This announcement contains inside information for the purposes of Article 7 of the EU Regulation 596/2014 as it forms part of the UK law by virtue the European Union (Withdrawal) Act 2018

31 January 2022

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

Half Year Results for the six months ended 31 October 2021

Significant transformation against a backdrop of challenging market conditions

Purplebricks Group plc (AIM: PURP), the UK's leading tech-led estate agency business, announces its half year results for the six months ended 31 October 2021 ("H1 22" "H1" or the "first half").

Summary performance	H1 22 £m	H1 21 £m	Change
Group			
Revenue	**41.3**	44.2	(7)%
Gross profit	**26.2**	29.6	(11)%
Gross profit margin (%)	**63.4%**	67.0%	(360)bps
Operating (loss)/profit	**(11.1)**	6.9	(261)%
Adjusted EBITDA[1]	**(0.8)**	8.4	(110)%
(Loss)/profit from total operations	**(20.2)**	6.8	(397)%
Cash and cash equivalents	**58.3**	75.8	(23)%
KPIs[2]			
Total fee income[3]	**34.7**	48.8	(29)%
Instructions (number)[4]	**21,131**	34,150	(38)%
Average revenue per instruction[5]	**£1,642**	£1,428	15%

Business transformation delivering a strong platform for growth

- The Group has driven considerable transformation during the first half of the year and has significantly invested in and transformed its business model in this period, introducing new Money Back Guarantee pricing, a simplified customer proposition, and a redesigned employed operating model in the field, with in excess of 95% of required workforce in place
- Greater control over our employed field sales agents will enable us to scale up growth quickly
- Early signs that our transformation is positively impacting performance with key performance metrics improving; assisted viewing attachment rates[6], now branded as Pro, have increased by 8.4 percentage points (ppts) since the start of the half, and since September, when our employed model went live, attended conversion[7] has increased by 4.0ppts and market share of new instructions[8] has risen by 0.6ppts
- Appointment of a new Chief Financial Officer, Steve Long, who joins the Board on 1 February
- Financial strength and a strong platform in place to support next phase of growth and delivery of our medium-term targets.

H1 22 financial performance

- Financial performance impacted during a period of significant transformation for the Group and by lower market instructions

- Instructions fell by 38% to 21,131 (H1 21: 34,150), but average revenue per instruction ('ARPI') increased by 15% to £1,642, driven by higher attachment rates, pricing optimisation and phasing of higher conveyancing income
- Total fee income decreased by 29% to £34.7m (H1 21: £48.8m), with the reduction partially offset by the increase in ARPI. Revenue was down 7% to £41.3m (H1 21: £44.2m), benefiting from revenue earned in the prior period
- Our market share of properties sold by volume was 3.9%[9], down from 4.8% last year
- Adjusted EBITDA loss of £0.8m (H1 21: profit of £8.4m)
- Loss from total operations of £20.2m including a provision of £3.6m relating to potential claims arising from process issues within our lettings business, £2.7m relating to impairment of goodwill and other intangible assets in the lettings business, and a charge of £7.3m arising from derecognition of deferred tax assets in H1 22 (H1 21: profit of £6.8m, including £2.9m from discontinued Canadian operations)
- Cash and cash equivalents at 31 October 2021 of £58.3m (30 April 2021: £74.0m), reflecting trading activity and a number of one-off and non-recurring items.

Lettings

- We have taken appropriate and swift actions to address the process issues that we became aware of within our lettings business in December
- We are very confident that all issues are being addressed and the business has stabilised
- The provision[10] of £3.6m is towards the lower end of our previous guidance.

Outlook

Since the period-end, we have continued to see a significant imbalance between the strong demand for housing and a very limited supply of stock, which has driven house prices higher. Although housing supply has increased in January, we expect these market dynamics to continue through the second half of our financial year, which will continue to impact instructions and gross margins. In addition, the comparable performance will also be impacted by the expected increase in costs associated with our transition to a fully employed model.

