regard to any changes; and
- regularly assessing the knowledge, skills and experience of individual members of the Board and reporting the results to the Board.

Recruitment and induction of new Directors

Following the resignation of Andy Botha in October 2021, the Committee delegated authority to the Chair to lead a formal recruitment process for a new Chief Financial Officer. The process included development of a brief setting out the Committee's specification for the role, preparation of a shortlist, and interviews with several Board members and members of senior management of the Company to assess the shortlisted candidates' skills, knowledge, experience and alignment with the Company's culture and strategy.

At the conclusion of the recruitment process, the Committee recommended the appointment of Steve Long to the Board. Steve's biography can be found on page 45 and he joined the Board on 1 February 2022.

Following his appointment, Steve Long undertook an induction programme designed to support him to learn about the business, its culture, purpose, history and strategy, its commercial proposition, and the roles and responsibilities relevant to his duties.

Following the decision of Vic Darvey to step down from his role as Chief Executive Officer in March 2022, the Board elected to appoint Helena Marston as Chief Executive Officer following her success in a number of areas within the business over the last two years. A formal induction programme was also arranged for Helena to support her move from Chief Operating Officer to Chief Executive Officer. Helena has now completed this programme. Helena's biography can be found on page 45 and she joined the Board on 20 April 2022.

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. In FY22, the Committee met twice, and attendance at the meetings is shown in the table on page 52. The Committee has formal terms of reference which can be viewed on the Company's website, www.purplebricksplc.com/about-us/governance/.

Annual evaluation of the Nomination Committee's performance

As part of the overall Board evaluation process, the performance and effectiveness of the Nomination Committee was considered, and it was agreed that the Committee continued to work effectively. Feedback from Directors was unanimously positive regarding the high calibre of the appointments made to the Board.

Audit Committee

Overseeing reporting and risk

Elona Mortimer-Zhika
Chair of the Audit Committee

Attendance at Audit Committee meetings

During the year the Audit Committee held three scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	3	3
Simon Downing	3	3
Elona Mortimer-Zhika	3	3

Objectives

The objectives of the Audit Committee are:

- to monitor the integrity of the financial statements of the Group and related announcements, including any significant financial reporting judgements contained therein;
- to advise on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy;
- to review and, where appropriate, make recommendations to the Board on the adequacy and effectiveness of the Group's financial control environment and risk management systems;
- to review the risk management framework, including principles, policies, methodologies, systems and processes;
- to monitor the effectiveness, independence and objectivity of the Group's external auditor, as well as setting the auditor's remuneration and terms of engagement, and, if applicable, to conduct a tender process for its appointment;
- to develop, implement and monitor the non-audit services policy of the Group; and
- to monitor the effectiveness of the Group's whistleblowing procedures and processes.

Key activities carried out in FY22

During the year the Committee met formally three times and:

- considered the outcome of work on the half year results announcement and the planning for the full year results announcement and the Annual Report;
- appointed third parties to perform an independent review of the controls and processes in the lettings business, and reviewed and approved their recommendations;
- challenged management as to the amount provided for potential claims under the Housing Act 2004 and associated disclosures;
- challenged management as to other areas included in the accounting areas of judgement in the financial statements;
- oversaw management's drafting of responses to enquiries received during the year from the Financial Reporting Council;
- reviewed the Corporate Risk Strategy and approach, including a review of the updated risk register;
- reviewed the auditor's fees and independence and the auditor's effectiveness; and
- updated its assessment of the Group's financial controls and internal control environment.

Strategic report

Corporate governance

Financial statements

> The Audit Committee challenged management on key areas of reporting judgement this year.

Roles and responsibilities

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the annual and half year financial statements and underlying accounting policies, and assessing the performance of external audit. This extends to reviewing and monitoring the scope of the annual audit and the extent of any non-audit work undertaken by the external auditor, advising on the appointment of the external auditor and reviewing whistleblowing and fraud systems in place within the Group.

The Audit Committee receives and reviews reports from the Group's management relating to areas of accounting complexity and the risk and control environment. At each meeting, the Committee also receives a report from the Group's auditor.

The Committee makes recommendations to the Board in respect of the appointment of the external auditor, reviews and monitors its independence and objectivity and approves its remuneration.

Governance processes

The Audit Committee meets at least twice a year and as requested by the external auditor. During the current financial year, the Committee held private sessions with the external auditor without members of management being present.

The Committee is made up of the Independent Non-Executive Directors, Elona Mortimer-Zhika, Simon Downing and Adrian Blair. The Chair of the Committee is a Fellow Chartered Accountant and brings recent and relevant financial experience and expertise. The Committee has formal terms of reference which can be viewed on the Group's website.

The Committee members have relevant financial experience at a senior level as set out in their biographies on pages 44 to 47.

Review of significant accounting matters and judgements

Prior to each meeting, and ahead of the Group's interim and year-end reporting, the Committee received accounting papers from management in respect of all key areas of judgement.

The most significant of these during the year were:

i) accounting for the Group's Money Back Guarantee product;

ii) provision for potential claims under the Housing Act 2004;

iii) instructions revenue service period; and

iv) consideration of the carrying value of the Group's investment in Homeday.

A description of the actions taken by the Committee in respect of these areas of judgement is set out below. Also provided is an overview of the role of the Committee in overseeing the response to a letter of enquiry received during the year from the Financial Reporting Council.

Accounting for Money Back Guarantee product

The Group's introduction of the Money Back Guarantee product in May 2021 required a change to constrain revenue recognised to a level at which it would be highly likely not to be reversed on provision of refunds. This required the Group to estimate the likely level of future refunds. The Audit Committee oversaw management's approach to this process, receiving presentations from management on the historical data used in arriving at the proposed level of provision, together with estimated impact of the introduction of the product itself on the Group's customer profile and internal behaviours.

In addition, the Money Back Guarantee product necessitated a change in accounting in respect of those customers who choose the Pay Later option. Since receivables from these customers are sold to the Group's factoring partner at publication, at which point the majority of customers remain potentially eligible to claim under the Money Back Guarantee, the sale of receivables is no longer without recourse. Rather, the factoring partner has the right to claw back amounts advanced in respect of customers who eventually go on to claim under the Money Back Guarantee. The Audit Committee oversaw and challenged management's investigation into the impact of this change on the Group's accounting, including recognition of accrued income and loan from factor balances in respect of those Pay Later customers who remained potentially eligible to claim in future.

Audit Committee continued

Review of significant accounting matters and judgements continued

Provision for claims under the Housing Act 2004

Following identification of compliance issues in November 2021 in respect of registration of tenant deposits and provision of prescribed information set out in more detail in Note 3.1, the Audit Committee commissioned an independent review by legal and process specialists. The Committee chose the third party partners to assist in the legal and process aspects of the investigation, and reviewed management's assessment of the output of these elements of the investigation. The Committee then approved a plan of action to remediate the process and control issues identified and has since received regular updates on the progress management has made against this action plan.

The Committee challenged management as to its approach to estimating the provision required against these items, including the key sources of data and bases of estimation. The Committee debated and ultimately recommended to the Board management's best estimate of the required provision for claims and associated professional costs in respect of these issues, together with narrative disclosures of the uncertainties involved, particularly in respect of estimated future claims rates which are highly judgemental, the rationale for the rates chosen and the upper and lower potential boundaries of the potential exposure disclosed. See note 3.1 for more detail.

Instructions service period

Instructions revenue is recognised over the estimated period between instruction and completion or withdrawal of the property from sale, or, in future, to the point at which a customer requests a refund under the Group's Money Back Guarantee product. This period is the "service period" and the Directors are therefore required to estimate the average total service period, taking into account historical experience in addition to current and possible future economic conditions and factors. At each reporting date, this estimation includes an assessment of the future service period in respect of instructions on hand at the year end.

As at 30 April 2022, the key factors which the Directors have taken account of in developing their view of the likely future service period have been the level of demand from potential purchasers on the housing market in the UK and the length of time property transactions are taking to complete.

At 30 April 2022, the Directors have assessed that the period used in calculating contract liabilities in respect of deferred income is in line with that used at 30 April 2021. Therefore, the service period estimate has had no significant effect on the amount of revenue recognised in the year.

The Committee received a report from management as to the historical and current market data used in arriving at the assessment of remaining service period. The Committee challenged the logic of the method used. The Audit Committee used its knowledge of the internal and market factors affecting the Group and wider economy in assessing the date and assumptions used by management. The Committee also considered the adequacy of the disclosures made in respect of this judgement. Following this discussion, and a review of the sensitivity of the judgement and disclosure of the level of sensitivity, the Committee concluded that the judgement was reasonable, and the disclosures made fair, balanced and understandable.

Assessment of carrying value of the Group's investment in Homeday

The Group's associate Homeday is a start-up business and remains loss making, with losses in FY22 higher than originally forecast by local management. Given that indicators of impairment exist, the recoverable value of the Group's investment is assessed using discounted cash flow calculations which have been prepared by Purplebricks management based on forecasts prepared by Homeday management, as risk adjusted by Purplebricks management using its experience and judgement.

The Committee challenged management as to the level of revenue growth forecast by Homeday and the actions planned to achieve this growth. The Committee also challenged the assumptions used in the forecast and the sensitivities around these, in view of Homeday's continued losses following a significant slowdown in the German residential property market. This included particular challenge around the discount rate applied to Homeday's projected future cash flows in line with a more challenging macro-economic outlook.

The Committee concurred with management that impairment of the investment in full at 30 April 2022 was appropriate.

Response to enquiries received from the Financial Reporting Council

During the year, the Company received a letter from the Financial Reporting Council requesting background information in respect of the Group's accounting treatment for its investment in Homeday and in relation to the impact of the Money Back Guarantee product launched in the year on its accounting treatments for fees receivable from customers. The review conducted by the Financial Reporting Council was based solely on the Group's published report and accounts and did not provide any assurance that the report and accounts are correct in all material respects.

The Committee oversaw management's process of drafting a response to these enquiries and ensured that the draft responses were shared appropriately with the Group's auditor. Responses were provided in a timely manner including a commitment to enhanced disclosures in some areas, which have been reflected in the accounts, and the enquiries were resolved satisfactorily.

Auditor

Deloitte LLP indicated to the Board that the firm would not seek reappointment as statutory auditor of the Company for FY23. The Audit Committee Chair led a process to evaluate a number of potential replacement audit firms, following which the Committee recommended to the Board the appointment of Jeffreys Henry as new statutory auditor of the Company. This appointment will take place shortly after the date of these financial statements, and shareholders will be asked to approve the appointment at the forthcoming AGM.

Risk management

Our risk management process and the risks which are considered to be the principal risks of the Group are detailed on pages 39 to 43. During the year the Committee has reviewed the Group's risk assessment and methodology, including the mitigating actions put in place to reduce each risk.

Internal control

The Company operates its systems of internal control by using the following key elements:

- regular review meetings of various risk function sub-committees, the Executive Leadership Team and the Board to discuss key issues;
- a detailed business planning process, combining top-down and bottom-up approaches, with outputs reviewed and approved by the Board;
- a robust system of financial controls, including preventative controls and thorough review processes; and
- monthly reports to leadership and the Board containing detailed information regarding financial performance, rolling forecasts, and financial and non-financial KPIs.

The Audit Committee, on behalf of the Board, has reviewed the effectiveness of the risk management processes in place during the year, taking account of any material developments since the year end.

The Committee has challenged management on the design of newly implemented controls and on management's plans for further improvements to the Group's internal controls. The review of key areas of judgement is an extensive part of the internal control environment, however certain elements have historically been conducted informally. The formal documentation of these controls will be improved going forwards.

The Committee is satisfied with improvements made in the year and the plans in place for further actions in relevant areas. As part of its review, the Audit Committee has considered the Financial Reporting Council's 2014 "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting".

During the year the Committee became aware of issues with compliance with the Housing Act 2004 as set out above. The Committee receives regular updates from management on remediation of these issues and is satisfied with the progress made to date and the timeline for completion of this work.

During the year a Risk and Internal Audit Manager was appointed, to support the Audit Committee's commitment to continuing to focus on risk management and further improving the control environment.

Non-audit services

In the current financial year, the auditor did not provide any non-audit services to the Company except in respect of the half year review.

The Committee is responsible for approving all non-audit services provided by the auditor.

The Committee has a formal policy on the supply of non-audit services by the Company's auditor, which is aligned with the requirements of the UK Financial Reporting Council's Ethical Standards (2016 and 2019).

This policy is available on the Group's website.

All non-audit services carried out by the Company's auditor are pre-approved by the Committee.

Annual evaluation of the Audit Committee's performance

As part of the evaluation process, the performance and effectiveness of the Audit Committee were considered, and it was agreed that the Committee continued to work effectively.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

The Board has placed reliance on the following to form this opinion:

- the process by which the Annual Report and Accounts was prepared, including detailed planning and review processes;
- the review of the Annual Report and Accounts by the Audit Committee, placing reliance on the experience of the Committee members;
- reports prepared by senior management regarding critical accounting judgements, key financial areas and the topic of fair, balanced and understandable;
- discussions with, and reports prepared by, the external auditor; and
- ongoing financial information, including KPIs, received on a monthly basis.

As detailed in the Directors' Responsibilities Statement on page 67, each of the Directors has confirmed that, to the best of each person's knowledge and belief, the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Priorities for the year ahead

In FY23 the Audit Committee will:

- continue to focus on the Group's risk management strategy;
- review the performance of the newly appointed auditor;
- monitor the effectiveness of process and control improvements; and
- continue to learn from feedback at all levels of the business.

Remuneration Committee

Incentivising and valuing our people

Simon Downing
Chair of the Remuneration Committee

Attendance at Remuneration Committee meetings

During the year the Remuneration Committee held two scheduled meetings. Attendance of the members of the Committee is recorded in the table below:

Scheduled meetings	Attended	Eligible to attend
Adrian Blair	2	2
Simon Downing	2	2

Objectives

The objectives of the Remuneration Committee are:

- to set the overall policy on remuneration and other terms of employment of Directors;
- to ensure the remuneration package of the Executive Directors is balanced between fixed and performance-related elements, and is sufficiently competitive to attract, retain and motivate Directors of the right calibre to achieve the Company's objectives without making excessive payments; and
- to ensure that the Group's share plans operate appropriately and align all participants to the delivery of the Company's strategy.

The Chief Executive Officer and Chief Financial Officer as necessary are invited to attend meetings of the Committee, except when their own remuneration is being directly discussed.

The Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the executive remuneration policy and framework. However, the Group seeks to promote and maintain good relationships with employees as part of its employee engagement strategy.

> The Remuneration Committee focuses on maintaining appropriate incentives for Directors which align to the Group's strategy.

Welcome to the Company's Directors' Remuneration Report for FY22. The report comprises this introductory statement (which summarises actions taken in the year, how we applied our policy in FY22 and the work of the Remuneration Committee), and also our main Directors' Remuneration Report from page 61, which summarises our remuneration policy and contains the statutory tables.

At our 2021 AGM, we asked our shareholders to vote to approve the Directors' Remuneration Report (being this introductory statement and the main report) by way of an advisory (non-binding) ordinary resolution for the first time. We were pleased to gain approval in 2021 (the resolution was approved by 99% of shareholders voting) and we will be seeking approval again at the 2022 AGM.

As an AIM quoted company, seeking approval from our shareholders for the Directors' Remuneration Report is a voluntary matter; the Board regards this as an appropriate step and important for transparency and engagement with our shareholders.

The Purplebricks Remuneration Committee continues to welcome all input from our shareholders on remuneration matters. We hope that our shareholders remain supportive of our approach to executive pay at Purplebricks and that they will vote in favour of the resolution to approve the Directors' Remuneration Report at the 2022 AGM.

Linking remuneration to performance in 2022

As detailed more fully in the Strategic Report, the business did not meet its performance targets during FY22. As a result, no payments will be made under the bonus scheme for Executive Directors in respect of FY22.

The Committee recognises the importance of attracting, motivating and retaining the Executive Directors and Senior Leadership Team to deliver on the Group's recovery plans, thereby supporting the business and protecting shareholders' interests appropriately.

The most significant action for the Committee in this regard was the appointment of our new CEO, Helena Marston, and our new CFO, Steve Long, towards the end of FY22. Details of Steve and Helena's remuneration for FY23 are set out later in this report. At the same time, during the year the Committee contributed to the settlement of terms on which both Vic Darvey and Andy Botha stood down from their roles as Executive Directors. The terms for both Vic and Andy reflected their contractual entitlements under their service contracts. Neither received any bonus for FY22 and all of their in-flight PSP awards have now lapsed. An overview of share-based awards of the year is set out below:

- The Committee made a third regular annual award under the Performance Share Plan (PSP) in July 2021, and a further award in March 2022 in connection with the appointment of Helena Marston as our CEO and Steve Long as our CFO.
- It was considered particularly important to make these further awards to ensure appropriate retention of and incentives for our Senior Leadership Team during a period of material business uncertainty across the wider economy, as well as to align the incentives of the new CEO and CFO to those of shareholders.

Remuneration Committee continued

Linking remuneration to performance in 2022 continued

- The awards were again subject to appropriate performance conditions:
  - 50% of both awards is subject to relative total shareholder return measured against the AIM 100 constituents.
  - 50% of the July 2021 award is subject to three-year EBITDA targets.
  - 50% of the March 2022 award is subject to an absolute total shareholder return target, which we consider in the current environment is a more appropriate target than EBITDA and one which will directly align the award recipients to recovery in shareholder value (the absolute TSR targets are for TSR growth of between 25% p.a. and 50% p.a. CAGR over three years).
  - The whole awards are also subject to an underpin condition, requiring the Committee to be satisfied as to overall Company performance before confirming any vesting under the formulaic performance conditions. This assessment will include a consideration of customer satisfaction in each of FY22, FY23 and FY24.
  - The metrics accordingly provide appropriate protection for shareholders.
  - Strong performance across several parameters needs to be achieved for the awards to vest at high levels.
- As a Committee we strongly believe that the PSP awards to both our new CEO and new CFO will be significantly motivating. It was necessary to offer our new CFO a long-term incentive to secure his recruitment and aligning our internally appointed CEO with the new CFO's award was considered commercially appropriate, given that our new CEO's legacy awards from her service as our COO appear unlikely to deliver any value.

Proposed implementation of remuneration in FY23

In FY23, an inflationary salary increase will not apply to the Executive Directors. Accordingly, their respective base salaries for FY23 will be £280,000 for Helena Marston and £250,000 for Steve Long. These salaries are lower than those of the previous holders of these roles (previous CEO salary of £358,700 and previous CFO salary of £309,000).

Our FY23 annual bonus will operate based on a scorecard of activity, financial performance and personal performance metrics. At the present time details of these metrics are commercially sensitive but appropriate disclosures will be made retrospectively in our Directors' Remuneration Report for FY23.

A further annual award under the PSP is planned in summer 2022, again using the established metrics of relative TSR and absolute TSR. Details of the metrics will be confirmed in the RNS announcement when these awards are made.

Governance processes

The Committee meets at least twice a year and at such other times as the Committee Chair or any member of the Committee may request. In FY22, the Committee met twice, and attendance at the meetings is shown in the table on page 58. The Committee has formal terms of reference which can be viewed on the Company's website, purplebricksplc.com/about-us/governance/board-committees.

Directors' remuneration report

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

FIT Remuneration Consultants LLP (FIT), signatories to the Remuneration Consultants Group's Code of Conduct, was appointed by the Committee and provides advice to the Committee on all matters relating to remuneration, including market practice. FIT provided no other services to the Group and, accordingly, the Committee was satisfied that the advice provided by FIT was objective and independent. FIT's fees in respect of FY22 were £28,400 plus VAT. FIT's fees were charged on the basis of the firm's standard terms of business for advice provided.

Directors' remuneration policy

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

The Committee aims to ensure the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate Directors of the right calibre to achieve the Company's objectives without making excessive payments. Since 2019 the Company has operated a remuneration plan for the Executive Leadership Team comprising a fixed salary, a variable annual bonus based on achieving certain short-term targets, and a long-term share-based scheme linked to performance targets over a three-year period (PSP). Details of Executive Directors' remuneration and awards under the share-based schemes are provided on pages 62 to 64.

Remuneration for Non-Executive Directors consists of fees for their services in connection with Board and Committee meetings. Dr Stephanie Caspar, the Axel Springer Board member for the year under review, did not receive a fee for her services.

Base salary and benefits

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

Annual bonus

The Company operates a short-term bonus scheme to provide incentive for the Executive Directors to meet the financial and strategic objectives of the business. During the financial year ended 30 April 2022, no bonuses (2021: £530,000) were awarded to the Directors.

Pension

During the year, pension contributions of £12,000 (2021: £17,000) were paid to Executive Directors. These contributions are included in the table of Directors' pay as post-employment benefits.

Taxable benefits

The Directors' taxable benefits are detailed in the table on page 63.

Service contracts and letters of appointment

The Company's policy is for the CEO to have a 12-month and the CFO a six-month rolling service contract. All Non-Executive Directors have a notice period of three months. They are not eligible for bonuses, pension benefits, share options or other benefits, save where compulsory by law. The Directors are indemnified to the full extent permitted by statute. Executive and Non-Executive Directors' remuneration is detailed below and in note 11 to the financial statements.

Company policy on external appointments

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

Executive Directors are allowed to retain the fees paid in respect of these appointments.

Directors' remuneration report continued

Share-based compensation

The Remuneration Committee is responsible for awarding options over ordinary shares and other share-based awards to Executive Directors and certain senior managers under the Performance Share Plan employee share option scheme (PSP).

The PSP is intended to offer long-term incentives to Directors and the Senior Leadership Team as the Remuneration Committee believes that the potential for share ownership and participation in the growing value of the Company increases the commitment and loyalty of Directors and employees. Two awards were made in FY22. The vesting of the first of these awards made in July 2021 will depend on performance measured over a three-year period to 30 April 2024 for EBITDA, and a three-year period post grant for total shareholder return, with 50% of the vesting subject to achievement of an EBITDA target and 50% to a relative total shareholder return target. The vesting of the second award made in March 2022 will depend on performance measured over a three-year period from grant, with 50% of the vesting subject to achievement of an absolute total shareholder return target and 50% to a relative total shareholder return target.

These targets are summarised below:

- EBITDA – measured as Group adjusted EBITDA in FY24. 25% of awards vest for achieving threshold performance, with straight-line vesting between threshold and maximum. These targets are currently considered to be commercially confidential but will be disclosed when the relevant PSP awards vest.
- Relative TSR – measured as relative TSR against FTSE AIM 100 constituents. Vesting range of full vesting for upper quartile performance, and threshold vesting (25% of award) for median performance, with straight-line vesting between threshold and maximum. TSR is measured for three years from the date of award and using a three-month averaging period at both the beginning and end of the period.
- Absolute TSR – measured against TSR at grant using the three-month averaging period and using a cumulative annual growth rate (CAGR) target. Achieving 50% per annum CAGR results in 100% vesting, with a 25% vesting at 25% per annum CAGR, and straight-line vesting between threshold and maximum.

Details of the options to purchase ordinary shares in the Company granted to the Executive Directors are set out below. Details of share-based payments are included in note 12 to the financial statements.

Directors' share options

Director	Share option scheme	Vesting period	Outstanding interest on 1 May 2021	Granted during the year	Lapsed during the year	Exercised during the year	**Outstanding interest on 30 April 2022**
Helena Marston	PSP	3 years	234,782	1,748,500	—	—	**1,983,282**
Steve Long	PSP	3 years	—	1,500,000	—	—	**1,500,000**
Vic Darvey[1]	CSOP	4 years	700,000	—	(700,000)	—	**—**
	PSP	3 years	3,550,000	735,437	(4,285,437)	—	**—**
Andy Botha[1]	PSP	3 years	1,700,000	307,500	(2,007,500)	—	**—**

1. Vic Darvey resigned as CEO on 31 March 2021, and Andy Botha resigned as CFO on 29 October 2021. Accordingly, the share awards held by Vic Darvey and Andy Botha lapsed in FY22.

Directors' emoluments

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

Year ended 30 April 2022	Salary or fees and benefits £'000	Bonus £'000	Post-employment benefits £'000	Total £'000
Executive Directors				
Vic Darvey	**329**	—	**325**[1]	**654**
Andy Botha	**156**	—	**183**[2]	**339**
Helena Marston	**9**	—	—	**9**
Steve Long	**63**	—	**1**	**64**
Non-Executive Directors				
Paul Pindar	**100**	—	—	**100**
Adrian Blair	**55**	—	—	**55**
Simon Downing	**55**	—	**1**	**56**
Elona Mortimer-Zhika	**60**	—	**1**	**61**

Helena Marston was appointed as CEO on 20 April 2022 (with this role being announced on 10 March 2022). Steve Long was appointed as CFO on 1 February 2022. Accordingly their figures in the table above reflect only that part of the year for which they served as Executive Directors.

No Director exercised share-based awards during the year.

The table does not include the IFRS 2 charges in respect of Directors' share-based awards. Full details of Directors' emoluments and IFRS 2 charges are contained in note 11.

Vic Darvey and Andy Botha's share-based awards lapsed on their leaving the business.

1. Represents payment of 12 months' notice period.
2. Represents payment of 6 months' notice period and holiday pay due.

Directors' report

The Directors present their Annual Report on the affairs of the Group, together with the financial statements and Auditor's Report for the year ended 30 April 2022.

The Corporate Governance Statement set out on pages 48 to 51 forms part of this report.

Principal activities

Purplebricks Group plc is an AIM-quoted company. The principal activity of the Group is the provision of services and technology to sell or let residential properties in the UK on behalf of the owner or landlord. Further information on the Group's business can be found in the following sections of the Annual Report, which are incorporated by reference into this report:

- the Strategic Report on pages 1 to 43;
- the Corporate Governance Statement on pages 48 to 51;
- the Audit Committee Report on pages 54 to 57; and
- the Director's Remuneration Report on pages 61 to 63.

Directors

The Directors who held office during the financial year ended 30 April 2022 and up to the date of this report are set out below:

Adrian Blair[1]

Andy Botha (resigned 29 October 2021)

Dr Stephanie Caspar[1] (resigned 21 July 2022)

Vic Darvey (resigned 31 March 2022)

Simon Downing[1]

Stephen Long (appointed 1 February 2022)

Helena Marston (appointed 20 April 2022)

Elona Mortimer-Zhika[1]

Paul Pindar[1]

Ait Voncke[1] (appointed 21 July 2022)

1. Denotes Non-Executive Director.

See pages 44 to 47 for biographical details of each Director along with details of Committee memberships.

Directors' shareholdings

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

	30 April 2022		30 April 2021	
	Shares	**Options**	Shares	Options
Vic Darvey	**—**	**—**	—	4,250,000
Andy Botha	**—**	**—**	—	1,700,000
Adrian Blair[1]	**130,763**	**—**	130,763	—
Simon Downing[1]	**1,891,384**	**—**	891,384	—
Elona Mortimer-Zhika[1]	**263,840**	**—**	—	—
Steve Long	**—**	**1,500,000**	—	—
Helena Marston	**—**	**1,983,282**	—	—
Paul Pindar[2]	**11,581,056**	**—**	10,827,227	—

1. Denotes Non-Executive Director.
2. Paul Pindar's shareholding includes that of his wife, Sharon Pindar.

Andy Botha resigned as Director on 29 October 2021 and his outstanding share awards lapsed in full.

Vic Darvey resigned as Director on 31 March 2022 and his outstanding share awards lapsed in full.

On 11 March 2022, Simon Downing, Senior Independent Non-Executive Director, purchased 1,000,000 shares in the Company at £0.16. On the same day, Sharon Pindar, wife and Person Closely Associated to Paul Pindar, Non-Executive Chairman, purchased 112,500 shares in the Company at £0.16. Also on the same day, Elona Mortimer-Zhika, Non-Executive Director, purchased 37,500 shares in the Company at £0.16.

On 15 March 2022, Sharon Pindar, wife and Person Closely Associated to Paul Pindar, Non-Executive Chairman, purchased 587,549 shares in the Company at £0.18. On the same day, Elona Mortimer-Zhika, Non-Executive Director, purchased 205,650 shares in the Company at £0.18.

On 17 March 2022, Sharon Pindar, wife and Person Closely Associated to Paul Pindar, Non-Executive Chairman, purchased 53,780 shares in the Company at £0.19. Also on the same day, Elona Mortimer-Zhika, Non-Executive Director, purchased 20,690 shares in the Company at £0.19.

Directors' interests

Details of Directors' remuneration and interests in and options over the Company's shares are set out in the Directors Remuneration Report on pages 61 to 63.

Subsidiaries

Information about the Company's subsidiaries is provided in note 20 to the financial statements.

Dividend

No dividends were paid in the year and there are none recommended (FY21: £nil).

Insurance

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

Annual General Meeting

The Annual General Meeting (AGM) will be held at 10.00am on Wednesday 14 September 2022 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ.

The Notice of Meeting will be posted to shareholders along with the Annual Report on 12 August 2022. The Notice of Meeting will be available on the website on that date and will set out the business of the meeting and an explanatory note. In line with good governance, voting on all resolutions at this year's AGM will be conducted by way of a poll.

Substantial shareholdings

At 21 July 2022, the Company had been notified in accordance with the Disclosure and Transparency Rules of the FCA, or was aware, that the following held, or were beneficially interested in, 3% or more of the voting rights in the Company's shares at that date:

Shareholder name	Number of shares	% shareholding
Axel Springer SE	81,384,638	26.5%
JNE Partners	33,620,000	11.0%
Momentum Global Investment Management	20,974,493	6.8%
Hargreaves Lansdown Asset Management	16,588,492	5.4%
Chelverton Asset Management	15,000,000	4.9%
Inflection Point Investments	14,670,000	4.8%
Baillie Gifford & Co	12,958,121	4.2%
Lecram Holdings Ltd	12,825,000	4.2%
Paul Pindar and Sharon Pindar	11,581,056	3.8%
Interactive Investor	9,298,575	3.0%

Financial risk management objectives and policies

Financial instruments including cash, trade debtors and trade creditors arise directly from the Group's operations. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk.

Detailed information regarding the Group's exposure to financial risks as well as the financial risk management strategy used to reduce these risks is set out in note 31 to the financial statements.

Research and development

The Group undertakes a continuous programme of development as part of its commitment to lead change in the real estate industry. Development expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development, as disclosed in note 2.16 to the financial statements. All other research and development expenditure is recognised in the statement of comprehensive income as an expense as disclosed in note 9 to the financial statements.

During FY22, the Group's development of its web-based IT platform continued to increase the services available to customers and support the work of our people at the centre and in the field. Total expenditure in the period recognised in the income statement was £1.5m with a further £3.1m capitalised (FY21: expenditure of £2.9m and capitalisation of £2.1m).

Directors' report continued

Going concern

In adopting a going concern basis for the preparation of the financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 8 and 9 and in note 31 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 39 to 43.

The Directors have taken into account reasonably possible future economic factors in preparing and reviewing trading and cash flow forecasts covering the period to 31 August 2023, being over 12 months from the date of these financial statements. This assessment has recognised the significant loss and cash outflow in FY22, and the actions management has taken and has planned in FY23 to address both the fall in instruction volume and increase in cost base which have led to this result. Management is of the view that the plans in place are realistic and achievable.

This assessment has taken into consideration sensitivity analysis with regard to the forecast volume of instructions and the steps which could be taken to further mitigate costs if required. Mitigations available are consistent with cost control and cash preservation actions taken in FY21 in response to Covid-19 and include a reduction in marketing expenditure and reductions in expenditure on the Group's contact centre and support functions to match demand levels. Since the Group has not made commitments to carbon emission reductions which have a significant cost implication, the impact of climate change has not had a significant effect on the forecasts considered.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered three sensitivities:

i) a scenario of a downside sensitised fall in revenues of 15% resulting from a decrease in instruction volumes which is in excess of the Directors' realistic expectations;

ii) an outflow at the higher bound of the range that is considered reasonably possible in respect of the provision for Housing Act 2004 compliance issues as set out in note 3.1; and

iii) a reverse stress test to identify a scenario which would bring the Group's cash position to zero at the end of the assessment period to 31 August 2023. The reverse stress test indicates that a 30% reduction in activity versus forecast, with no mitigating actions taken whatsoever would be required to reduce cash to zero within the assessment period.

Given the Group's cash position of £43.2m at 30 April 2022, the Group expects to maintain a position of sufficient liquidity throughout the forecast period to at least 31 August 2023, in the base and in the sensitised scenarios. The level of liquidity available means that the Group has the flexibility to address any reasonably possible change in costs, and the Group does not anticipate the need to seek further sources of finance in the foreseeable future. The Directors consider that, given the levers available to the business to control cash outflow, a scenario in which the Group runs out of liquidity within the assessment period is not reasonably possible.

In light of the Group's current liquidity and the results of the sensitivity testing conducted, the Directors are satisfied that the Company, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

Employee involvement

Details of how the Directors have engaged with employees are set out in the Stakeholder Engagement section on pages 24 to 28. The Company's policies in relation to equal opportunities, diversity and health and safety are explained in the People section of the Sustainability Report on pages 32 to 34.

Policy regarding employment of disabled persons

The Group operates an equal opportunities policy which aims to treat individuals fairly and not to discriminate on the basis of disability or on any other basis. The Group's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants. Where an employee becomes disabled in the course of their employment, the Group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Customers and suppliers

For details of how the Group engages with customers and suppliers, refer to the Section 172 Statement on page 24.

Political donations

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

Environment

Purplebricks Group plc is committed to minimising the environmental impact of its business operations and seeks to actively manage its carbon footprint.

In line with current regulations, the Group is required to disclose its annual UK energy consumption and greenhouse gas (GHG) emissions from SECR regulated sources. This is contained on page 38.

Further details on the Group's environmental approach can be found in our Sustainability section on pages 31 to 38.

Charitable and philanthropic activity

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

Auditor

Deloitte LLP was reappointed by shareholders as the Group's statutory auditor at the Company's Annual General Meeting in September 2021.

A resolution to appoint Jeffreys Henry as auditor will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditor

The Directors confirm that:

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with international accounting standards as adopted by the United Kingdom and in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period.

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

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

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

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

This Directors' Report was approved and signed on behalf of the Board.

Helena Marston
Chief Executive Officer
1 August 2022

Steve Long
Chief Financial Officer
1 August 2022

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

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of Purplebricks Group plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows; and
- the related notes 1 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – Valuation of deferred income relating to instruction revenue; – Valuation of the Money Back Guarantee ("MBG") refund liability; – Valuation of the lettings provision; and – Valuation of the investment in Homeday. Within this report, key audit matters are identified as follows: Newly identified Similar level of risk
Materiality	The materiality that we used for the group financial statements was £1.0m which was determined on the basis of 1.5% of group revenue.

3. Summary of our audit approach continued

Scoping	The group audit team performed a full scope audit of the parent company and performed specified audit procedures over the share of result for the year, the gain recognised on step down in investment and the impairment recognised for the investment in associate (Homeday). The overall scope of our audit resulted in us performing full scope audit procedures over 100% of group revenue, 100% of group expenditure (including share of results from associate), and 99% of group net assets.
Significant changes in our approach	As a result of our risk assessment procedures and audit approach for the financial year, we have identified three new key audit matters as follows: – Valuation of the Money Back Guarantee ("MBG") refund liability; – Valuation of the lettings provision; and – Valuation of the investment in Homeday. Due to the ongoing losses generated by Homeday and the resulting impact on the overall group result, we have increased the scope of our work in relation to Homeday to include the audit of specified account balances performed by the group team.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding, of the relevant controls relating to the going concern assumption;
- testing the clerical accuracy of the model used to prepare the going concern forecasts;
- assessing the historical accuracy of forecasts prepared by the directors and actual performance in the subsequent period;
- assessing the reasonableness of the assumptions used in the directors' forecasts around the number of instructions expected over the going concern period in both the base case and downside scenarios;
- assessing the reasonableness of the directors' sensitivity analysis on the forecast, including the downside sensitivities that involve a reduction in forecast revenues, an outflow at the higher bound of the range that is considered reasonably possible in respect of lettings provisions as set out in note 3.1, and a reverse stress test;
- assessing the key judgements in the directors' assessment of the current market environment due to the impact of the current imbalance of high demand and undersupply of instructions and consideration on the wider viability of the business in the context of liquidity and other relevant metrics; and
- challenging the directors as to the appropriateness of disclosures made in the financial statements based on our understanding of the business plans and financial performance in the period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

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

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

Independent auditor's report continued

5. Key audit matters continued

5.1. Valuation of deferred income relating to instruction revenue in the UK

Key audit matter description	In applying IFRS 15, the group has concluded that instruction revenues must be spread over the average period taken to sell a property or for the property to be withdrawn from sale. Accounting estimates are used to determine this average sales period. This is calculated based on the expected period of time from instruction to either the completion of a sale or withdrawal of the listing, using data from instructions received in the first 6 months of the current year; and is adjusted for the most recent trends in data compared to the prior period and an additional judgemental overlay to allow for the directors' estimate of the impact of material market uncertainties at the reporting date (such as the current imbalance of high demand and the current undersupply in the market). As detailed in note 2.5 to the financial statements, instruction revenue is recognised using an output method over time, being the period from instruction to sale of the property on a straight-line basis. The measure of performance used has been determined on a portfolio basis, using the average time taken for a property sale to complete, which is described in the accounting policies section on pages 87 to 89. Judgement has been used to determine the period over which to recognise instruction revenue, which has been disclosed as an area of estimation uncertainty in note 3.4 to the financial statements and has been disclosed in the audit committee statement on the "review of significant accounting matters and judgements" on page 56. The performance measure over which revenue is recognised is based on the expected period from instruction to the earliest of the completion of a sale, withdrawal of the listing, customer claim of a refund under the Money Back Guarantee ("MBG") or the expiry of the 12-month contractual service term. This expectation is set with reference to historical experience, and the current market environment of the UK housing market as at 30 April 2022. In calculating the deferred income as at 30 April 2022, the group has maintained the average service period over which revenue is recognised consistent with the service period calculated at 30 April 2021 as the directors believe that the current market conditions in the UK housing market will return to the pre-pandemic service periods as the current imbalance between high demand and low supply in the market normalises. This has resulted in a consistent proportion of revenue from open instructions being deferred compared to the prior year. As this is a key estimate in the recognition of revenue, substantial audit effort was required to audit the judgement applied by the directors and the resulting impact on the financial statements and related disclosure. This consistency in service period, when applied to the lower volume of instructions received in the relevant period in 2022 compared to 2021 has resulted in a deferred income balance at 30 April 2022 of £9.0 million (2021: £14.8 million).
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the valuation of deferred income relating to instruction revenue through obtaining the directors' deferred income calculation and performing the following procedures: – tested the relevant IT controls over the systems used to retain sales information and obtaining an understanding of the management review controls over the review of the deferred income calculation; – assessed the appropriateness of the directors' consideration of the current market conditions in the UK estate agency sector, reflecting the impact of the current imbalance between high demand and low supply in the market in determining the expected average period for properties to sell, comparing this to market data and to the business's performance post year end; – involved our data analytics specialists to analyse the underlying data used to calculate the average period taken to sell a property in the UK and developing an independent expectation of the value of deferred income; – performed sensitivity analysis on the service period to determine the change in number of days that would be required to result in a material change in deferred income and comparing this to the sensitivity analysis performed by the directors; and – assessed the appropriateness of the disclosures made regarding the level of estimation uncertainty in relation to the average days service used to calculate the value of deferred income.
Key observations	Based on our work we are satisfied that the valuation of deferred income relating to instruction revenue is appropriate. However, as outlined in Section 7.2 of this audit report, we noted some deficiencies in certain elements of management review controls over the deferred income calculation as they have primarily been conducted informally during the year.