Set against these market challenges, we are greatly encouraged by the positive signs we are seeing in our operational performance since we implemented our new operating model. We are confident that the steps we have taken to improve the business will drive a return to growth and market share gains in 2023.

Vic Darvey, CEO, commented:

"The first half was undoubtedly challenging, with the implementation of a major change to our operating model coinciding with the UK property market experiencing a substantial fall in new instructions. This dynamic led to a disappointing financial performance but we are confident that we now have the right levers in place to drive a stronger financial performance going forward. Central to our business transformation, is our move to a fully employed workforce which we are confident will increase conversion rates, drive higher standards and improve customer outcomes. Early signs are encouraging with recent rises in conversion levels and market share gains.

"Our lettings business, while relatively small, has significant potential. We were disappointed by the process issues that we became aware of in our lettings business in December. These are being corrected

and a root and branch review of the lettings business has been completed in relation to our processes and procedures.

"Looking ahead, the outlook for the housing market remains uncertain and we expect the constrained levels of sales supply to continue throughout the second half. The initial results from our operational improvements are very encouraging and there are early signs of improving market conditions during January, although we do not anticipate a meaningful financial benefit until FY 23."

Notes:
[1] The underlying performance of the Group is monitored internally using a number of alternative performance measures ("APMs"), which are not defined within IFRS. Such measures should be considered alongside the equivalent IFRS measures. For full definitions and reconciliations of APMs, please refer to note 4. Adjusted EBITDA is defined as operating profit, adding back depreciation, amortisation, share-based payment charges / credits, results of associates and exceptional items.
[2] As detailed in the financial review, there have been changes to four KPIs (Instructions, ARPI, Total Fee Income and Cost Per Instruction) in the prior year, while the names of these KPIs remain the same. The current and previous definitions and half on half movements under both methods are set out in the financial review.
[3] Total fee income is a KPI used by management to track income from current activity levels. Total fee income is a non-IFRS measure and represents fees receivable for instructions and mortgage referrals and conveyancing fees due in relation to completed transactions. This definition has been amended since H1 21.
[4] Instructions represents instructions net of refunds. This definition has been amended since H1 21.
[5] Average revenue per instruction (ARPI) equates to total fee income, divided by instructions. This definition has been amended since H1 21.
[6] Pro package attachment rate is the percentage of customers who select the higher priced instruction offering which includes assisted viewings and 3D Tours.
[7] Conversion is the percentage of customers who choose to instruct Purplebricks following a valuation appointment attended.
[8] Source: Rightmove.
[9] Source: TwentyCi.
[10] The basis of estimation for this provision is set out in note 3.5, together with the judgements, assumptions, and uncertainties the Board have considered.

Results presentation and conference call

Vic Darvey, Chief Executive Officer, and Helena Marston, Chief Operating Officer are streaming a pre-recorded video presentation of results via webcast at 9.00am today followed by a live Q&A session for analysts and investors.

The video webcast link is via the webcast registration page and on the website. A replay will also be available on the Purplebricks website later today at
http://www.purplebricksplc.com/investors/latest_results

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Forward-looking statements

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

About Purplebricks

Purplebricks is a leading tech-led estate agency business, based in the UK. Purplebricks combines highly experienced and professional Local Property Partners and innovative technology to help make the process of selling, buying or letting more convenient, transparent and cost effective. Purplebricks shares are traded on the London Stock Exchange AIM market.

Chief Executive's review

Summary

I am very proud of the transformation that we have driven this half year, in what has been a challenging market for instructions. The shortage in market supply, coupled with the disruption caused by changes to our operating model, resulted in us delivering a disappointing set of results for the half. Whilst demand in the housing market has been exceptionally strong since it re-opened after multiple lockdowns, supply has struggled to keep pace, creating an imbalance which has persisted longer than anticipated.

During the first half, we concentrated on accelerating our business transformation, including launching our Money Back Guarantee and a new simplified proposition – Classic and Pro. We also implemented a new operating model, transitioning all our field sales agents from self-employed to Purplebricks' employees, which positions us strongly for growth when market conditions improve.