5. Key audit matters continued

5.2. Valuation of the Money Back Guarantee ("MBG") refund liability

Key audit matter description	The business introduced the "Money Back Guarantee" ("MBG") product in July 2021 in respect of instruction fees. For instructions under this new model, customers may be entitled to claim a refund of the instruction fee, if an offer of within 90% of the listing price recommended by Purplebricks has not been achieved within 10 months of instruction, subject also to listing the property for a continuous 10-month period and accepting viewings of the property. Under IFRS 15, this needs to be accounted for as variable consideration, which has introduced a new source of estimation uncertainty in the determination of revenue to recognise in the financial statements. As detailed in note 2.5 to the financial statements, instruction revenue is recognised only to the extent that future reversals of revenue are expected to be unlikely. Therefore, since the launch of the MBG product, the value of revenue to be recognised over the Performance Obligation has been constrained by expected future refunds under the MBG offering. The amount of revenue to be constrained was estimated using a cohort analysis of eligibility over the instruction service period on a portfolio basis using historical data and information about the group's own performance and current market conditions, which is described in the accounting policies section in pages 87 to 89 and disclosed in the audit committee statement on the "review of significant accounting matters and judgements" on page 55. Substantial audit effort was required to audit the impact this new variable has had on the group's recognition of revenue under IFRS 15, and the consequent interaction of the accounting for the impact on how balances are now included in the Statement of Financial Position as described in note 2.5. The resulting refund liability at 30 April 2022 was £0.4m (payable to customers who have paid upfront) plus a further £1.0m of the funds advanced under the Group's factoring arrangement under the pay later arrangement with customers (included within the "loan from factor") as detailed in note 25.
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the valuation of the Money Back Guarantee ("MBG") refund liability through obtaining the directors' refund liability calculation and performing the following procedures: – obtained an understanding of the relevant controls over the group's assessment of the MBG refund liability; – assessed compliance of the directors' approach for the calculation of the MBG refund liability with the customer terms of agreement; – evaluated mathematical accuracy of the refund liability calculation and reconciling totals to refund balances and the financial statements; – assessed the appropriateness of the average refund rate, analysing recent market information and data available since the introduction of the model in order to determine whether the refund rate determined by the directors is reasonable; – involved our data analytics specialists to recalculate the refund liability by analysing the underlying database used in assessing the service period in determining the valuation of deferred income; – performed sensitivity analysis on the change in the proportion of revenue to be constrained that would be required to result in a material change in revenue and compared this to the sensitivity analysis performed by the directors; and – assessed the appropriateness of the disclosures made regarding the level of estimation uncertainty in relation to the claims rate used to calculate the refund liability.
Key observations	Based on our work, we concluded that the refund liability recognised is appropriate. However, as outlined in Section 7.2 of this audit report, we noted some deficiencies in certain elements of management review controls over the MBG refund liability calculation as they have primarily been conducted informally during the year.

Independent auditor's report continued

5. Key audit matters continued

5.3. Valuation of lettings provision

Key audit matter description	During the first half of the year, the company identified non-compliance issues with section 213 of the Housing Act 2004 (the Act), relating to how the business had been communicating with tenants on behalf of landlords about deposit registrations and prescribed information. In response, advice and assurance was sought from an independent third party in relation to the end-to-end process and controls in the lettings business, including compliance with applicable laws and regulations. This included forensic analysis of the processes to identify current risks, errors or failings in the end-to-end processes and recommended areas for improvement. A provision of £3.6m for potential future claims which could arise under the Act, and for associated professional fees, was initially recognised at 31 October 2021, of which £2.8m remains at 30 April 2022 after utilisation against professional fees and claims settled. The ultimate level of financial exposure is dependent on the claim rate, the level of penalty applied in respect of successful claims and the future legal fees incurred to support claims management. The amount provided reflects estimates in respect of the rate at which current and former tenants will make claims, and the average level of payment made in respect of successful claims, including legal support costs. To date, a low volume of claims has been experienced. However, the process of communicating with those affected is ongoing and there remains a significant period in which those affected are able to bring a claim. Partly due to the low number of claims received to date, the average legal costs per claim have been higher than anticipated when the provision was initially made. Judgement has been used to determine the level of provision required and the associated disclosure, including sensitivities and reasonable range of possible outcomes between £0.2m and £5.1m, which have been disclosed in the audit committee statement on the "review of significant accounting matters and judgements" on page 56 and as a key source of estimation uncertainty in note 3.1 to the financial statements.
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the valuation of the lettings provision through obtaining the directors' provision calculation and performing the following procedures: – obtained an understanding of the relevant controls over the group's assessment of the lettings provision; – assessed the appropriateness of the directors' methodology used in the calculation of the lettings provision; – evaluated the mathematical accuracy of the lettings provision calculation and reconciled totals to the provision balance and the financial statements; – tested a sample of active and non-current tenants listing for accuracy and completeness by agreeing a sample of tenancy start/end dates, rental values and deposit amounts from the data used in calculating the provision to the corresponding tenant agreements and deposit scheme certifications and agreeing a sample of payments from bank statement back to the data; – held discussions with and reviewed legal advice provided to the group by their third party legal advisors; – engaged our forensic specialists to assist with the consideration and challenge of the directors' third-party expert's forensic report issued in relation to the lettings non-compliance issues, including evaluating the competence, capabilities and objectivity of the directors' expert; – assessed the appropriateness of the claims rate applied to the corresponding population through enquiries of legal counsel regarding the level of claims received to date and consideration of other sources of evidence, both confirmatory and contradictory, for comparable situations; – compared the deposit multiples in the directors' calculation against the prescribed penalties in the Housing Act and tested a sample of claims received to date to determine the actual settlements/penalties paid as a multiple of the relevant deposits; – performed sensitivity analysis on the key inputs to the provision to determine the changes that would be required to result in a material change and compared this to the sensitivity analysis performed by the directors; – assessed the appropriateness of the disclosures made regarding the level of estimation uncertainty in relation to the claims rate used to calculate the provision, including the disclosures in the audit committee statement on the "review of significant accounting matters and judgements" on page 56 and note 3.1 relating to the provision for legal claims in relation to registration of tenancy deposits and the provision of prescribed, information; and – considered if there was a material impact on prior periods and assessed if a prior year adjustment was required as a result.
Key observations	Based on the procedures performed we concluded that the provision recognised and related disclosures are appropriate, and that no prior year adjustment is necessary. However, as outlined in Section 7.2 of this audit report, we noted some deficiencies in certain elements of management review controls over the lettings provision calculation as they have primarily been conducted informally during the year.

5. Key audit matters continued

5.4. Valuation of the investment in Homeday

Key audit matter description	In 2018, the Group entered into a Joint Venture (107 Media) with Axel Springer to enter the German market by jointly taking a stake in Homeday GmbH ("Homeday"). At 30 April 2022, prior to any impairment, the carrying value of the investment in 107 Media was £9.2m in group's Statement of Financial Position and £15.8m in the parent company's Statement of Financial Position. As explained in note 3.5, Homeday's performance continues to be loss-making as a result of the macro-economic conditions and a significant downturn in the German market where it operates and is significantly below the forecasts. As a consequence of these ongoing losses that are forecast to continue there is an impairment indicator over the carrying value of the group's and parent company's investment in Homeday and the group has performed an impairment review as a result. An impairment charge of £9.2m in the group and £15.8m in the parent company was recognised to fully impair the investment in Homeday following the completion of the directors' assessment of the valuation of the investment. Judgement has been used to determine the recoverable amount of the investment, which has been disclosed in the audit committee statement on the "review of significant accounting matters and judgements" on page 56 and note 3.5 to the financial statements. Refer to notes 2.13 and 21 for the relevant group accounting policy and disclosure of the details of the recognition of the Homeday investment respectively.
How the scope of our audit responded to the key audit matter	We challenged the directors' judgements regarding the appropriateness of the valuation of the investment in Homeday through obtaining the directors' impairment assessment and performing the following procedures: – obtained an understanding of the relevant controls over the group's impairment review process and the directors' forecasting process; – audited the mathematical accuracy of the impairment model; – challenged the appropriateness of key inputs to the model, including long term growth rate, discount rate and period over which future cash flows will be generated; and – assessed the appropriateness of the disclosures made regarding the impairment of the investment.
Key observations	Based on the procedures performed we concluded that the directors' assessment that the investment in Homeday should be impaired in full, and the associated disclosures, are appropriate. However, as outlined in Section 7.2 of this audit report, we noted some deficiencies in certain elements of management review controls over the impairment assessment for Homeday as they have primarily been conducted informally during the year.

Independent auditor's report continued

6. Our application of materiality

6.1. Materiality

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

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

	Group financial statements	Parent company financial statements
Materiality	£1.0 million (2021: £1.4 million)	£0.9 million (2021: £1.2 million)
Basis for determining materiality	We set materiality for the current year at 1.5% (2021: 1.5%) of group revenue.	The materiality for the Purplebricks Group plc (the parent company) audit was capped at 90% (2021: 80%) of group materiality on the basis of the relative size of this component to the group as a whole. This represents 1.3% (2021: 1.3%) of revenue generated by the company.
Rationale for the benchmark applied	We consider revenue to be the most appropriate benchmark. Given the change in the group's operating model in the year and the losses experienced, revenue is the most stable basis on which to determine materiality. The directors also deem revenue growth to be one of their key indicators when assessing the performance of the group.	The UK business is the only trading component of the group. Consistent with our group approach to materiality, we consider revenue to be the most appropriate benchmark for the company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	60% (2021: 60%) of group materiality	60% (2021: 60%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: a. the quality of the control environment, reflecting our control observations and recommendations; b. our inability to rely on certain business process controls; c. our ability to rely on certain IT controls over the completeness and accuracy of data used to recognise revenue revenue; d. the level of uncorrected audit adjustments identified in the audit for the year ended 30 April 2021; and e. the likelihood that uncorrected known and likely misstatements from the prior period will recur in the current period.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £52,000 (2021: £68,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope on the consolidation at the parent company level (it being the main trading business of the group) and performed specified audit procedures over the share of result for the year, the gain recognised on step down in investment and the impairment recognised for the investment in associate (Homeday).

Parent company and consolidation

The parent company accounts for 100% of the group's revenue and was subject to a full scope audit using component materiality of £0.9 million, which was performed by the group audit team. At the parent company level we also tested the consolidation process, performed specific audit procedures over the share of result for the year, the gain recognised on step down in investment and impairment recognised for the investment in the Homeday business and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Overall assessment of the group audit scope

The overall scope of our audit resulted in us performing full scope audit procedures over 100% of group revenue, 100% of group expenditure (including trading losses from the investment in associate), and 99% of group net assets.

7.2. Our consideration of the control environment

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

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

We have also obtained an understanding of key controls in relation to key estimates in revenue recognition and the lettings provision calculation, impairment testing of Homeday, and the financial reporting process. The key controls in these areas are primarily management review controls, due to the manual workings prepared in relation to the IFRS 15 revenue adjustments, MBG refund liability, lettings provision and impairment tests as concluded in key audit matters above. As disclosed in the audit committee statement on "internal controls" on page 57, the review of key areas of judgement is an extensive part of the internal control environment, however we noted some deficiencies in certain elements of these management review controls as they have been conducted informally during the year.

We had not planned to rely on controls in these areas as part of our audit, but we have reflected on these findings as part of our ongoing risk assessment process and made changes to our audit approach where relevant. We have performed a fully substantive audit over all areas of the financial statements based on our planned substantive audit strategy.

7.3. Our consideration of climate-related risks

In planning our audit, we made enquiries of the directors to understand the extent of the potential impact of climate change risk on the group's financial statements.

Our audit procedures included challenging what, if any, impact climate change consideration could have on key judgements and estimates in the financial statements.

We also considered the consistency of the climate change disclosures included in the Strategic Report with the financial statements and our knowledge from our audit.

8. Other information

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

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

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

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

We have nothing to report in this regard.

Independent auditor's report continued

9. Responsibilities of directors

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

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

10. Auditor's responsibilities for the audit of the financial statements

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

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

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, legal counsel and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance in particular in relation to the lettings non-compliance issues disclosed in the audit committee statement on the "review of significant accounting matters and judgements" on page 56 and note 3.1 to the financial statements;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT, data analytics and forensic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the judgements over the valuation of deferred income relating to instruction revenue and the valuation of lettings provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override of controls.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, AIM Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the Anti-Money Laundering regulations and the Housing Act 2004.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of deferred income relating to instruction revenue and the valuation of the lettings provision as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Independent auditor's report continued

13. Matters on which we are required to report by exception

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Use of our report

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

Andrew Halls, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, UK
1 August 2022

Consolidated statement of comprehensive income

For the year ended 30 April 2022

	Note	2022 £m	2021 £m
Revenue	6	**70.0**	90.9
Cost of sales		**(27.9)**	(33.2)
Gross profit		**42.1**	57.7
Net other income and expenditure		—	(0.3)
Administrative expenses		**(46.3)**	(29.3)
Marketing costs		**(25.2)**	(18.9)
Share of results of associate	21	**(2.3)**	(1.0)
Operating (loss)/profit	9	**(31.7)**	8.2
Finance income	15	**0.2**	0.1
Finance expense	16	**(3.3)**	(4.7)
(Loss)/profit before taxation		**(34.8)**	3.6
Taxation on (loss)/profit	13	**(7.2)**	0.3
(Loss)/profit from continuing operations		**(42.0)**	3.9
Profit from discontinued operations	8	—	2.9
(Loss)/profit for the year		**(42.0)**	6.8
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		—	0.9
Total other comprehensive income		—	0.9
Total comprehensive (expense)/income		**(42.0)**	7.7
(Loss)/earnings per share			
From continuing operations:			
Basic and diluted (loss)/profit per share	14	**(14)p**	1p
Total including discontinued operations:			
Basic and diluted (loss)/profit per share	14	**(14)p**	2p

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

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

Strategic report

Corporate governance

Financial statements

Consolidated statement of financial position
At 30 April 2022

	Note	2022 £m	2021 £m
Non-current assets			
Goodwill	17	—	2.6
Intangible assets	18	**5.4**	4.0
Property, plant and equipment	19	**1.5**	1.3
Investment in associate	21	—	11.5
Deferred tax asset	13	—	7.4
		6.9	26.8
Current assets			
Trade and other receivables	22	**5.3**	3.9
Contract assets – accrued income	22	**7.7**	7.2
Contract assets – prepaid cost of sales	22	**8.0**	4.9
Cash and cash equivalents	27	**43.2**	74.0
		64.2	90.0
Total assets		**71.1**	116.8
Current liabilities			
Trade and other payables	23	**(9.2)**	(12.1)
Contract liabilities – deferred income	23	**(9.0)**	(14.8)
Borrowings – loan from factor	23	**(5.5)**	—
Lease liabilities	24	**(0.2)**	(0.4)
Refund liabilities	25	**(0.4)**	—
Provisions	26	**(3.0)**	(1.2)
		(27.3)	(28.5)
Net current assets		**36.9**	61.5
Total assets less current liabilities		**43.8**	88.3
Non-current liabilities			
Deferred tax liabilities	13	—	(0.2)
Lease liabilities	24	**(0.1)**	(0.3)
Provisions	26	**(0.1)**	—
		(0.2)	(0.5)
Net assets		**43.6**	87.8
Equity			
Share capital	28	**3.1**	3.1
Share premium	29	**177.4**	177.4
Share-based payments reserve	30	**1.8**	4.0
Retained earnings	30	**(138.7)**	(96.7)
Total equity		**43.6**	87.8

These financial statements were approved and authorised for issue by the Board of Directors on 1 August 2022 and were signed on its behalf by:

Helena Marston
Director

Steve Long
Director

Company registration number 08047368

Company statement of financial position

At 30 April 2022

	Note	2022 £m	2021 £m
Non-current assets			
Intangible assets	18	**5.4**	3.8
Property, plant and equipment	19	**1.5**	1.3
Investment in associate	21	**—**	15.8
Deferred tax asset	13	**—**	7.4
		6.9	28.3
Current assets			
Trade and other receivables	22	**5.3**	3.9
Contract assets – accrued income	22	**7.7**	7.2
Contract assets – prepaid cost of sales	22	**8.0**	4.9
Cash and cash equivalents	27	**42.9**	73.5
		63.9	89.5
Total assets		**70.8**	117.8
Current liabilities			
Trade and other payables	23	**(9.8)**	(12.4)
Contract liabilities – deferred income	23	**(9.0)**	(14.8)
Borrowings – loan from factor	23	**(5.5)**	—
Lease liabilities	24	**(0.2)**	(0.4)
Refund liabilities	25	**(0.4)**	—
Provisions	26	**(3.0)**	(1.2)
		(27.9)	(28.8)
Net current assets		**36.0**	60.7
Total assets less current liabilities		**42.9**	89.0
Non-current liabilities			
Deferred tax liabilities	13	**—**	(0.1)
Lease liabilities	24	**(0.1)**	(0.3)
Provisions	26	**(0.1)**	—
		(0.2)	(0.4)
Net assets		**42.7**	88.6
Equity			
Share capital	28	**3.1**	3.1
Share premium	29	**177.4**	177.4
Share-based payments reserve	30	**1.8**	4.0
Retained earnings	30	**(139.6)**	(95.9)
Total equity		**42.7**	88.6

The Company reported a loss for the financial year ended 30 April 2022 of £43.7m (2021: profit of £4.4m).

These financial statements were approved and authorised for issue by the Board of Directors on 1 August 2022 and were signed on its behalf by:

Helena Marston
Director

Steve Long
Director

Company registration number 08047368

Consolidated statement of changes in equity

For the year ended 30 April 2022

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2021	3.1	177.4	4.0	(96.7)	87.8
Share-based payment credit – see note 12	—	—	(2.2)	—	(2.2)
Transactions with owners	—	—	(2.2)	—	(2.2)
Loss for the year	—	—	—	(42.0)	(42.0)
Total comprehensive loss	—	—	—	(42.0)	(42.0)
At 30 April 2022	**3.1**	**177.4**	**1.8**	**(138.7)**	**43.6**

For the year ended 30 April 2021

	Share capital £m	Share premium £m	Share-based payment reserve £m	Foreign exchange reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	3.1	177.4	6.9	(1.8)	(103.5)	82.1
Share-based payment credit – see note 12	—	—	(2.9)	—	—	(2.9)
Transactions with owners	—	—	(2.9)	—	—	(2.9)
Profit for the year (including exchange differences recycled on disposal of Canadian business)	—	—	—	0.9	6.8	7.7
Exchange differences on translation of foreign operations	—	—	—	0.9	—	0.9
Total comprehensive profit	—	—	—	1.8	6.8	8.6
At 30 April 2021	3.1	177.4	4.0	—	(96.7)	87.8

Company statement of changes in equity

For the year ended 30 April 2022

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2021	3.1	177.4	4.0	(95.9)	88.6
Share-based payment credit – see note 12	—	—	(2.2)	—	(2.2)
Transactions with owners	—	—	(2.2)	—	(2.2)
Loss for the year	—	—	—	(43.7)	(43.7)
Total comprehensive loss	—	—	—	(43.7)	(43.7)
At 30 April 2022	**3.1**	**177.4**	**1.8**	**(139.6)**	**42.7**

For the year ended 30 April 2021

	Share capital £m	Share premium £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
At 1 May 2020	3.1	177.4	6.9	(100.3)	87.1
Share-based payment credit – see note 12	—	—	(2.9)	—	(2.9)
Transactions with owners	—	—	(2.9)	—	(2.9)
Profit for the year	—	—	—	4.4	4.4
Total comprehensive profit	—	—	—	4.4	4.4
At 30 April 2021	3.1	177.4	4.0	(95.9)	88.6

Consolidated statement of cash flows
For the year ended 30 April 2022

	Note	2022 £m	2021 £m
(Loss)/profit for the year after taxation		**(42.0)**	6.8
Adjustments for:			
Amortisation of intangible assets	18	**2.6**	2.5
Depreciation of tangible fixed assets	19	**0.9**	0.8
Impairment of intangible assets	18	**0.1**	—
Impairment of goodwill	17	**2.6**	—
Gain on disposal of Canadian business	8	**—**	(2.3)
Share-based payment credit	12	**(2.2)**	(2.9)
Charge to loss provision	22	**—**	0.1
Increase in provisions	26	**3.7**	0.8
Increase in refund liabilities	25	**0.4**	—
Interest income	15	**(0.2)**	(0.1)
Interest expense	16	**—**	0.1
Share of result of associate	21	**2.3**	1.0
Impairment of associate	21	**9.2**	—
Taxation charge/(credit)	13	**7.2**	(0.3)
Operating cash (outflow)/inflow before changes in working capital		**(15.4)**	6.5
Movement in trade and other receivables		**(4.9)**	0.2
Movement in trade and other payables		**(4.7)**	4.9
Movement in deferred income		**(5.8)**	1.4
Net cash (outflow)/inflow from operating activities		**(30.8)**	13.0
Investing activities			
Purchase of property, plant and equipment	19	**(1.2)**	(0.3)
Development expenditure capitalised	18	**(3.1)**	(2.1)
Purchase of intangible assets	18	**(1.0)**	(0.2)
Interest income	15	**0.2**	0.1
Proceeds from disposal of Canadian business	8	**—**	36.4
Cash disposed of with Canadian business	8	**—**	(3.5)
Net cash (outflow)/inflow from investing activities		**(5.1)**	30.4
Financing activities			
Advances from factor	23	**5.5**	—
Lease interest payments		**—**	(0.1)
Payments against lease liabilities	27	**(0.4)**	(0.3)
Net cash inflow/(outflow) from financing activities		**5.1**	(0.4)
Net (decrease)/increase in cash and cash equivalents		**(30.8)**	43.0
Cash and cash equivalents at the beginning of the year		**74.0**	31.0
Cash and cash equivalents at the end of the year		**43.2**	74.0

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

Cash flows relating to discontinued operations are presented within note 7.

Company statement of cash flows

For the year ended 30 April 2022

	Note	2022 £m	2021 £m
(Loss)/profit for the year after taxation		**(43.7)**	4.4
Adjustments for:			
Amortisation of intangible assets	18	**2.5**	2.1
Impairment of associate	21	**15.8**	—
Loss on disposal of subsidiary	8	**—**	0.6
Depreciation of tangible fixed assets	19	**0.9**	0.7
Share-based payment credit		**(2.2)**	(2.3)
Increase in provisions	26	**3.7**	0.8
Increase in refund liabilities	25	**0.4**	—
Interest income		**(0.2)**	(0.2)
Taxation		**7.3**	(0.2)
Operating cash (outflow)/inflow before changes in working capital		**(15.5)**	5.9
Movement in trade and other receivables		**(4.9)**	(0.1)
Movement in trade and other payables		**(4.4)**	4.2
Movement in deferred income		**(5.8)**	1.8
Net cash (outflow)/inflow from operating activities		**(30.6)**	11.8
Investing activities			
Purchase of property, plant and equipment	19	**(1.2)**	(0.3)
Development expenditure capitalised	18	**(3.1)**	(2.1)
Purchase of intangible assets	18	**(1.0)**	(0.2)
Proceeds from sale of subsidiary	8	**—**	36.4
Interest income		**0.2**	0.2
Net cash (outflow)/inflow from investing activities		**(5.1)**	34.0
Financing activities			
Advances from factor		**5.5**	—
Lease interest payments		**—**	—
Payments against lease liabilities	27	**(0.4)**	(0.3)
Net cash inflow/(outflow) from financing activities		**5.1**	(0.3)
Net (decrease)/increase in cash and cash equivalents		**(30.6)**	45.5
Cash and cash equivalents at the beginning of the year		**73.5**	28.0
Cash and cash equivalents at the end of the year		**42.9**	73.5

Notes to the financial statements

1. General information

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

2. Summary of significant accounting policies

2.1 Basis of preparation and consolidation

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom and in conformity with the requirements of the Companies Act 2006.

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

The consolidated financial statements have been prepared under the historical cost convention.

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

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

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

For the year ended 30 April 2022, the following subsidiary of the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies:

Subsidiary name: BFL Property Management Limited

Companies House Registration Number: 06734084

2.2 Discontinued operations

A discontinued operation is a component of the entity which the Group has decided to close, or which has been disposed of or which is classified as held for sale and which represents a separate major line of business or geographical area of operation. The results of discontinued operations are presented separately in the statement of comprehensive income and statement of cash flows. The results of the Canadian business, which was sold on 15 July 2020, have been classified as a discontinued operation in the results for the prior year. See note 8 for further detail.

2.3 Going concern

In adopting a going concern basis for the preparation of the financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position as set out on pages 8 and 9 and in note 31 to the financial statements, and the Group's principal risks and uncertainties as set out on pages 39 to 43.

The Directors have taken into account reasonably possible future economic factors in preparing and reviewing trading and cash flow forecasts covering the period to 31 August 2023, being over 12 months from the date of these financial statements. This assessment has recognised the significant loss and cash outflow in FY22, and the actions management has taken and has planned in FY23 to address both the fall in instruction volume and increase in cost base which have led to this result. Management is of the view that the plans in place are realistic and achievable.

2. Summary of significant accounting policies continued

2.3 Going concern continued

This assessment has taken into consideration sensitivity analysis with regard to the forecast volume of instructions and the steps which could be taken to further mitigate costs if required. Mitigations available are consistent with cost control and cash preservation actions taken in FY21 in response to Covid-19 and include a reduction in marketing expenditure and reductions in expenditure on the Group's contact centre and support functions to match demand levels. Since the Group has not made commitments to carbon emission reductions which have a significant cost implication, the impact of climate change has not had a significant effect on the forecasts considered.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered three sensitivities:

i) a scenario of a downside sensitised fall in revenues of 15% resulting from a decrease in instruction volumes which is in excess of the Directors' realistic expectations;

ii) an outflow at the higher bound of the range that is considered reasonably possible in respect of the provision for Housing Act 2004 compliance issues as set out in note 3.1; and

iii) a reverse stress test to identify a scenario which would bring the Group's cash position to zero at the end of the assessment period to 31 August 2023. The reverse stress test indicates that a 30% reduction in activity versus forecast, with no mitigating actions taken whatsoever would be required to reduce cash to zero within the assessment period.

Given the Group's cash position of £43.2m at 30 April 2022, the Group expects to maintain a position of sufficient liquidity throughout the forecast period to at least 31 August 2023, in the base and in the sensitised scenarios. The level of liquidity available means that the Group has the flexibility to address any reasonably possible change in costs, and the Group does not anticipate the need to seek further sources of finance in the foreseeable future. The Directors consider that, given the levers available to the business to control cash outflow, a scenario in which the Group runs out of liquidity within the assessment period is not reasonably possible.

In light of the Group's current liquidity and the results of the sensitivity testing conducted, the Directors are satisfied that the Company, and the Group as a whole, has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the financial statements have been prepared on the going concern basis.

2.4 New accounting standards adopted in the year

On 1 May 2021, the Group adopted Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) as issued by the IASB. The adoption has not had a material impact on the financial statements of the Group in the year. Aside from this, no other adoptions of new accounting standards have occurred in the year.

2.5 Revenue recognition

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

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

- instructions to list property for sale;
- conveyancing;
- lettings – landlord setup services; and
- lettings – monthly management services.

Following the launch of the Group's Money Back Guarantee product on a trial basis in May 2021 and nationwide on every sale from 19 July 2021, the Group's policy in respect of instruction revenue has been updated.

Instructions

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

The Money Back Guarantee product was launched in May 2021 in respect of instruction fees. Under the Money Back Guarantee, customers may be entitled to claim a refund of the instruction fee, if an offer within 90% of the listing price recommended by Purplebricks has not been achieved within 10 months of instruction, subject also to listing the property for a continuous 10-month period, and accepting viewings of the property.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.5 Revenue recognition continued

Instructions continued

The Group recognises revenue only to the extent that future reversals of revenue are expected to be unlikely. Therefore, since the launch of the Money Back Guarantee product, the value of revenue to be recognised over the Performance Obligation has been constrained by expected future refunds under the Money Back Guarantee offering, to the extent that it is highly probable a significant reversal amount of cumulative revenue recognised will not occur. Management estimates the constraint using cohort analysis of eligibility over the instruction service period. The balance of cash received upfront from Pay Now customers is held as a refund liability (refer to note 25). The refund liability is in the nature of variable consideration and is estimated using historical data and information about the Group's own performance and current market conditions.

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

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

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

Since the introduction of the Money Back Guarantee product, the Group's receivable from the customer does not arise until consideration is due, i.e. once eligibility for refund under the Money Back Guarantee criteria has fallen away. Since it is possible to reliably estimate the rate at which eligibility will fall away, revenue is accrued up to the disqualification point. Following the disqualification point, the receivable is recognised and revenue deferred over the remaining service period.

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 uses historical and current market data to estimate the length of this period, which covers both a marketing period and a post-sales support period.

Contract assets and liabilities

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

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

Costs associated with instructions revenue include commissions and, since the move to an employed field sales force in September 2021, salaries paid to the Group's LPPs. These costs are prepaid and amortised over the same service period over which the instruction revenue is recognised. There is limited judgement associated with prepaid cost of sales since the amounts involved are known with a high degree of certainty at the point of prepayment.

Unamortised costs at each period end are reported as contract assets within prepayments, as set out in the trade and other receivables and contract assets note.

Conveyancing

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

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

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

Movements in amounts recognised as accrued income are set out within the trade and other receivables and contract assets note.

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

2. Summary of significant accounting policies continued

2.5 Revenue recognition continued

Lettings landlord setup services

The Group offers lettings services to landlords.

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

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

All revenue is therefore attributable to this single Performance Obligation.

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

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

Contract assets and liabilities

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

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

Lettings monthly management services

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

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

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

2.6 Functional and presentation currency

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

2.7 Foreign currencies

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

2.8 Segmental reporting

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

2.9 Pension benefits

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

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.10 Taxation

Current tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity. Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods that remain unpaid at the reporting date. Current tax is payable on taxable profit, which differs from the profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Repayable tax credits relating to research and development expenditure arising under the HMRC R&D regime are recognised within current tax.

Deferred tax

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

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

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

2.11 Property, plant and equipment and purchased intangible assets

Property, plant and equipment and purchased intangible assets are held at cost less accumulated depreciation or amortisation and impairment charges.

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

The useful lives over which these assets are depreciated are:

- Purchased software – over the estimated useful life of the system, typically 3 to 5 years
- Computer equipment – over 3 years
- Fixtures and fittings – over 5 years
- Leasehold improvements – over the shorter of 5 years or the remaining period of the lease

2.12 Investments in subsidiaries

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

2.13 Joint ventures and associates

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

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

Under IFRS 12 Disclosure of Interests in Other Entities, where the Group has significant influence over another entity, but not control or joint control, then the investment is accounted for as an associate under 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.

2. Summary of significant accounting policies continued

2.13 Joint ventures and associates continued

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

When there is a dilution of the Group's shareholding in an investment, the carrying value of the investment is reassessed immediately before and after the point of dilution, and any gain or loss on dilution recognised accordingly. See note 21 for further detail.

2.14 Business combinations and goodwill

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

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

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

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

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

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

2.15 Cash and cash equivalents

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

2.16 Internally generated intangible assets

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

An internally generated intangible asset arising from the Group's development activity in respect of the customer-facing Purplebricks software platform is recognised in the statement of financial position, along with implementation costs in respect of other discrete software implementation projects. These costs are recognised as assets only when the Group can demonstrate the following:

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

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

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

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.16 Internally generated intangible assets continued

The useful lives over which these assets are amortised are:

- Internally generated intangibles – straight line over 3 years
- Capitalised software – straight line over the estimated useful life of the system, typically 3 to 5 years

Amortisation is included within administrative expenses.

2.17 Intangible assets acquired in a business combination

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

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

The useful lives over which these assets are amortised are:

- Patents and trademarks – straight line over 18 months
- Customer relationships – straight line over 5 years
- Proprietary technology – straight line over 3 years

Certain intangible assets, such as brands, are deemed to have an indefinite life and are held at cost and not amortised but rather tested annually for impairment.

Amortisation is included within administrative expenses.

2.18 Impairment

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

Impairment losses are recognised in profit or loss.

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

2.19 Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. See note 31 for further details.

Financial assets

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

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

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

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

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

Impairment testing of trade receivables is described in note 22.

2. Summary of significant accounting policies continued

2.19 Financial instruments continued

Definition of default

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

Credit-impaired financial assets

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

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

(b) it is becoming probable that the borrower will enter bankruptcy or another type of financial reorganisation.

Write off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

Credit risk management – sale of receivables

In order to manage both liquidity requirements and credit risk in the UK, the Group operates committed facilities with a third party finance house, whereby customer receivables in respect of customers who utilise the Group's "Pay Later" option are sold immediately to the finance house. The contractual committed facility is £12.5m per month.

Up until the introduction of the MBG product, receivables from customers who elected to pay later for services rather than pay upfront were initially recognised at the transaction price, which was approximate to fair value under a held for sale business model.

The receivables were sold at a discount to face value on non-recourse terms, with the discount retained by the finance house representing its fee for administering the collection of receivables. There are thresholds built into the facility agreement which allow the fee/discount to be revised upwards or downwards on a prospective only basis (i.e. in relation to the sale of receivables arising in the future) if actual experience differs significantly from the initial assumptions that were used to set the fee.

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

Since the introduction of the MBG product, the Group has continued to sell its expected receivables to the same factoring partner. However, since the receivable only arises once eligibility for refund under the MBG has fallen away, the receivable itself typically does not exist at sale. Instead, the Group recognises a new contract liability type, loan from factor, at the point of sale of expected receivables. This loan balance is then extinguished once the customer's MBG eligibility falls away. The difference between the face value of the expected receivables and the cash received is recognised as a finance expense over the period between receipt of the loan and extinguishment of the loan.

Notes to the financial statements continued

2. Summary of significant accounting policies continued

2.19 Financial instruments continued

Financial liabilities and equity

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

Borrowings

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

Equity instruments

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

2.20 Lease accounting

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

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

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

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

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate; or
- a lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, including any lease incentives (e.g. rent-free periods), and any initial direct costs, less lease payments made at or before the commencement day.

They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. Depreciation of right-of-use assets and interest on lease liabilities is recognised in the consolidated income statement. The Group does not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented within the same line item as that within which the corresponding underlying assets would be presented if they were owned – for the Group this is property, plant and equipment. The right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. Any identified impairment loss will be accounted for as described in the impairment policy.

Where the Group's leases include termination options, the right-of-use assets and lease liabilities assume these are not exercised.

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

2. Summary of significant accounting policies continued

2.20 Lease accounting continued

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

Cash flows related to repayment of lease liabilities are presented within financing cash flows. During the year, total cash outflows under leases were £0.4m.

2.21 Share-based payments

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

2.22 Share-based payments reserve

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

2.23 Provisions

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

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

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

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

2.24 Exceptional items

Exceptional items represent amounts which result from unusual transactions or circumstances which warrant individual disclosure due to their nature and also significance. The identification of these items is judgemental, and this judgement is made at Board level. We believe that adjusting for such items presents an alternative perspective which can improve comparability period on period. These amounts are adjusted from alternative performance measures for this reason.

2.25 Factored receivables

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

Since the launch of the Money Back Guarantee product in 2021, the loss on derecognition is amortised over the expected life of the loan, which is driven by the period that customers' properties must remain listed for sale before becoming eligible for a refund.