We were very disappointed by the process issues we identified within our lettings business and have taken appropriate and swift actions to address these with our customers and to rectify the underlying business processes.

Market imbalance and business transformation impacted Group performance

In the first half, new instructions coming to market were approximately 23%[1] below the comparative period last year, whilst sales completed have remained strong. This imbalance between supply and demand in the market, together with disruption caused from the implementation of our improved operating model, caused a reduction in Adjusted EBITDA to a loss of £0.8m, together with a decrease in cash generation compared with last year. We also made an operating loss in the half of £11.1m (H1 21: profit of £6.9m).

Our overall share of properties sold by volume was 3.9%, down from 4.8% in the prior period. Whilst our instructions fell by 38%, total fee income fell by 29% to £34.7m, highlighting the improvement in our average revenue per instruction (ARPI), which increased to £1,642, up 15% from £1,428 last year, reflecting the positive signs we are seeing from embedding our new operating model and the improvement in attachment rates.

Positive signs of progress following change of operating model

Whilst we are very pleased with the impact that moving to a fully employed model is having, it did cause short-term disruption to our business and trading, resulting in Purplebricks underperforming the market during this period. This disruption was short-lived however, and since September we have started to see the benefit of our new operating model with an improvement in performance across a number of our leading KPIs. From the period September to December 2021, our conversion rate has improved by 4.0ppts, and we have regained some lost market share, with share of new instructions improving by 0.6ppts, a lead indicator metric on our ability to convert valuation opportunities into instructions. Launched as Pro Package in July, our assisted viewings attachment rates have increased by 8.4ppts since May. Whilst it is still early to predict our performance for the second half, we are encouraged by the impact of our change in operating model. We now have much greater alignment between the aspirations

[1] Source: Rightmove.

of Purplebricks and our field workforce and it is enabling us to deliver a far more consistent service to our customers. Our employees are more incentivised than ever before through our uncapped commission structure to self-generate business, to sell mortgages and conveyancing services and to engage with customers throughout the whole house purchasing process, all of which we believe will enable us to return to market share growth.

Making every home move amazing

We are committed to making every home move amazing and in our full year results in July, we set out our strategy to achieve this. We have made excellent progress in transitioning to our new operating model and we summarise below the key achievements we have made for each of the following three pillars:

- Win more customers by evolving our pricing and proposition
- Empower our people by enabling them to be their best every day
- Create the best home moving experience by redefining the end-to end customer journey

Win more customers

In order to fulfil our medium-term ambitions and to be the go-to place to buy, sell or let your home, we considered ways to evolve our proposition, which resulted in us implementing new pricing models and introducing new proposition bundles to help us expand our target market.

Following successful pricing trials earlier in the half, we launched the Money Back Guarantee nationally and are seeing encouraging results with conversion rates increasing 4.0ppts since September.

The introduction of our new simplified proposition, Classic and Pro, has resonated well with the market, with a consistent and sustained increase in the take-up of our Pro Package each month since launch. This has resulted in attachment rates of our assisted viewings (Pro Package) increasing by 8.4ppts since May as consumers start to embrace the importance of enhanced listings and 3D Tours.

We continue to have a high level of confidence in these pricing and proposition changes and are very excited about the growth opportunities these new initiatives will drive over the next few years.

Empower our people

We have significantly transformed our operating model, moving to an employed workforce in the field which offers our employees much greater security and stability. Our new operating model enables us to deliver a much more consistent service for our customers and also creates the most compelling employee value proposition in the industry, attracting the best agents across the category looking to combine the flexibility of working from home with the opportunity to earn uncapped commission. We already have in excess of 95% of our required sales workforce in place and applications to join Purplebricks are higher than ever, with over 4,500 applications from the High Street received since September.

We have re-designed our field and support functions, grouping together the right capabilities in the right places, to enable our field to focus on valuing and listing houses and ensuring a successful outcome for our customers. New training in the PB Way and ongoing performance management is starting to yield results across our key performance metrics.

Create the best home moving experience

We increased our investment in technology in the half to make it easier for customers to do business with us and to improve the digital experience for our agents. Our digital vision is to build a fast, simple, transparent and intelligent end-to-end moving experience.

We continue to drive a step change in our customer experience with the introduction of professional photography and floorplans on all properties as standard, as well as virtual valuations and 3D Tours.

In the first six months, we have redesigned our web and mobile apps, improved our customer messaging capabilities, built a new digital journey for customers to manage the progression of listing through to completion, and introduced automated anti-money laundering processes using facial recognition.

We also focused on improving the digital experience for our agents; we implemented a new smart mobile app allowing instant communication with customers, optimised advert creation, and introduced automated pricing tools for our valuation and instruction process. Each of these allows our agents to concentrate on what they do best – selling homes.

Lettings update

During an internal review, the Company became aware of process issues in how it has been communicating with tenants on behalf of landlords in relation to the registration of tenancy deposits. In response, the Board has sought independent third-party assurance in relation to the end-to-end process and controls in the lettings business, including compliance with applicable laws and regulations. This has 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 has discussed the findings and agreed a number of process and control enhancements, including in the processes around timely registration of deposits, provision of prescribed information and other information to tenants. The execution of these actions, including a review of the Group's broader process, control and governance arrangements will be led by the CEO and overseen by the Audit Committee, including third-party assurance to confirm that they have been implemented and are operating effectively.

A provision of £3.6m for potential future claims which could arise under the Housing Act 2004 has been made in these interim financial statements. The Board has challenged and debated the process, key judgements and assumptions associated with the provision and is satisfied that it is appropriate.

Board change

Steve Long joins the Group as Chief Financial Officer and the Board, effective from 1 February following the departure of Andy Botha in October. Steve has excellent experience in leading companies through strategic change and in execution and effective delivery of all aspects of the financial management of a company. We would like to thank Andy for his contribution during a very challenging year and we look forward to Steve joining the Board.

Summary

The Group has driven considerable transformation over the first six months and we are confident that the business is positioned strongly for growth when the market improves.

Whilst it is still early days, we are encouraged by the results of our transformation programme and we have seen an improvement in performance across all areas of our sales business. Our move to employment is a significant step forward for us as an organisation and we are confident that these early positive signs will materialise into longer-term positive results for the Company.

Financial results

Summary

During H1 22 we executed significant transformation across the business, investing in our operating model, our largest marketing campaign in 5 years and our digital strategy. However, we experienced weaker market conditions, with new market supply significantly reduced, which led to a disappointing financial performance compared with H1 21. Revenue and gross profit are down vs. H1 last year as a result of lower instructions but we continue to see positive trends in average revenue per instruction which is now at historic high levels. Cash has decreased as a result of funding our strategic transformation activity and a number of non-recurring items in H1 but the balance sheet remains strong, and able to support our plans for future growth.

For the six months ended 31 October	**Group H1 2022 £m**	Group H1 2021 £m	Group Change %	**UK H1 2022 £m**	UK H1 2021 £m	UK Change %
Revenue	**41.3**	44.2	(7)%	**41.3**	44.2	(7)%
Cost of sales	**(15.1)**	(14.6)	3%	**(15.1)**	(14.6)	3%
Gross profit	**26.2**	29.6	(11)%	**26.2**	29.6	(11)%
Gross profit margin (%)	**63.4%**	67.0%	(360)bps	**63.4%**	67.0%	(360)bps
Adjusted operating costs	**(12.5)**	(12.9)	(3)%	**(12.5)**	(12.9)	(3)%
Marketing costs	**(14.5)**	(9.0)	61%	**(14.5)**	(9.0)	61%
Net other income	**-**	0.7	n/a	**-**	0.7	n/a
Adjusted EBITDA	**(0.8)**	8.4	(110)%	**(0.8)**	8.4	(110)%
Depreciation and amortisation	**(1.6)**	(1.6)	-%	**(1.6)**	(1.3)	23%
Share-based payment credit	**1.1**	1.9	(42)%	**1.1**	1.9	(42)%
Exceptional operating costs	**(8.3)**	(1.7)	388%	**(5.6)**	(1.7)	229%
Share of results of associate	**(1.5)**	(0.1)	n/a	**-**	-	-
Operating (loss)/profit	**(11.1)**	6.9	(261)%	**(6.9)**	7.3	(195)%