2.26 Government assistance

During the prior year, the Group received amounts from the UK and Canadian Governments in relation to staff on furlough not working in the business. These receipts have been presented within net other income and expenditure in respect of the UK and are within the overall profit from discontinued activities in respect of Canada in the comparatives.

The financial impact of Government assistance in the period is described in note 10.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 in the financial statements and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

3.1 Provision for legal claims in relation to registration of tenancy deposits

During an internal review, the Company became aware of process issues in how it had been communicating with tenants on behalf of landlords in relation to the registration of tenancy deposits. In response, the Board sought independent third party assurance and advice in relation to the end-to-end process and controls in the lettings business, including compliance with applicable laws and regulations. This included forensic analysis of the processes to identify current risks, errors or failings in the end-to-end processes and recommended areas for improvement.

The Board then agreed a number of process and control enhancements, including in the processes around timely registration of deposits, and provision of prescribed information and other information to tenants appropriately in light of their individual circumstances. The processes going forward were corrected quickly after the issues were identified. The Company is now in the process of ensuring that customers are contacted with appropriate information, with this exercise expected to conclude in H1 23.

A provision of £3.6m for potential future claims which could arise under the Housing Act 2004, and for associated professional fees, has been made in these financial statements, of which £2.8m remains at 30 April 2022 after utilisation against professional fees in respect of third party advice and assurance and claims settled. The amount reflects estimates in respect of the rate at which current and former tenants will make claims, and the average level of payment made in respect of successful claims, including legal support costs.

To date, a low volume of claims has been experienced. However, the process of communicating with those affected is ongoing, and we would also note the significant period in which those affected are able to bring a claim. Partly due to the low number of claims received to date, the average legal costs per claim have been higher than anticipated when the provision was made at H1 22. The Board has challenged and debated the process, key judgements and assumptions associated with the provision and is satisfied that it is appropriate, recognising the significant uncertainty and degree of estimation involved in calculating this provision.

The ultimate level of financial exposure is dependent on the claim rate, the level of penalty applied in respect of successful claims and the future legal fees incurred to support claims management. The provision is especially sensitive to the claim rates, which have been assessed at 9.9% for current tenants and 2.0% for former tenants. Alternative scenarios have been assessed with lower claim rates and higher claim values as part of the Board's consideration of the amount of provision required. A 10% change in the claim rates would increase or decrease the provision by £0.3m. The Directors assess that a reasonably possible range around claim rate and level of financial penalty applied in respect of successful claimants could result in the financial liability being in the range of £0.2m to £5.1m. Claims experience to date would indicate an outcome towards the lower end of the range. While the Board feel it is highly unlikely, a very high claim rate causing an outcome higher than £5.1m remains possible.

Other sources of estimation uncertainty

Other areas of estimation uncertainty are detailed below:

3.2 Measurement of deferred tax assets

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

The recognition of deferred tax assets is dependent upon the estimation of future taxable profits. The decision to recognise deferred tax assets is made after taking into account forecasts of future taxable profits, sensitised for downside risk. Due to taxable losses generated in FY22, the Directors have taken the decision to derecognise in full the brought forward deferred tax assets in respect of taxable losses and timing differences. The charge arising amounts to £7.2m. Future recognition of deferred tax assets will depend on a history of taxable profits and expectations of future taxable profits. Unrecognised deferred tax assets at 30 April 2022 amount to £14.2m.

3. Critical accounting estimates and judgements continued

Other sources of estimation uncertainty continued

3.3 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 is required to estimate the proportion of the total costs of the Group's Digital team which relates to the creation of intangible assets which meet the criteria for capitalisation in IAS 38.

The overall cost of this team is material and a significant change in this estimate could have a significant effect on the value of costs capitalised. The impact of a change to this estimate could result, at the most extreme, i.e. in a scenario where either no development team costs are capitalised, or where they are capitalised in full, in a decrease of £1.5m or increase of £3.1m in administrative expenses in the current year.

Further details of the amounts capitalised are included in note 18.

3.4 Revenue recognition

Service period

Instruction revenue is recognised over the estimated period between instruction and completion or withdrawal of the property from sale, or, in future, to the point at which a customer requests a refund under the Group's Money Back Guarantee product. This period is the "service period" and the Directors are therefore required to estimate the average total service period, taking into account historical experience in addition to current and possible future economic conditions and factors. At each reporting date, this estimation includes an assessment of the future service period in respect of instructions on hand at the year end.

As at 30 April 2022, the key factors which the Directors have taken account of in developing their view of the likely future service period has been the level of demand from potential purchasers on the housing market in the UK and the length of time property transactions are taking to complete.

The high level of demand from potential purchasers, which is not matched by availability of properties listed by sellers, has led to an average shortening of the time between instruction and sale agreed in FY22.

The Directors assess that the delays within the process between sale agreed and completion, which were experienced in the latter part of 2021 due to high levels of transactions, particularly in advance of the expiry of the stamp duty land tax holidays, have now passed and the process has returned to normal as transaction levels have reduced. As a result, the Directors assess that time between sale agreed and completion is likely to reflect normal levels.

On balance, at 30 April 2022, the Directors have assessed that the period used in calculating contract liabilities in respect of deferred income is in line with that used at 30 April 2021. Therefore, the service period estimate has had no significant effect on the amount of revenue recognised in the year.

In estimating the future service period, the Directors have adopted a best estimate approach, taking into account available evidence. An increase of 4% or decrease of 6% in the service period has been assessed as reasonably possible boundaries for this assumption. Such changes in the assumption would have resulted in an increase of £0.5m or decrease in deferred income of approximately £0.3m respectively. A 12% change in service period would be required to result in a material adjustment to deferred income of £1.0m.

3.5 Carrying value of the Group's investment in Homeday

The Group's investment in Homeday, after accounting for the Group's share of post-investment losses, gave rise at 30 April 2022 to a carrying value of associate of £9.2m at the Group level and £15.8m at the Company level.

In FY22 Homeday has underperformed against forecast, partly as a result of the challenging macro-economic environment and residential property market in Germany, which has seen a significant market downturn in recent months. In light of Homeday's continued losses, which have been higher than forecast by local management earlier in FY22, the carrying value of the investment was assessed for impairment at 30 April 2022, on a value-in-use basis.

Purplebricks management prepared a discounted cash flow forecast, based on Homeday management's forecasts overlaid for judgemental risk adjustments by Purplebricks management. The forecast covered the period to 31 December 2026, assuming a terminal growth rate of 2.5% thereafter, and was discounted at a discount rate of 23.1%. The discount rate reflected the recent increase in risk-free rate and a risk premium given the market conditions in which Homeday is currently operating.

The discounted forecast indicated that the Group's investment in Homeday is not recoverable. Therefore, the investment in associate has been impaired in full at 30 April 2022, resulting in a charge of £9.2m at the Group level and £15.8m at the Company level.

Notes to the financial statements continued

3. Critical accounting estimates and judgements continued

Judgements

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

3.6 Revenue recognition

The Group provides services for instruction fees, including fees receivable upfront and fees receivable at completion of sale. The Group has taken a judgement that under IFRS 15 the Performance Obligation relating to these fees is discharged over time (between instruction and completion) rather than at a point in time. An alternative judgement that fees should be recognised at a point in time would have a material impact on both deferred income and revenue for the current year. The impact of this alternative judgement would be to either accelerate in full or delay in full recognition of the deferred income amounts set out in note 23. Further detail is set out in the revenue recognition policy above.

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

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

		Expected date of adoption
Annual Improvements to IFRS 2018–2020	Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture.	1 May 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	Specifies that the "cost of fulfilling" a contract comprises the "costs that relate directly to the contract".	1 May 2022
Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16)	Prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.	1 May 2022
IFRS 17 Insurance Contracts (Supersedes IFRS 4 Insurance Contracts)	Designed to achieve the goal of consistent, principle-based accounting for insurance contracts, it requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts.	1 May 2023
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	Aims to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.	1 May 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	Requires an entity to disclose its material accounting policies, instead of its significant accounting policies. The amendments explain how to identify a material accounting policy with examples of when a policy is likely to be material.	1 May 2023
Definition of Accounting Estimates (Amendments to IAS 8)	Replaces the definition of a change in accounting estimates with a definition of accounting estimates, which are defined as "monetary amounts in financial statements that are subject to measurement uncertainty". The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.	1 May 2023
Deferred Tax (Amendments to IAS 12)	Clarifies that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.	1 May 2023

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

5. Alternative performance measures

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

Adjusted EBITDA

Definition

Profit or loss from operating activities, adding back depreciation, amortisation, share-based payment charges and exceptional items. At a Group level this measure also excludes results of associates.

Relevance to strategy

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

- Depreciation: a non-cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Amortisation: a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period. Where applicable, impairment of intangible assets is also excluded as an exceptional item.
- Share-based payment charges: a non-cash item which varies significantly depending on the share price at the date of grants under the Group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the Group's results period on period and also improves comparability with other companies which typically do not operate similar share-based payment schemes.
- Exceptional items: these items represent amounts which result from unusual transactions or circumstances and of a significance which warrants individual disclosure. We believe that adjusting for such exceptional items improves comparability period on period. See note 9 for further detail of amounts disclosed as exceptional in the year.
- Results of associates: while the Group exercises some influence over these results, it is unable to fully control them. The Group monitors the performance of its associate Homeday separately from the UK segment.

Reconciliation

See segmental reporting in note 7.

Adjusted operating costs

Definition

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

Relevance to strategy

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

Reconciliation

See segmental reporting in note 7.

Adjusted operating profit/loss

Since adjusted EBITDA is the key profit measure used by the Board, being the Chief Operational Decision Maker (CODM), in making strategic decisions, adjusted operating profit is no longer presented as an alternative profit measure in FY22.

Notes to the financial statements continued

6. Revenue

Revenue by contract type:

	2022 £m	2021 £m
Continuing operations		
Instructions	**45.3**	60.1
Conveyancing	**14.1**	17.9
Lettings	**5.4**	6.6
Other	**5.2**	6.3
	70.0	90.9
Discontinued operations		
Instructions	**—**	3.6
Other	**—**	2.9
	—	6.5
Total revenue	**70.0**	97.4

7. Segmental reporting

The Group's trade is managed as a single division, providing services relating to the sale and letting of properties; however, management reports to the Board (the Board being the Chief Operating Decision Maker (CODM)) using geographical segments. The financial information reviewed by the Board is materially the same as that reported under IFRS and in FY22 falls under one geographic location: the UK. The Canadian business is a former segment, which was sold in FY21. The results of the former Canadian business are presented within the discontinued operations FY21 comparatives. The operating losses of discontinued segments are reconciled to the net loss relating to discontinued activities within this note.

The Group's share of the results of its associate Homeday, which is based in Germany, is presented within the arising on consolidation column, along with amortisation of intangibles arising on consolidation.

Adjusted EBITDA is a key profit measure used by the CODM in making strategic decisions.

During the year, no customer contributed 10% or more of the Group's revenues (2021: none). The following is an analysis of the Group's revenue and results by reporting segment:

Year ended 30 April 2022	UK £m	Arising on consolidation £m	Total £m
Revenue	70.0	—	70.0
Cost of sales	(27.9)	—	(27.9)
Gross profit	42.1	—	42.1
Gross profit margin (%)	60.1%	—	60.1%
Administrative expenses	(50.1)	3.8	(46.3)
Marketing expenses	(25.2)	—	(25.2)
Share of results of associate	—	(2.3)	(2.3)
Operating loss	(33.2)	1.5	(31.7)
Reconciliation to adjusted EBITDA			
Operating loss	(33.2)	1.5	(31.7)
Depreciation and amortisation	3.4	0.1	3.5
Share-based payments credit	(2.2)	—	(2.2)
Share of results of associate	—	2.3	2.3
Exceptional items	23.2	(3.9)	19.3
Adjusted EBITDA	(8.8)	—	(8.8)
Reconciliation of administrative expenses to adjusted operating costs			
Administrative expenses	(50.1)	3.8	(46.3)
Depreciation and amortisation	3.4	0.1	3.5
Share-based payments credit	(2.2)	—	(2.2)
Exceptional items	23.2	(3.9)	19.3
Adjusted operating costs	(25.7)	—	(25.7)

7. Segmental reporting continued

Year ended 30 April 2021	UK £m	Arising on consolidation £m	Continuing operations £m	Discontinued operations (Canada only) £m	Total £m
Revenue	90.9	—	90.9	6.5	97.4
Cost of sales	(33.2)	—	(33.2)	(1.8)	(35.0)
Gross profit	57.7	—	57.7	4.7	62.4
Gross profit margin (%)	63.5%	—	63.5%	72.3%	64.1%
Net other income and expenditure	(0.3)	—	(0.3)	1.4	1.1
Administrative expenses	(29.1)	(0.2)	(29.3)	(4.0)	(33.3)
Marketing expenses	(18.9)	—	(18.9)	(0.6)	(19.5)
Share of results of associate	—	(1.0)	(1.0)	—	(1.0)
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Reconciliation to adjusted EBITDA					
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Depreciation and amortisation	2.8	0.2	3.0	0.3	3.3
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Share of results of associate	—	1.0	1.0	—	1.0
Exceptional items	2.1	—	2.1	—	2.1
Adjusted EBITDA	12.0	—	12.0	1.2	13.2
Reconciliation to adjusted operating profit					
Operating profit	9.4	(1.2)	8.2	1.5	9.7
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Share of results of associate	—	1.0	1.0	—	1.0
Exceptional items	2.1	—	2.1	—	2.1
Adjusted operating profit	9.2	(0.2)	9.0	0.9	9.9
Reconciliation of administrative expenses to adjusted operating costs					
Administrative expenses	(29.1)	(0.2)	(29.3)	(4.0)	(33.3)
Depreciation and amortisation	2.8	0.2	3.0	0.3	3.3
Share-based payments	(2.3)	—	(2.3)	(0.6)	(2.9)
Exceptional items	2.1	—	2.1	—	2.1
Adjusted operating costs	(26.5)	—	(26.5)	(4.3)	(30.8)

Notes to the financial statements continued

7. Segmental reporting continued

All assets and liabilities relate to the UK in both the current and preceding financial year.

Cash flows relating to discontinued operations were as follows:

	2022 £m	2021 £m
Operating cash (outflow)/inflow before changes in working capital		
Continuing operations	**(15.4)**	5.2
Discontinued operations	**—**	1.3
	(15.4)	6.5
Operating cash (outflow)/inflow after changes in working capital, interest and taxation paid		
Continuing operations	**(30.8)**	12.0
Discontinued operations	**—**	1.0
Net cash (outflow)/inflow from operating activities	**(30.8)**	13.0
Cash (outflow)/inflow from investing activities		
Continuing operations	**(5.1)**	(2.5)
Discontinued operations	**—**	32.9
	(5.1)	30.4
Cash inflow/(outflow) from financing activities		
Continuing operations	**5.1**	(0.4)
Discontinued operations	**—**	—
	5.1	(0.4)

8. Profit on disposal of the Canadian business

In the prior year, on 15 July 2020, the Group completed the disposal of its Canadian business, being all Canadian subsidiaries and the entire Canada segment, to the Desjardins Group, a Canadian co-operative financial group. Headline consideration was $60.5m Canadian Dollars (£36.1m), or £35.9m net of professional fees of £0.2m, to be adjusted for working capital and debt in line with completion accounts in due course. £6.1m of the proceeds was allocated to the repayment of intra-group debt owed to Purplebricks Group plc.

In November 2020, working capital and debt adjustments were agreed at $1.0m Canadian Dollars (£0.5m), giving revised net proceeds due to the Group, net of advisor fees of £0.2m, of £36.4m. After accounting for the disposal of the Group's Canadian business at book value, including the book value of goodwill and other intangibles arising on the acquisition, and the derecognition of associated deferred tax assets and liabilities, the Group recorded a profit on disposal of £2.3m in the prior year accounts. Further detail is set out in the table below:

	2021 £m
Cash consideration received	36.4
Carrying amount of net assets disposed of	(34.1)
Gain on sale	2.3

The carrying amounts of assets and liabilities at the date of sale were:

	£m
Goodwill	17.2
Brand	13.5
Proprietary technology	1.1
Customer relationships	1.1
Cash	3.5
Working capital and other net liabilities	(2.3)
	34.1

8. Profit on disposal of the Canadian business continued

The operating profits of discontinued segments are reconciled to the net profit relating to discontinued activities as follows:

	Year ended 30 April 2022 £m	Year ended 30 April 2021 £m
Operating profit relating to discontinued segments	—	1.5
Gain on disposal of Canadian business	—	2.3
Exchange differences recycled on disposal of Canadian business	—	(0.9)
Profit from discontinued operations	—	2.9

After accounting for the repayment of amounts owed, the Company realised a loss on disposal of the cost of investment in its Canadian subsidiaries of £0.6m in the year ended 30 April 2021.

9. (Loss)/profit from operating activities

(Loss)/profit from operating activities for the year has been arrived at after charging/(crediting):	2022 £m	2021 £m
Amounts received by auditor and associates in respect of:		
Audit of Group financial statements	**0.4**	0.2
Non-audit services: half year review	**0.1**	0.1
Charge in respect of provisions for expected credit losses	—	0.1
Depreciation and amortisation:		
Owned, in respect of continuing activities	**0.5**	0.4
Owned, in respect of discontinued activities	—	0.1
Depreciation of right-of-use assets – property in respect of continuing activities	**0.4**	0.3
Amortisation of development costs	**2.3**	1.9
Amortisation of software in respect of continuing activities	**0.2**	0.2
Amortisation of other intangibles in respect of continuing activities	**0.1**	0.2
Amortisation of other intangibles in respect of discontinued activities	—	0.2
Impairment of goodwill, recognised in administrative expenses (exceptional)	**2.6**	—
Impairment of other intangible assets, recognised in administrative expenses (exceptional)	**0.1**	—
Impairment of investment in associate, recognised in administrative expenses (exceptional)	**9.2**	—
Income in respect of Government assistance	—	(0.7)
Repayment of income in respect of Government assistance	—	1.0
Aggregate charge against income in respect of research and development costs not eligible for capitalisation	**1.5**	2.9
Other exceptional items	**7.4**	2.1

Exceptional items in FY22 comprise costs of moving to an employed field sales force, a provision for potential claims in relation to the Housing Act 2004, impairment charges, and post-employment benefits in respect of the former CEO, Vic Darvey. These items have been presented as exceptional in line with our policy set out in note 2.24.

	2022 £m	2021 £m
Restructuring costs	**3.5**	1.2
Provision for claims	**3.6**	—
Impairment	**11.9**	—
Post-employment benefits of former CEO	**0.3**	—
LPE support	—	0.9
Exceptional items	**19.3**	2.1

Notes to the financial statements continued

9. (Loss)/profit from operating activities continued

The main components of costs of moving to an employed field sales force were:

- consultancy costs for support in the design of the employed model, including of the commission structure (£0.9m);
- retention payments to individuals becoming employed (£1.6m);
- costs of contractors and project-specific employees working within the project team (£0.3m); and
- creation of learning and development materials and onboarding materials, and costs of training meetings and roadshows (£0.7m).