Key Performance Indicators (KPIs)

As previously communicated, at FY 21 year-end we took the opportunity to redefine four of our KPIs in order to present a view of the results of the Group which is more transparent and more closely related to current levels of activity, and which will assist users with their understanding of the underlying performance of the business.

Since FY 21 year end, we use “instructions” to refer to instructions net of refunds pre-publication, that is, those instructions which generate revenue. The definition of “total fee income” was amended at FY 21 year end and includes fees receivable in respect of instructions and ancillary products, rather than only including these amounts at publication. These changes connect the three KPIs together for the first time

by allowing "total fee income" to be divided by "instructions" in order to derive average revenue per instruction ("ARPI"). Total fee income does not include any provision for refunds which may become due under the Group's Money Back Guarantee product.

Cost per instruction ("CPI") is now calculated as marketing costs divided by "instructions". Previously, this metric was calculated as marketing costs divided by instructions won, gross of refunds. The change in definition is to show the effectiveness of marketing spend in leading to revenue-generating instructions.

The tables below set out these changes in more detail, together with H1 22 and H1 21 amounts for both the new and redefined measures:

KPIs introduced for FY 21 and going forward

KPI	*Definition*	*H1 22*	*H1 21*	*Change*
Instructions	Number of instructions won in the period, net of the number of instructions refunded in the period	**21,131**	34,150	(38)%
Total fee income	Fees receivable in respect of instructions (as defined above) and mortgage referrals, and conveyancing fees due in respect of completed transactions	**£34.7m**	£48.8m	(29)%
ARPI	Total fee income divided by the number of instructions in the period	**£1,642**	£1,428	15%
CPI	Marketing costs divided by the number of instructions in the period	**£686**	£264	160%

KPIs in use at H1 21 and previously reported

KPI	*Definition*	*H1 22*	*H1 21*	*Change*
Instructions	Gross number of instructions won in the period	**21,984**	35,387	(38)%
Total fee income	Fees receivable for published instructions, lettings and mortgage referrals, and conveyancing fees due in respect of completed transactions	**£40.0m**	£49.1m	(19)%
ARPI	Total fee income excluding lettings, divided by the number of published instructions in the period	**£1,750**	£1,392	26%
CPI	Marketing costs divided by the number of instructions won in the period	**£660**	£254	160%

Revenue

As a result of the challenging market conditions, we saw a 38% decrease in the number of instructions to 21,131. This was partly offset however by a 15% increase in the average revenue per instruction (ARPI) to £1,642 (H1 21: £1,428) (see definition above), driven by higher uptake of our Assisted Viewing product following the introduction of Classic and Pro packages, increased uptake of other ancillary products and price optimisation initiatives.

Total fee income, representing the fees receivable in respect of instructions and mortgage referrals, and conveyancing fees due in respect of completed transactions, was down 29% year on year at £34.7m (H1 21: £48.8m). This measure does not include lettings revenue, which was down 9% year on year at £3.0m (H1 21: £3.3m).

We recognise our instruction revenues over the expected service period during which we provide services to customers. In a market where instructions are decreasing, as we saw in H1 22, we would expect to defer a lower amount of revenue into future service periods than we are releasing from previous months.

Looking back to this time last year, with Covid-19 continuing to impact on the market, there was higher than usual uncertainty regarding the timing and profile of recovery of the UK housing market. As a result, the service period at 31 October 2020 was forecast to be somewhat higher than usual. By 30 April 2021, we estimated that the service period had returned to a level in line with historical experience.