£0.2m of further costs are expected in FY23, being further bonuses due to staff for continued employment. No further costs of moving to an employed field sales force are expected beyond FY23.

A provision of £3.6m for potential future claims which could arise under the Housing Act 2004 has been made in FY22 as described in note 3.

The acquisition of BFL Property Management Limited (BFL) in March 2017 gave rise to a goodwill amount in the consolidated balance sheet of £2.6m, together with other intangible assets with carrying value at 30 April 2022 of £0.1m prior to the impairment described below.

In light of the process issues identified in the lettings business, the carrying value of the goodwill and other intangible assets has been assessed for impairment at 30 April 2022.

A discounted cash flow forecast has been prepared including the potential significant cash outflow in respect of claims, and indicates that the carrying value of goodwill and other intangible assets was not recoverable. Therefore, they have been impaired in full, resulting in an impairment charge of £2.7m.

In FY22 Homeday has underperformed against forecast, partly as a result of the challenging macro-economic environment and residential property market in Germany, which has seen a significant market downturn in recent months. In light of Homeday's continued losses, which were in excess of those forecast by local management earlier in FY22, the carrying value of the investment was assessed for impairment at 30 April 2022. Management assessed that the carrying value of the investment was not recoverable. Therefore, the investment in associate has been impaired in full at 30 April 2022, resulting in a charge of £9.2m at the Group level.

In March 2022, our former CEO, Vic Darvey, left the business. His post-employment benefits amounted to £0.3m and are presented within exceptional items.

In FY21, exceptional items comprised:

- costs of a fundamental restructuring programme which focused on employed head office functions of £1.2m; and
- costs of supporting the network of independent LPEs in response to the Covid-19 pandemic of £0.9m.

These items have been identified in the current period and prior year as exceptional because they are of such significance that it is necessary to show them separately in order to give a complete view of the performance of the Group in the period.

The aggregate amounts accrued but not yet paid in respect of exceptional charges totalled £3.5m at 30 April 2022 (2021: £nil). All amounts are expected to be paid in cash within 12 months.

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

The aggregate charge in respect of research and development represents the total cost incurred during the year, less amounts capitalised in accordance with IAS 38 Intangible Assets. Amounts capitalised are shown in note 18.

10. Government assistance

No Government assistance was received during the year ended 30 April 2022.

During the prior year, Government grants of £0.7m were received under the UK Government's Coronavirus Job Retention Scheme (CJRS) initiative to provide financial support to companies in order to allow them to retain on payroll certain employees who were not required in the business due to Covid-19-related activity reductions and therefore placed temporarily on furlough. £0.3m was also received during FY20.

In April 2021, the Group informed HMRC of its intention to repay all the grants received under the UK's CJRS initiative, i.e. a total of £1.0m. The liability for the repayment was accrued for at 30 April 2021 and was paid in May 2021. The net income statement cost of £0.3m in the prior year is shown as net other income and expenditure.

11. Staff costs

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

	2022 Continuing No.	2021 Continuing No.	2021 Discontinued No.	2021 Total No.
Operational including sales	**737**	272	79	351
Technical	**78**	80	7	87
Administration	**58**	55	8	63
	873	407	94	501

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

	2022 Continuing £m	2021 Continuing £m	2021 Discontinued £m	2021 Total £m
Wages and salaries	**32.1**	18.1	3.3	21.4
Government assistance	**—**	(0.7)	(1.4)	(2.1)
Repayment of Government assistance	**—**	1.0	—	1.0
Social security	**3.4**	1.7	0.3	2.0
Pension	**0.5**	0.3	0.1	0.4
Share-based payment credit	**(2.2)**	(2.3)	(0.6)	(2.9)
	33.8	18.1	1.7	19.8

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

	2022 No.	2021 No.
Operational including sales	**737**	261
Technical	**78**	80
Administration	**58**	32
	873	373

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

	2022 £m	2021 £m
Wages and salaries	**32.0**	17.8
Government assistance	**—**	(0.7)
Repayment of Government assistance	**—**	1.0
Social security	**3.4**	1.6
Pension	**0.5**	0.3
Share-based payment credit	**(2.2)**	(2.3)
	33.7	17.7

The following table provides details of remuneration paid to Directors of the Company:

	2022 £m	2021 £m
Short-term employee benefits	**0.8**	1.4
Post-employment benefits	**0.5**	0.1
Share-based payment credit	**(1.2)**	(1.0)
	0.1	0.5

The highest paid Director received remuneration of £0.7m (2021: £1.2m) during the year. No Director had a material interest in any contract in relation to the business of the Group. No Director exercised share options during the current or preceding financial year.

The aggregate value of any Company contributions paid, or treated as paid, to a money purchase pension scheme in respect of Directors' qualifying services was £12,000 (2021: £17,000).

Notes to the financial statements continued

11. Staff costs continued

During the year retirement benefits under money purchase schemes accrued in respect of qualifying services for three Directors (2021: four). The Group does not operate any defined benefit retirement arrangements.

In addition to the Directors, eight members of senior management (2021: 14) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 12 individuals (2021: 21 individuals, being 17 from continuing operations and four from discontinued operations):

	2022	2021		
	Continuing £m	Continuing £m	Discontinued £m	Total £m
Salaries or fees, including bonuses and employer's National Insurance	**2.3**	3.0	0.2	3.2
Share-based payment credit	**(1.2)**	(1.6)	(0.8)	(2.4)
	1.1	1.4	(0.6)	0.8

The remuneration of the Directors for the years ended 2022 and 2021 was as follows:

Year ended 30 April 2022	Short-term employee benefits £'000	Post-employment benefits £'000	Share-based payments charge/(credit) £'000	Total £'000
Executive Directors				
Helena Marston[1]	**9**	**—**	**4**	**13**
Vic Darvey[2]	**327**	**325**	**(968)**	**(316)**
Steve Long[3]	**63**	**—**	**7**	**70**
Andy Botha[4]	**157**	**183**	**(266)**	**74**
Non-Executive Directors				
Paul Pindar	**100**	**—**	**—**	**100**
Adrian Blair	**55**	**—**	**—**	**55**
Simon Downing	**55**	**1**	**—**	**56**
Elona Mortimer-Zhika	**60**	**1**	**—**	**61**
Total	**826**	**510**	**(1,223)**	**113**

1. Helena Marston was appointed as Executive Director on 20 April 2022.
2. Vic Darvey resigned as Executive Director on 31 March 2022 and all share options held lapsed on his leaving.
3. Steve Long was appointed as Executive Director on 1 February 2022.
4. Andy Botha resigned as Executive Director on 29 October 2021 and all share options held lapsed on his leaving.

The table above reflects the accounting charge under IFRS 2 of equity-settled awards. No Director exercised share options during the year. Details of options granted to Directors are set out in the Directors' Remuneration Report on page 62.

Year ended 30 April 2021	Short-term employee benefits £'000	Post-employment benefits £'000	Share-based payments charge £'000	Total £'000
Executive Directors				
Vic Darvey	626	9	533	1,168
James Davies[1]	4	—	(1,765)	(1,761)
Andy Botha[2]	541	6	266	813
Non-Executive Directors				
Paul Pindar	97	—	—	97
Adrian Blair	53	—	—	53
Simon Downing	53	1	—	54
Elona Mortimer-Zhika[3]	36	1	—	37
Total	1,410	17	(966)	461

1. James Davies resigned from his role as an Executive Director of the Group on 11 May 2020.
2. Andy Botha was appointed as Executive Director on 11 May 2020. Andy resigned from his role on 29 October 2021.
3. Elona Mortimer-Zhika was appointed as Non-Executive Director on 24 September 2020.

12. Share-based payments

The Company operates an HMRC approved executive management incentive plan (EMI), an approved employee share ownership plan (ESOP), an unapproved licensee share option plan (LSOP) and an unapproved Performance Share Plan (PSP). Details of grants under these plans are set out below.

With the exception of scheme 14, all EMI, ESOP and LSOP plans are now fully vested. PSP schemes vest over three years from grant.

On 19 July 2021, the Company granted 2,125,244 options under a Performance Share Plan (PSP) (scheme 24) to certain employees. These options have an exercise price of £0.01 and vest over three years. In line with the PSP grants in FY21, 50% of the vest is subject to achievement of an EBITDA target and 50% to a total shareholder return (TSR) target.

On 29 March 2022, the Company granted 4,650,000 options under a PSP (scheme 25) to certain employees. These options have an exercise price of £0.01 and vest over three years. The conditions of the grant are that 50% of the vest is subject to achievement of a TSR target and 50% is subject to the achievement of an absolute TSR target.

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

Grant date	Scheme No.	Type of scheme	No. of option holders	No. of options	Exercise price	Earliest exercise date	Remaining contractual life
10 Aug 2015	4	EMI	1	3,384	£0.13	10 Aug 2015	3.3 years
29 Jun 2016	6	ESOP/LSOP	15	800,649	£1.29	29 Jun 2017	4.2 years
5 Dec 2016	7	ESOP/LSOP	11	178,903	£1.25	5 Dec 2017	4.6 years
4 Jan 2017	8	ESOP	2	387,500	£1.40	4 Jan 2018	4.7 years
5 Mar 2017	9	ESOP/LSOP	16	346,377	£3.10	5 Mar 2018	4.8 years
19 Dec 2017	12	ESOP/LSOP	11	141,400	£3.79	19 Dec 2018	5.6 years
5 Mar 2018	13	ESOP/LSOP	7	90,000	£4.15	5 Mar 2019	5.8 years
24 Jul 2018	14	ESOP/LSOP	3	85,000	£2.81	24 Jul 2019	6.2 years
2 Aug 2018	15	ESOP	1	125,000	£2.87	2 Aug 2020	6.3 years
25 Jul 2019	20	PSP	4	116,000	£0.01	25 Jul 2022	0.2 years
14 Aug 2020	21	PSP	1	234,782	£0.01	14 Aug 2023	1.3 years
7 Sep 2020	22	PSP	1	260,870	£0.01	14 Aug 2023	1.3 years
13 Jan 2021	23	PSP	8	404,596	£0.01	14 Aug 2023	1.3 years
19 Jul 2021	24	PSP	14	781,667	£0.01	19 Jul 2024	2.3 years
29 Mar 2022	25	PSP	12	4,650,000	£0.01	29 Mar 2025	2.9 years

No share options were exercised during the year (2021: none).

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

	30 April 2022 Weighted average exercise price	**30 April 2022 No. of options**	30 April 2021 Weighted average exercise price	30 April 2021 No. of options
Outstanding at start of period	**£0.85**	**11,723,625**	£1.86	11,833,405
Granted during the period	**£0.01**	**6,775,244**	£0.01	6,041,556
Lapsed during the period	**£0.56**	**(9,892,741)**	£1.97	(6,151,336)
Outstanding at end of period	**£0.52**	**8,606,128**	£0.85	11,723,625
Exercisable at end of period	**£1.96**	**2,152,901**	£1.95	4,533,269

The weighted average remaining contractual life of the options is 3.1 years (2021: 3.8 years).

Notes to the financial statements continued

12. Share-based payments continued

Fair value assumptions in respect of share-based payments

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

On 19 July 2021, the Company granted 2,125,244 options under a PSP (scheme 24) to a number of employees. These options have an exercise price of £0.01 and vest over a three-year period. 50% of the vest is subject to achievement of an EBITDA target and 50% to a TSR target. The share price at the date of grant was £0.67. At each reporting date, management updates its assessment of the likelihood of meeting the EBITDA target of each PSP. The valuation of the TSR target was made at grant by use of a stochastic model. Inputs into the model were an expected volatility of 59.46% and a risk-free interest rate of 0.13%. The total value of the TSR element as at the date of grant was £0.4m.

On 29 March 2022, the Company granted 4,650,000 options under a PSP (scheme 25) to a number of employees. These options have an exercise price of £0.01 and vest over a three-year period. 50% of the vest is subject to achievement of a TSR target, and 50% to an absolute TSR target. The share price at the date of grant was £0.23. The valuation of the TSR target was made at grant by use of a stochastic model. Inputs into the model were an expected volatility of 65.35% and a risk-free interest rate of 1.46%. The total value of the relative TSR element as at the date of grant was £0.4m and the total value of the absolute TSR element at date of grant was £0.3m.

The volatility assumption, measured at the standard deviation of expected share price movements, is based on a review of the Group's own historical volatility and of volatility used by listed companies in the same sector. However, due to the very high level of volatility in 2020 due to the Covid-19 pandemic which we do not believe is reflective of the long-term average future volatility, we have excluded the period from 1 March to 31 March 2020, being the most volatile.

PSP participants are entitled to receive dividend equivalents on these awards; therefore, the dividend yield does not have an impact on the fair value of these awards and has been set to zero.

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

	30 April 2022	30 April 2021
Weighted average share price at the date of grant	**£0.41**	£0.79
Weighted average exercise price	**£0.01**	£0.01
Weighted average contractual life (years)	**3**	3
Weighted average expected volatility	**63%**	57%
Weighted average risk-free interest rate	**0.9%**	(0.1)%
Total fair value of options granted	**£1.1m**	£1.9m

Credit to consolidated statement of comprehensive income

The credit to the consolidated statement of comprehensive income, included within administrative expenses, comprises:

	30 April 2022 £m	30 April 2021 £m
Share-based payment credit in respect of continuing activities	**(2.2)**	(2.3)
Share-based payment credit in respect of discontinued activities	**—**	(0.6)
	(2.2)	(2.9)

In FY22 and FY21, there was no charge or credit to the consolidated statement of changes in equity.

13. Taxation

	2022 £m	2021 £m
Current tax charge – Group		
Total current tax	**—**	—
Deferred tax (charge)/credit – Group		
Current year	**(7.2)**	(0.3)
Adjustments in respect of prior year	**—**	0.6
Total deferred tax	**(7.2)**	0.3
Total (charge)/credit for the year	**(7.2)**	0.3

Reconciliation of effective tax rate

The tax credit for the period differs from the standard rate of corporation tax in the UK during the year of 19% (FY21: 19%). The differences are explained below:

	2022 £m	2021 £m
(Loss)/profit before taxation (continuing Group)	**(34.8)**	3.6
Add back share of loss of post-tax earnings of equity accounted investments	**2.3**	1.0
(Loss)/profit before taxation before equity accounted investments (continuing Group)	**(32.5)**	4.6
Tax credit/(charge) calculated at UK corporation tax rate of 19% (FY21: 19%)	**6.2**	(0.9)
Effects of:		
Non-taxable share-based payment credits	**0.4**	0.5
Other non-deductible and non-taxable items	**(2.9)**	(0.1)
Deferred tax asset movement in relation to share-based payment schemes	**(0.2)**	0.2
Deferred tax asset derecognised	**(7.2)**	—
Movement in deferred tax not recognised	**(6.9)**	—
Change in tax rates	**3.4**	—
Deferred tax prior year adjustment	**—**	0.6
Total (charge)/credit for the year	**(7.2)**	0.3

The UK corporation tax rate for the year was 19%. On 6 September 2016, Parliament substantively enacted a corporation tax rate of 17% to apply from 1 April 2020. In November 2019, the UK Government announced the cancellation of the proposed rate cut from 19% to 17%. This was announced in the Budget on 11 March 2020 and was substantively enacted on 17 March 2020, which was reflected in the valuation of deferred tax assets and liabilities for the year ended 30 April 2021 using a rate of 19%.

On 11 March 2021, the Finance Bill 2021 was published, and it was announced UK corporation tax will increase from 19% to 25% from April 2023. This increase was substantively enacted on 24 May 2021. As the Group has no recognised deferred tax assets at 30 April 2022, the increase in the UK corporation tax rate effective 1 April 2023 will affect the amount of unrecognised assets only and will not have an income statement effect.

The deferred tax prior year adjustment in FY21 related to assessment of deduction of costs incurred in FY20 in the management of the investments of the UK business.

No tax was included in equity in the current or prior year.

Notes to the financial statements continued

13. Taxation continued

Recognised deferred tax assets and liabilities

Group	**2022 £m**	2021 £m
Assets	—	7.4
Liabilities	—	(0.2)
Net deferred tax assets	—	7.2

	Assets				Liabilities		
Group 2022	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Other timing differences £m	Total £m
At 1 May 2021	7.2	—	—	0.2	(0.2)	—	7.2
Included in the income statement	(7.2)	—	—	(0.2)	0.2	—	(7.2)
At 30 April 2022	—	—	—	—	—	—	—

	Assets				Liabilities		
Group 2021	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Other timing differences £m	Total £m
At 1 May 2020	8.7	0.2	0.1	—	(4.2)	(0.2)	4.6
Included in the income statement	0.2	—	(0.1)	0.2	—	—	0.3
Disposed of with Canadian business	(1.7)	(0.2)	—	—	4.0	0.2	2.3
At 30 April 2021	7.2	—	—	0.2	(0.2)	—	7.2

	Assets				Liabilities	
Company 2022	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2021	7.2	—	—	0.2	(0.1)	7.3
Included in the income statement	(7.2)	—	—	(0.2)	0.1	(7.3)
At 30 April 2022	—	—	—	—	—	—

	Assets				Liabilities	
Company 2021	Tax losses £m	Fixed asset timing differences £m	Other timing differences £m	Share-based payments £m	Fixed asset timing differences £m	Total £m
At 1 May 2020	7.0	—	0.1	—	—	7.1
Included in the income statement	0.2	—	(0.1)	0.2	(0.1)	0.2
At 30 April 2021	7.2	—	—	0.2	(0.1)	7.3

Deferred tax assets have not been recognised, due to uncertainty in regard to their recovery.

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

13. Taxation continued

Unrecognised deferred tax assets

Group	2022 £m Gross value £m	2022 £m Unrecognised tax value £m	2021 £m Gross value £m	2021 £m Unrecognised tax value £m
Tax losses	**56.6**	**14.2**	—	—
Share-based payments timing differences	**0.1**	**—**	—	—
Fixed asset timing differences	**0.2**	**—**	—	—
	56.9	**14.2**	—	—

Company	2022 £m Gross value £m	2022 £m Unrecognised tax value £m	2021 £m Gross value £m	2021 £m Unrecognised tax value £m
Tax losses	**56.6**	**14.2**	—	—
Share-based payments timing differences	**0.1**	**—**	—	—
Fixed asset timing differences	**0.1**	**—**	—	—
	56.8	**14.2**	—	—

14. Earnings per share

	Basic and diluted 2022	Basic and diluted 2021
Total including discontinued operations		
(Loss)/profit (£m)	**(42.0)**	6.8
Weighted average number of shares ('000)	**306,806**	306,806
Basic (loss)/profit per share (£)	**(0.14)**	0.02
Potentially dilutive shares unissued at year end ('000)	**4,218**	3,016
Total potentially dilutive shares at reporting date ('000)	**—**	309,822
(Loss)/profit per share (£) – diluted	**(0.14)**	0.02

	Basic and diluted 2022	Basic and diluted 2021
Continuing operations		
(Loss)/profit (£m)	**(42.0)**	3.9
Weighted average number of shares ('000)	**306,806**	306,806
Basic (loss)/profit per share (£)	**(0.14)**	0.01
Potentially dilutive shares unissued at year end ('000)	**4,218**	3,016
Total potentially dilutive shares at reporting date ('000)	**—**	309,822
(Loss)/profit per share (£) – diluted	**(0.14)**	0.01

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

The number of shares in issue at both 30 April 2022 and 30 April 2021 was 306,806,039.