Based on current market trends, particularly the high levels of demand in the market which are leading to quicker than usual offers to purchase, we have estimated the future service period in respect of instructions on hand at 31 October 2021 to be approximately 3% shorter than at FY 21 year end.

This change in estimate, combined with reduced activity levels, has led to a deferred income balance at 31 October 2021 which is £4.6m lower than at 30 April 2021.

At H1 22, the group holds a refund liability for the first time, in respect of instructions which are eligible for the Group's Money Back Guarantee product, which was launched on a trial basis in May 2021 and nationwide in July 2021. The liability of £0.5m is presented separately within the statement of financial position. This liability has been estimated using historical data since MBG launch, and also using longer term historical data, as well as management's view of current and expected market conditions, particularly around demand and its effect on offers to purchase. As instructions only become eligible for refund a minimum of 10 months post instruction, no payments under the MBG are expected until March 2022.

Revenue of £41.3m was down 7% in the half year (H1 21: £44.2m). H1 22 revenue reflects a decrease in deferred revenue since year end of £4.6m, in line with reducing instruction volumes, and a provision for Money Back Guarantee refund liabilities of £0.5m.

Gross profit margin

Our gross profit margin was down 360bps at 63.4% (H1 21: 67.0%), with gross profit of £26.2m, down 11% (H1 21: £29.6m).

Up to 31 August 2021, the majority of cost of sales was represented by commissions paid to self-employed Local Property Experts (LPEs). Since our change to an employed sales field model in September 2021, the majority of cost of sales has been made up of salary and commissions payable.

Given the lower levels of activity in H1 22, the fixed element of cost of sales since September 2021 has led to a lower overall gross margin percentage and in future periods of lower performance, we would expect gross profit to be diluted but in periods of higher performance the opposite is true.

Adjusted operating costs

Adjusted operating costs (see definition in note 4) decreased by 3% to £12.5m (H1 21: £12.9m) with additional investment to support the move to an employed model more than offset by higher capitalisation rate (H1 vs. H1) of our Digital teams due to increased focus on value adding activity.

Marketing costs
Marketing costs increased significantly by 61% to £14.5m (H1 21: £9.0m), reflecting lower investment in brand marketing in H1 21 and the launch of our significant new SOLD campaign in September in H1 22, which has involved significant media spend. Cost per instruction (CPI) was £686, significantly up from £264 in H1 21. We expect H2 22 marketing spend to materially reduce following this period of investment.

Adjusted EBITDA
Adjusted EBITDA (see definition in note 4) was a loss of £0.8m (H1 21: profit of £8.4m). This result reflects lower activity levels, and significant investments in marketing as described above.

Depreciation and amortisation
Depreciation and amortisation was £1.6m (H1 21: £1.6m), reflecting continuing investment in technology. In the prior year, amortisation arising on consolidation of £0.3m 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.

Share-based payments
Share-based payment arrangements gave rise to a credit in the half year of £1.1m, primarily arising from the lapse of options held by LPE companies on the move to an employed model. The credit in respect of employee arrangements resulted from re-assessments of vesting conditions. H1 21 saw a credit of £1.9m, which arose from the reversal of charges taken in previous years as options held by leavers lapsed on their 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 underlying performance of the business.

Exceptional costs in H1 22 amounted to £8.3m (H1 21: £1.7m). £2.0m of this amount represented costs in respect of the move to an employed sales field model, including retention payments, exit payments and consultancy costs. A charge of £3.6m represents a provision for potential future claims which could arise under the Housing Act 2004, and a charge of £2.7m arising from impairment of goodwill and other intangible assets relating to the lettings business.

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 costs of a fundamental restructure of certain support functions of £0.8m. The aggregate costs of each of these items is significant in the relevant period.

Operating loss and loss for the period
Overall, the Group made an operating loss of £11.1m (H1 21: profit of £6.9m), including our share of losses of an associate of £1.5m (H1 21: £0.1m). The Group's total loss for the half year was £20.2m (H1 21: 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).