Notes to the financial statements continued

15. Finance income

	2022 £m	2021 £m
Interest income	**0.2**	0.1
Finance income	**0.2**	0.1

16. Finance expense

	2022 £m	2021 £m
Charge for sale of receivables	**3.3**	4.7
Finance expense	**3.3**	4.7

Charge for sale of receivables represents the loss on disposal of amounts due from Pay Later customers to the Group's factoring partner. Since the launch of the Money Back Guarantee product in July 2021, this charge has been amortised over the expected life of the loan from factor – see note 2.25 for more information. At 30 April 2022, a prepayment of finance expense of £0.8m (2021: £nil) has been recognised.

There has been no change in the level of discount to the face value of the receivables sold to the factoring partner in the year (FY21: none). This discount represents the fee charged by the factor which is represented above as the charge for sale of receivables.

Lease interest expense rounds to £nil in both current and prior year. In the prior year, £0.1m of interest expense related to the Canadian business was presented within profit from discontinued operations.

17. Goodwill

	Lettings CGU £m	Group £m
Cost and carrying amount		
At 1 May 2021	2.6	2.6
Impairment charge recognised in the year	(2.6)	(2.6)
At 30 April 2022	**—**	**—**

Impairment review

BFL

The acquisition of BFL Property Management Limited (BFL) in March 2017 gave rise to a goodwill amount in the consolidated balance sheet of £2.6m.

In light of the process issues identified in the lettings business during the year, the carrying value of the goodwill was assessed for impairment, on a value-in-use basis. A discounted cash flow forecast for the lettings business as a whole as a single Cash Generating Unit (CGU) was prepared including the potential significant cash outflow in respect of claims. The calculation covered a five-year forecast period followed by a terminal value, and used a pre-tax discount rate of 9.5% (FY21: 8.2%) and a terminal growth rate of 1.75% (FY21: 1.75%).

The calculation indicated that there was a reasonably possible scenario in which the value in use of the lettings CGU was zero. Therefore the carrying value of goodwill and other intangible assets was assessed as not recoverable and they were impaired in full, resulting in an impairment charge in the period of £2.6m. A further charge of £0.1m in respect of the carrying value of other intangibles in respect of customer relationships arising on acquisition is set out in note 18.

18. Intangible assets

Group	Internally generated intangibles £m	Capitalised software £m	Patents and trademark £m	Customer relationships £m	Proprietary technology £m	Brand £m	Total £m
Cost							
At 1 May 2020	8.9	1.1	0.1	2.8	2.9	13.2	29.0
Additions	—	0.2	—	—	—	—	0.2
Internally developed	2.1	—	—	—	—	—	2.1
Disposals on sale of the Canadian business	—	(0.2)	—	(1.8)	(3.0)	(13.5)	(18.5)
Effects of foreign exchange	—	—	—	0.1	0.1	0.3	0.5
At 30 April 2021	11.0	1.1	0.1	1.1	—	—	13.3
Additions	—	1.0	—	—	—	—	1.0
Internally developed	3.1	—	—	—	—	—	3.1
Disposals	(0.5)	—	—	—	—	—	(0.5)
At 30 April 2022	**13.6**	**2.1**	**0.1**	**1.1**	**—**	**—**	**16.9**
Amortisation							
At 1 May 2020	(5.8)	(0.8)	(0.1)	(1.3)	(1.8)	—	(9.8)
Amortisation for the year	(1.9)	(0.2)	—	(0.3)	(0.1)	—	(2.5)
Disposals on sale of the Canadian business	—	0.2	—	0.7	1.9	—	2.8
Transfers	—	0.2	—	—	—	—	0.2
At 30 April 2021	(7.7)	(0.6)	(0.1)	(0.9)	—	—	(9.3)
Amortisation for the year	(2.3)	(0.2)	—	(0.1)	—	—	(2.6)
Impairment for the year	—	—	—	(0.1)	—	—	(0.1)
Disposals	0.5	—	—	—	—	—	0.5
At 30 April 2022	**(9.5)**	**(0.8)**	**(0.1)**	**(1.1)**	**—**	**—**	**(11.5)**
Net carrying value							
At 30 April 2022	**4.1**	**1.3**	**—**	**—**	**—**	**—**	**5.4**
At 30 April 2021	3.3	0.5	—	0.2	—	—	4.0

Internally generated intangible assets relate to the Group's software developed in house.

Notes to the financial statements continued

18. Intangible assets continued

Company	Internally generated intangibles £m	Capitalised software £m	Total £m
Cost			
At 1 May 2020	8.9	0.9	9.8
Internally developed	2.1	—	2.1
Additions	—	0.2	0.2
At 30 April 2021	11.0	1.1	12.1
Internally developed	3.1	—	3.1
Additions	—	1.0	1.0
Disposals	(0.5)	—	(0.5)
At 30 April 2022	**13.6**	**2.1**	**15.7**
Amortisation			
At 1 May 2020	(5.8)	(0.4)	(6.2)
Amortisation for the year	(1.9)	(0.2)	(2.1)
At 30 April 2021	(7.7)	(0.6)	(8.3)
Amortisation for the year	(2.3)	(0.2)	(2.5)
Disposals	0.5	—	0.5
At 30 April 2022	**(9.5)**	**(0.8)**	**(10.3)**
Net carrying value			
At 30 April 2022	**4.1**	**1.3**	**5.4**
At 30 April 2021	3.3	0.5	3.8

19. Property, plant and equipment

Group	Computer equipment £m	Furniture and fittings £m	Leasehold improvements £m	Right-of-use assets – property £m	Right-of-use assets – other £m	Total £m
Cost						
At 1 May 2020	2.6	0.8	0.3	2.9	0.1	6.7
Additions	0.3	—	—	—	0.3	0.6
Disposals	(0.7)	—	—	—	—	(0.7)
Disposals on sale of the Canadian business	(0.9)	(0.2)	(0.3)	(2.0)	(0.1)	(3.5)
At 30 April 2021	1.3	0.6	—	0.9	0.3	3.1
Additions	1.1	0.1	—	—	—	1.2
Disposals	(0.1)	(0.2)	—	—	—	(0.3)
At 30 April 2022	**2.3**	**0.5**	**—**	**0.9**	**0.3**	**4.0**
Depreciation						
At 1 May 2020	(1.6)	(0.4)	—	(1.2)	—	(3.2)
Charge for the year	(0.4)	(0.1)	—	(0.3)	—	(0.8)
Disposals	0.7	—	—	—	—	0.7
Disposals on sale of the Canadian business	0.5	—	—	1.0	—	1.5
At 30 April 2021	(0.8)	(0.5)	—	(0.5)	—	(1.8)
Charge for the year	(0.5)	—	—	(0.3)	(0.1)	(0.9)
Transfer	—	(0.1)	—	—	—	(0.1)
Disposals	0.1	0.2	—	—	—	0.3
At 30 April 2022	**(1.2)**	**(0.4)**	**—**	**(0.8)**	**(0.1)**	**(2.5)**
Net book value						
At 30 April 2022	**1.1**	**0.1**	**—**	**0.1**	**0.2**	**1.5**
At 30 April 2021	0.5	0.1	—	0.4	0.3	1.3

Other right-of-use assets relate to a significant computer equipment contract. Group lease payments totalled £0.4m (2021: £0.4m), of which £nil (2021: £0.1m) related to repayment of interest and £0.4m (2021: £0.3m) related to repayment of principal amounts.

Notes to the financial statements continued

19. Property, plant and equipment continued

Company	Computer equipment £m	Furniture and fittings £m	Right-of-use assets – property £m	Right-of-use assets – other £m	Total £m
Cost					
At 1 May 2020	1.6	0.5	0.9	—	3.0
Additions	0.3	—	—	0.3	0.6
Disposals	(0.7)	—	—	—	(0.7)
At 30 April 2021	1.2	0.5	0.9	0.3	2.9
Additions	1.1	0.1	—	—	1.2
Transfer	—	(0.1)	—	—	(0.1)
At 30 April 2022	**2.3**	**0.5**	**0.9**	**0.3**	**4.0**
Depreciation					
At 1 May 2020	(1.1)	(0.3)	(0.2)	—	(1.6)
Charge for the year	(0.3)	(0.1)	(0.3)	—	(0.7)
Disposals	0.7	—	—	—	0.7
At 30 April 2021	(0.7)	(0.4)	(0.5)	—	(1.6)
Charge for the year	(0.5)	—	(0.3)	(0.1)	(0.9)
At 30 April 2022	**(1.2)**	**(0.4)**	**(0.8)**	**(0.1)**	**(2.5)**
Net book value					
At 30 April 2022	**1.1**	**0.1**	**0.1**	**0.2**	**1.5**
At 30 April 2021	0.5	0.1	0.4	0.3	1.3

20. Investment in subsidiaries

Company	£m
Cost	
At 1 May 2021	16.2
Disposals on winding-up of US subsidiaries	(12.6)
At 30 April 2022	**3.6**
Provision for impairment	
At 1 May 2021	(16.2)
Disposals on winding-up of US subsidiaries	12.6
At 30 April 2022	**(3.6)**
Carrying amount	
At 30 April 2021 and at 30 April 2022	**—**

20. Investment in subsidiaries continued

The Group consists of a parent company, Purplebricks Group plc, incorporated in the UK, and subsidiaries held directly by Purplebricks Group plc.

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

Name of subsidiary	Nature of business
BFL Property Management Limited	Residential lettings
Purplebricks Services Limited	Mortgage advice

All of the companies above are incorporated in the United Kingdom, operate within the United Kingdom, and have their registered office at: Suite 7, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands B90 4RZ, United Kingdom.

Both Purplebricks Inc and Centerpoint Closing Services LLC were wound up as of 30 April 2022.

21. Investment in associate

	Investment in associate – Company £m	Investment in joint venture – Company £m	Investment in associate – Group £m	Investment in joint venture – Group £m
At 1 May 2020	—	15.8	—	12.5
Reclassification to associate	15.8	(15.8)	12.5	(12.5)
Gain on reclassification to associate	—	—	1.4	—
Gain on step-down in investment	—	—	0.6	—
Share of result for the year	—	—	(3.0)	—
At 30 April 2021	15.8	—	11.5	—
Gain on step-down in investment	—	—	1.0	—
Share of result for the year	—	—	(3.3)	—
Impairment	(15.8)	—	(9.2)	—
At 30 April 2022	**—**	**—**	**—**	**—**

Purplebricks and the Axel Springer group operate Einhundertsiebte "Media" Vermogensverwaltungsgesellschaft mbH ("JV HoldCo"), a company incorporated in Germany, under a Joint Venture Agreement. Purplebricks and Axel Springer currently each hold a 50% shareholding in the ordinary "common" share capital of JV HoldCo.

JV HoldCo holds a controlling stake in Homeday GmbH ("Homeday"), another company incorporated in Germany.

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

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

In the current and preceding financial year, Axel Springer has made convertible loans to JV HoldCo, in order to allow JV HoldCo to make further investments in Homeday. These convertible loans also give Axel Springer the potential right in the future to take control of JV HoldCo.

JV HoldCo and the other shareholders of Homeday are parties to an Investment Agreement and a Shareholders' Agreement. 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 the calendar years 2022 and 2023.

Gain on step-down in investment

A gain on dilution of the Group's interest in JV HoldCo arose in December 2021, when further convertible loan funding provided by Axel Springer to JV HoldCo of 8.0m EUR was not matched by the Group and was assessed to represent an in-substance existing ownership interest. The deemed gain on dilution was £0.6m.

The Group's share of the additional net assets provided by Axel Springer to the joint venture was compared to the carrying value of the proportion of the investment which was deemed to be disposed on dilution, with the difference representing a gain on deemed disposal.

A further gain on dilution of the Group's interest in JV HoldCo arose in March 2022, when further convertible loan funding provided by Axel Springer to JV HoldCo of 5.5m EUR was not matched by the Group and also treated as an in-substance existing ownership interest. The deemed gain on dilution was £0.4m.

Notes to the financial statements continued

21. Investment in associate continued

Impairment

The investment in JV HoldCo, after accounting for the Group's share of post-investment losses, gave rise at 30 April 2022 to a carrying value of associate of £9.2m at the Group level and £15.8m at the Company level.

In FY22 Homeday has underperformed against forecast, partly as a result of the challenging macro-economic environment and residential property market in Germany, which has seen a significant market downturn in recent months. In light of Homeday's continued losses, which were higher than those forecast by local management earlier in FY22, the carrying value of the investment was assessed for impairment at 30 April 2022, on a value-in-use basis.

Purplebricks management prepared a discounted cash flow forecast, based on Homeday management's forecasts overlaid for judgemental risk adjustments by Purplebricks management. The forecast covered the period to 31 December 2026, assuming a terminal growth rate of 2.5% thereafter, and was discounted at a discount rate of 23.1%. The discount rate reflected the recent increase in risk-free rate and a risk premium given the market conditions in which Homeday is currently operating.

The discounted forecast indicated the recoverable value was zero, and therefore that the Group's investment in Homeday is not recoverable. Therefore, the investment in associate has been impaired in full at 30 April 2022, resulting in a charge of £9.2m at the Group level and £15.8m at the Company level. This impairment is shown within the "arising on consolidation" segment.

Accounting judgements

In assessing the status of the Group's investment in Homeday, which is held through the joint venture with Axel Springer, the Group considers the effect of both options attached to convertible loans which exist between Axel Springer and JV HoldCo which might in future allow Axel Springer to convert the loans into shares in the joint venture and therefore take control of it, and also the effects of put and call options which exist between the shareholders of Homeday.

Options which may in the future confer substantive rights must be considered as exercised if there are no substantial barriers to exercise. Whether substantial barriers exist is subjective and is a matter of judgement. During FY21, the Group reassessed this judgement in respect of options held by Axel Springer within its convertible loans to the joint venture, which are capable of exercise at future dates at the sole discretion of Axel Springer.

The conversion of the options is at the sole discretion of Axel Springer. The conversion of the options would allow Axel Springer to overrule any power of veto Purplebricks has under the existing Joint Venture arrangement (under which both parties own 50% of the shares, and a simple majority is needed to pass a decision).

Axel Springer are able to enact the conversion once per year from the year following the provision of the loan. Therefore, if Homeday were in a position to return value to its shareholders, Axel Springer could choose to trigger conversion of the loans in order to take their post-conversion share of the distribution. The Group has taken the view that these options represented in-substance existing ownership interest. The key point the Group considered in reaching this conclusion was the lack of barriers to exercise and a potential economic benefit from activating the conversion.

Therefore, during FY21, the Group's investment in JV HoldCo was determined to meet the definition as an associate rather than a joint venture based on the guidance in IAS 28 and IFRS 11, and its presentation was amended on the Group balance sheet. At the point of step-down, the Group assessed the carrying value of its investment against the Group's revised share of the fair value of the underlying assets and liabilities of JV HoldCo, including JV HoldCo's investment in Homeday. A gain on deemed dilution in shareholding arising from this reassessment of accounting judgement of £1.4m arose. The Group assessed that there were potential substantive barriers to the exercise of the put and call options over the minority shareholdings in Homeday, since the attractiveness of exercise on each side depends on the trading performance of Homeday in the period to the exercise window, which is highly uncertain.

Potential future developments

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

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

There are no significant legal restrictions on the ability of JV HoldCo to declare or pay cash dividends. However, future dividends would be dependent on the future trading and cash-generating performance of Homeday. The year end of both Homeday and JV HoldCo is 31 December, which aligns to the year end of Axel Springer SE.

The registered office of JV HoldCo is at Prinzessinnen Strasse 26, 10969 Berlin, Germany.

22. Trade and other receivables and contract assets

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Receivable within 12 months				
Trade and other receivables	**3.4**	3.1	**3.4**	3.1
Prepayments	**1.9**	0.8	**1.9**	0.8
	5.3	3.9	**5.3**	3.9
Contract assets – accrued income in respect of instructions	**1.8**	—	**1.8**	—
Contract assets – accrued income in respect of conveyancing	**5.8**	7.2	**5.8**	7.2
Contract assets – accrued income – other	**0.1**	—	**0.1**	—
Contract assets – accrued income – total	**7.7**	7.2	**7.7**	7.2
Contract assets – prepaid cost of sales	**8.0**	4.9	**8.0**	4.9
	21.0	16.0	**21.0**	16.0

In order to manage both liquidity requirements and credit risk in the UK, the Group operates committed facilities to purchase receivables at a discount with a factor. Further detail is set out in the accounting policy detailed in note 2.25. The total amount of customer receivables sold during the year ended 30 April 2022 was £37.4m (2021: £54.1m). Of the £3.4m (2021: £3.1m) current trade and other receivables amount disclosed above, £0.3m is due from the factor (2021: £0.3m). The facility to sell receivables to the factor is subject to a cap of £12.5m per month. There were no changes in the fee charged by the factor year on year.

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

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

	Group £m	Company £m
Opening loss allowance at 1 May 2020	—	—
Charge to loss allowance recognised in profit or loss during the year	0.1	—
Loss allowance at 30 April 2021	0.1	—
Opening loss allowance at 1 May 2021	0.1	—
Charge to loss allowance recognised in profit or loss during the year	—	—
Loss allowance at 30 April 2022	**0.1**	**—**

Strategic report

Corporate governance

Financial statements

Notes to the financial statements continued

22. Trade and other receivables and contract assets continued

Group **At 30 April 2022**	**Current** **£m**	**0–30 days past due** **£m**	**31–60 days past due** **£m**	**60+ days past due** **£m**	**Total** **£m**
Gross carrying amount	**3.4**	**—**	**—**	**0.1**	**3.5**
Loss allowance	**—**	**—**	**—**	**(0.1)**	**(0.1)**
Net carrying amount	**3.4**	**—**	**—**	**—**	**3.4**
Expected loss rate	**0%**	**0%**	**0%**	**100%**	**3%**

Group At 30 April 2021	Current £m	0–30 days past due £m	31–60 days past due £m	60+ days past due £m	Total £m
Gross carrying amount	3.1	—	—	0.1	3.2
Loss allowance	—	—	—	(0.1)	(0.1)
Net carrying amount	3.1	—	—	—	3.1
Expected loss rate	0%	0%	0%	100%	3%

Company **At 30 April 2022**	**Current** **£m**	**0–30 days past due** **£m**	**31–60 days past due** **£m**	**60+ days past due** **£m**	**Total** **£m**
Gross carrying amount	**3.4**	**—**	**—**	**—**	**3.4**
Loss allowance	**—**	**—**	**—**	**—**	**—**
Net carrying amount	**3.4**	**—**	**—**	**—**	**3.4**
Expected loss rate	**0%**	**0%**	**0%**	**0%**	**0%**

Company At 30 April 2021	Current £m	0–30 days past due £m	31–60 days past due £m	60+ days past due £m	Total £m
Gross carrying amount	3.1	—	—	—	3.1
Loss allowance	—	—	—	—	—
Net carrying amount	3.1	—	—	—	3.1
Expected loss rate	0%	0%	0%	0%	0%

Trade and other receivables at 30 April 2020 were £6.8m (Group) and £3.2m (Company).

The Group's maximum potential exposure to credit risk at 30 April 2022 was £3.5m (30 April 2021: £3.2m). The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any one counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Summary of movements in contract assets – accrued income – Group and Company	Instructions £m	Conveyancing £m	Other £m	Total £m
At 1 May 2020	—	5.3	—	5.3
Revenue recognised prior to invoice	—	17.9	—	17.9
Amounts invoiced	—	(16.0)	—	(16.0)
At 30 April 2021	—	7.2	—	7.2
Revenue recognised prior to invoice	1.8	14.1	0.1	16.0
Amounts invoiced	—	(15.5)	—	(15.5)
At 30 April 2022	**1.8**	**5.8**	**0.1**	**7.7**

The analysis movements in accrued income in the prior year comparatives in the table above have been restated. The opening and closing balances are not affected.

22. Trade and other receivables and contract assets continued

Accrued income at 30 April 2022 relates primarily to referrals to the Group's conveyancing partners, where the Group's Performance Obligation is fulfilled at referral but payment is due on completion of the property sale. Following the pilot of the Money Back Guarantee in May 2021, and the national rollout in July 2021, accrued income now also includes balances relating to those sales for which payment has been deferred and the customer remains eligible for refund as part of the Money Back Guarantee. All accrued income is expected to convert to cash within 12 months.

Summary of movements in contract assets – prepaid cost of sales	Group £m	Company £m
Balance at 1 May 2020	5.3	5.1
Costs capitalised	27.0	25.3
Amounts amortised to the income statement	(27.2)	(25.5)
Disposed of with sale of Canadian business	(0.2)	—
Balance at 30 April 2021	4.9	4.9
Costs capitalised	27.1	27.1
Amounts amortised to the income statement	(24.0)	(24.0)
Balance at 30 April 2022	**8.0**	**8.0**

Prior to 1 September 2021, within contract assets – prepaid cost of sales were amounts relating to payments of commissions to LPEs. Commissions were payable to agents at the point at which an instruction was published. These costs were capitalised at the point of publication and then amortised, and costs were therefore recognised, in line with recognition of revenue relating to the associate services, as those services were provided. From 1 September 2021 onwards, the amounts primarily relate to staff costs now that the former LPEs are employed by the Company. The costs are capitalised at the point of instruction and then amortised in line with recognition of revenue relating to the applicable services as they are provided. The table above sets out movements in these costs.

Within prepayments at 30 April 2022 is £0.8m (FY21: £nil) of prepaid finance charges which relate to the finance fees paid to our factor on sale of receivables, which is recognised over the period of the associated loan.

The total amount of financial assets held at amortised cost at 30 April 2022 was £3.4m (30 April 2021: £3.1m).

23. Trade and other payables, contract liabilities and leases

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Amounts falling due within one year				
Trade payables	**2.5**	3.6	**2.5**	3.6
Other taxation and social security	**2.6**	1.4	**2.6**	1.4
Amounts owed to Group undertakings	**—**	—	**0.6**	0.3
Accruals	**4.1**	7.1	**4.1**	7.1
	9.2	12.1	**9.8**	12.4
Contract liabilities – deferred income	**9.0**	14.8	**9.0**	14.8
Provisions – current	**3.0**	1.2	**3.0**	1.2
Refund liability	**0.4**	—	**0.4**	—
Loan from factor	**5.5**	—	**5.5**	—
Lease liabilities – current	**0.2**	0.4	**0.2**	0.4
	27.3	28.5	**27.9**	28.8
Amounts falling due after more than one year				
Lease liabilities – non-current	**0.1**	0.3	**0.1**	0.3
Provisions – non-current	**0.1**	—	**0.1**	—
	0.2	0.3	**0.2**	0.3

As set out in note 2.5, the Group invoices for instruction services in advance of providing the service. This gives rise to contract liabilities in the form of deferred income. The number of customers being serviced at 30 April 2022 is lower than the number which were being serviced at 30 April 2021. In addition, revenue from Pay Later customers is now accrued until they no longer meet Money Back Guarantee criteria. These two factors have contributed to a significantly lower deferred income balance year on year.

Notes to the financial statements continued

23. Trade and other payables, contract liabilities and leases continued

All deferred income relates to partially unsatisfied Performance Obligations in respect of instructions revenue. We expect that all of the Performance Obligations will be satisfied within one year of the reporting date, and therefore all deferred income will be recognised by 30 April 2023.

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

Summary of movements in deferred income:

	Group £m	Company £m
At 1 May 2020	14.6	13.0
Payments received	66.6	63.5
Revenue recognised net of refunds	(65.1)	(61.7)
Disposed of on sale of the Canadian business	(1.3)	—
At 30 April 2021	14.8	14.8
Payments received	36.7	36.7
Revenue recognised net of refunds	(42.5)	(42.5)
At 30 April 2022	**9.0**	**9.0**

24. Lease liabilities

	Group and Company	
	2022 £m	2021 £m
Amounts payable within 12 months	**0.2**	0.5
Amounts payable later than one year but less than five years	**0.1**	0.5
Minimum lease payments	**0.3**	1.0
Future finance charges	**—**	(0.3)
Minimum lease payments less future finance charges	**0.3**	0.7
Recognised as a liability – current	**0.2**	0.4
Recognised as a liability – non-current but not later than five years	**0.1**	0.3
Recognised as a liability – total	**0.3**	0.7

As at 30 April 2022, the Group and Company leased properties and certain computer equipment with a carrying amount of £0.3m (2021: £0.7m), as set out in note 19. Lease expiry dates range from within one year to within two years. During the year the Group gave notice in respect of one of its property leases.

Certain computer equipment leases are subject to annual inflationary increase clauses.

Future lease liabilities in respect of low-value and short-term leases, which are not accounted for under IFRS 16 in accordance with our policy set out in note 2.20, are immaterial.

Capital commitments approved by the Board and existing at 30 April 2022 amounted to £nil (2021: £nil).

25. Refund liability

	Group and Company	
	30 April 2022 £m	30 April 2021 £m
Current	**0.4**	—

	Group and Company £m
At 1 May 2021	—
Charged to income statement	0.4
Utilised in period	—
At 30 April 2022	**0.4**

The Money Back Guarantee refund liability represents management's best estimate of the Group's liability to refund Pay Now customers under the guarantee granted on a trial basis to certain customers in May and June 2021 and on all instructions from 19 July 2021, subject to several eligibility criteria. A liability is recognised for the amount expected to be refunded, based on historical data and latest market information, using the expected value method.

As set out in note 2.5, the Group recognises instruction revenue only to the extent that future reversals of revenue are expected to be unlikely. Therefore, since the launch of the Money Back Guarantee product, the value of revenue to be recognised over the Performance Obligation has been constrained by expected future refunds under the Money Back Guarantee offering, to the extent that it is highly probable a significant reversal amount of cumulative revenue recognised will not occur.

The balance of cash received upfront is held as a provision for refunds, for Pay Now customers, or within the loan from factor balance for Pay Later customers. The total amount of revenue held back at 30 April 2022 was £1.4m, of which £0.4m is within refund liabilities and £1.0m shown within the loan from factor balance.

The ultimate level of financial exposure is dependent on the rate at which customers claim under the Money Back Guarantee. The Group's variable consideration is estimated using historical data and information about the Group's own performance and current market conditions, and taking into account the decision to withdraw the Money Back Guarantee product in July 2022.

The Group has assessed that at the lowest reasonably possible rate of claims, additional revenue of £0.4m would have been recognised in the year. At the highest reasonably possible rate of claims, £0.3m lower revenue would have been recognised in the year.

26. Provisions

Summary of movements in provisions:

Group and Company	Legal claims £m	Dilapidations £m	Total £m
At 1 May 2020	0.4	—	0.4
Amounts charged to the income statement	0.8	—	0.8
At 30 April 2021	1.2	—	1.2
Amounts charged to the income statement	3.6	0.1	3.7
Amounts utilised	(1.8)	—	(1.8)
At 30 April 2022	**3.0**	**0.1**	**3.1**
Of which current	**3.0**	**—**	**3.0**
Of which non-current	**—**	**0.1**	**0.1**

Provisions for legal claims include best estimates of amounts to settle the claims, and associated legal costs. Provision for dilapidations include best estimates of making good leased properties at lease termination, in line with the requirements of the lease. Outflows in respect of legal claims are expected to occur within 12 months. However, the amount above includes a provision made during FY22 of £3.6m in respect of potential claims relating to compliance with the Housing Act 2004. The level and timing of such claims is highly uncertain. Dilapidation cost outflows are expected to occur in line with expiry of leases.

Notes to the financial statements continued

27. Notes to the cash flow statement

	Group		Company	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Cash at bank and on deposit with instant availability	**16.7**	22.5	**16.4**	22.0
Cash on deposit available within 35 days' notice	**15.3**	41.2	**15.3**	41.2
Cash on deposit available between 36 and 90 days' notice	**11.2**	10.3	**11.2**	10.3
	43.2	74.0	**42.9**	73.5

Cash and cash equivalents comprise cash and short-term bank deposits with a maturity of up to 90 days. The carrying amount of these assets is approximately equal to their fair value.

Changes in liabilities arising from financing activities

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

Group and Company 2022	At 1 May 2021 £m	Net advances from factor £m	Lease modifications £m	Repayment of leases £m	**At 30 April 2022 £m**
Lease liabilities	0.7	—	—	(0.4)	**0.3**
Loan from factor	—	5.5	—	—	**5.5**
Total liabilities from financing activities	0.7	5.5	—	(0.4)	**5.8**

Group 2021	At 1 May 2020 £m	New leases £m	Repayment of leases £m	Disposed on sale of Canadian business £m	At 30 April 2021 £m
Lease liabilities	2.1	0.2	(0.3)	(1.3)	0.7
Borrowings	0.2	—	—	(0.2)	—
Total liabilities from financing activities	2.3	0.2	(0.3)	(1.5)	0.7

Company 2021	At 1 May 2020 £m	New leases £m	Repayment of leases £m	At 30 April 2021 £m
Lease liabilities	0.8	0.2	(0.3)	0.7
Total liabilities from financing activities	0.8	0.2	(0.3)	0.7

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

28. Share capital

	Number	Nominal value	**2022 £m**	2021 £m
Allotted, authorised, issued and fully paid at 30 April				
Class:				
Ordinary	306,806,039	£0.01	**3.1**	3.1

During the year the Company did not issue shares (2021: none).

29. Share premium

	£m
Balance at 30 April 2021 and at 30 April 2022	**177.4**

30. Reserves

Share-based payment reserve

The share-based payment reserve represents cumulative share-based payment charges less amounts transferred to retained earnings on exercise of share options.

Retained earnings

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

Share premium

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

Foreign exchange reserve

The foreign exchange reserve records exchange differences arising from the translation of the financial statements of foreign operations. Upon disposal of foreign operations, the related accumulated exchange differences are recycled to the income statement. Following the disposal of the Canadian business in the prior year, the foreign exchange reserve was brought to zero.

31. Financial instruments

Capital risk management

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

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

The Company is not subject to externally imposed capital requirements.

Principal financial instruments

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

- cash and cash equivalents;
- trade and other receivables; and
- trade and other payables.

Fair value of financial instruments

Since the fair value of all financial assets and liabilities is considered to approximate to their carrying amount, further disclosure about fair value has not been provided, in accordance with paragraph 29 of IFRS 7 Financial Instruments: Disclosures. Disclosure of the fair value hierarchy has not been provided since it will be of limited relevance to users' understanding.

Financial risk management

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

- liquidity risk;
- interest rate risk; and
- credit risk.

Notes to the financial statements continued

31. Financial instruments continued

Liquidity risk management

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

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities excluding derivatives which are disclosed in note 23. The table includes principal only cash flows in respect of trade and other payables.

The 2021 comparative table below has been restated to remove the row "taxes and social security", since these amounts represent statutory obligations rather than contractual liabilities.

Financial liabilities held at amortised cost Group 2022	Within 1 month £m	1–3 months £m	3 months–1 year £m	1–2 years £m	2–5 years £m	Total £m
Trade payables	2.2	0.1	0.2	—	—	2.5
Accruals	3.1	1.0	—	—	—	4.1
Lease liabilities	—	0.1	0.1	0.1	—	0.3
Loan from factor	1.0	3.0	1.5	—	—	5.5
	6.3	4.2	1.8	0.1	—	12.4

Financial liabilities held at amortised cost Group 2021	Within 1 month £m	1–3 months £m	3 months–1 year £m	1–2 years £m	2–5 years £m	Total £m
Trade payables	3.3	0.3	—	—	—	3.6
Accruals	3.8	3.1	0.2	—	—	7.1
Lease liabilities	—	0.1	0.4	0.3	0.2	1.0
	7.1	3.5	0.6	0.3	0.2	11.7

Financial liabilities held at amortised cost Company 2022	Within 1 month £m	1–3 months £m	3 months–1 year £m	1–2 years £m	2–5 years £m	Total £m
Trade payables	2.2	0.1	0.2	—	—	2.5
Amounts owed to Group undertakings	0.6	—	—	—	—	0.6
Accruals	3.1	1.0	—	—	—	4.1
Lease liabilities	—	0.1	0.1	0.1	—	0.3
Loan from factor	1.0	3.0	1.5	—	—	5.5
	6.9	4.2	1.8	0.1	—	13.0

31. Financial instruments continued

Liquidity risk management continued

Financial liabilities held at amortised cost Company 2021	Within 1 month £m	1 to 3 months £m	3 months to 1 year £m	1 to 2 years £m	2 to 5 years £m	Total £m
Trade payables	3.3	0.3	—	—	—	3.6
Amounts owed to Group undertakings	0.3	—	—	—	—	0.3
Accruals	3.8	3.1	0.2	—	—	7.1
Lease liabilities	—	0.1	0.4	0.3	0.2	1.0
	7.4	3.5	0.6	0.3	0.2	12.0

Interest rate sensitivity analysis

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

Credit risk management

Following the disposal of the Canadian business in the prior year, the Group is no longer exposed to significant foreign currency risk.

32. Related party transactions

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

Company – balances with subsidiary undertakings

Trade payables	**2022 £m**	2021 £m
BFL Property Management Limited	**0.6**	0.3
	0.6	0.3

BFL Property Management Limited (BFL) operates its own bank account for trading purposes, the balance of which is swept up into the overall Group's cash position for Group liquidity management purposes. During the year, cash sweeps from BFL amounted to £0.3m. The balance due from BFL is non-interest bearing and is repayable on demand. There is no provision over any amounts due from BFL.

On 19 July 2021, 148,500 awards were granted to Helena Marston, CEO, 735,437 awards were granted to Vic Darvey, former CEO, and 307,500 awards were granted to Andy Botha, former CFO, under the Purplebricks Performance Share Plan. The awards have an exercise price of 1p per share and become exercisable subject to continued employment and performance based on the Company's relative total shareholder return and EBITDA over a three-year performance period. Following the resignation of both Andy and Vic during the year, the awards granted in July 2021 and those previously granted lapsed upon their leaving.

On 29 March 2022, 1,600,000 awards were granted to Helena Marston, CEO, and 1,500,000 awards were granted to Steve Long, CFO, under the Purplebricks Performance Share Plan. The awards have an exercise price of 1p per share and become exercisable subject to continued employment and performance based on the Company's relative and absolute total shareholder return over a three-year performance period.

On 11 March 2022, Simon Downing, Senior Independent Non-Executive Director, purchased 1,000,000 shares in the Company at £0.16.

On 11 March 2022, Sharon Pindar, a Person Closely Associated to Paul Pindar, Chairman, purchased 112,500 shares in the Company at £0.16 and 587,549 shares at £0.18. A further 53,780 were purchased on 17 March 2022 at £0.19.

On 11 March 2022, Elona Mortimer-Zhika, Non-Executive Director, purchased 37,500 shares in the Company at £0.16. A further 205,650 shares were purchased on 15 March 2022 at £0.18 and another 20,690 shares purchased at £0.19 on 17 March 2022.

Notes to the financial statements continued

32. Related party transactions continued

Company – balances with subsidiary undertakings continued

Directors' remuneration and key management personnel disclosures can be found in note 11.

During the year, the Group entered into a contract for payroll services with IRIS Software Group, of which the Group's Non-Executive Director Elona Mortimer-Zhika is Chief Executive Officer. Costs of £68,000 have been incurred in the year, and no amounts remain unpaid at the year end. The agreement with IRIS was made following a selection process including unconnected alternatives. Amounts charged are on an arm's length basis.

33. Commitments

Capital commitments, approved by the Board and existing at 30 April 2022, amounted to £nil (2021: £nil).

34. Ultimate controlling party

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

Company information

Directors

Paul Pindar, Chairman

Helena Marston, Chief Executive Officer (appointed 20 April 2022)

Steve Long, Chief Financial Officer (appointed 1 February 2022)

Simon Downing, Senior Independent Non-Executive Director

Adrian Blair, Non-Executive Director

Ait Voncke, Non-Executive Director (appointed 21 July 2022)

Elona Mortimer-Zhika, Non-Executive Director

Registered office

Suite 7, Cranmore Place, Cranmore Drive,
Shirley, Solihull, West Midlands B90 4RZ,
United Kingdom

Registered number

08047368

Nominated advisor and sole broker

Zeus Capital Ltd

10 Old Burlington Street,
London W1S 3AG

Solicitor

Norton Rose Fulbright LLP

3 More London Riverside,
London SE1 2AQ

Registrar

Link Asset Services

10th Floor, Central Square,
29 Wellington Street,
Leeds LS1 4DL

FSC www.fsc.org MIX Paper from responsible sources FSC® C014531

WORLD LAND TRUST™ www.carbonbalancedpaper.com CBP013920

Purplebricks Group plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Amadeus Silk, an FSC® certified material. This document was printed by L&S using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Produced by designportfolio

Purplebricks Group plc
Suite 7, Cranmore Place
Cranmore Drive
Shirley, Solihull
West Midlands
B90 4RZ
United Kingdom