Tax

A tax charge of £7.3m for the six-month period (H1 21: £0.4m) represents the decision to derecognise in full deferred tax assets, primarily in relation to brought forward losses, in light of current year losses.

Cash, working capital and statement of financial position

Cash and cash equivalents (which are presented as a single class of asset on the face of the Statement of Financial Position) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

H1 22 saw a significant total cash outflow of £15.7m (H1 21: inflow of £44.8m). This reflected both the challenging trading conditions experienced in H1 22 and a number of one-off factors, including £1.0m in respect of repayment of UK Coronavirus Job Retention Scheme (CJRS) receipts which were accrued for at 30 April 2021, and £1.9m of exceptional costs related to the move to an employed sales field force. Working capital effects including timing of VAT payments also contributed to the total outflow. We expect the cash outflow to reduce in H2 and to reflect the underlying performance of the business.

Operating cash flow, which represents cash generated from or consumed by operations, before capital expenditure and financing was an outflow of £13.1m (H1 21: inflow of £13.6m).

Net cash outflow from investing activities of £2.4m represented investments in fixed assets, including in relation to hardware provided to the employed sales field force, and in relation to technology projects. In H1 21, an inflow of £31.5m was inclusive of a £32.4m net cash receipt on disposal of the Canadian business in July 2020.

Going concern

As stated in note 2.2 to the condensed financial statements, the Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

Estimates and judgements

In preparing the condensed consolidated financial statements, the Directors have approached the areas of critical accounting estimate and judgement as described on pages 93-95 of the Annual Report 2021 which is available at https://www.purplebricksplc.com/investors/results-reports-presentations/. The approach to these areas in these condensed consolidated financial statements is in line with that taken at 30 April 2021, except that new critical accounting estimates in respect of the carrying value of the Group's investment in its associate Homeday and in respect of the provision for legal claims in relation to potential future claims which could arise under the Housing Act 2004 in respect of registration of tenancy deposits have been added. See note 3 for further detail. We also provide in note 3 an update to the key estimate taken over the length of the service period used for recognition of instructions revenue, based on our assessment of the economic conditions as at 31 October 2021.

Principal risks and uncertainties

The principal risks and uncertainties are set out in the 2021 Annual Report. We have considered the implications of the lettings issues discussed above and remain of the view that these remain valid at the date of this report. A detailed explanation of the risks summarised below, and how the Group seeks to mitigate the risks, can be found on pages 40 to 43 of the Annual Report 2021 which is available at https://www.purplebricksplc.com/investors/results-reports-presentations/

In summary, these include:

- Macro-economic conditions, including the impact of Covid-19 and Brexit on the UK housing market;
- Competition, from both traditional agents and other disruptive models;
- Brand reputation, including the impact of field performance and other actions of the Group;
- People, i.e. attracting, retaining, training and developing the right agents and other staff;
- Compliance with laws and regulations, as the Group operates in a sector with significant and evolving requirements in this area;
- Business model, including self-employed agents within the lettings operation;
- Cyber security and protection of data, including proper protection and use of customer data; and
- Financial control environment, including controls over both loss of assets including cash, and over effective financial decision-making.

Statement of Directors' responsibilities

The Directors confirm that to the best of their knowledge this condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting and that the Half Year Management Report includes a fair review of the information.

Signed on behalf of the Board by:

Vic Darvey
Chief Executive Officer

30 January 2022

Condensed consolidated statement of comprehensive income for the six months ended 31 October 2021

	Note	**Six months ended 31 October 2021 unaudited £m**	Six months ended 31 October 2020 unaudited £m	Year ended 30 April 2021 audited £m
Revenue	**5**	**41.3**	44.2	90.9
Cost of sales		**(15.1)**	(14.6)	(33.2)
Gross profit		**26.2**	29.6	57.7
Net other income and expenditure		**-**	0.7	(0.3)
Administrative expenses		**(21.3)**	(14.3)	(29.3)
Marketing costs		**(14.5)**	(9.0)	(18.9)
Share of results of associate		**(1.5)**	(0.1)	(1.0)
Operating (loss)/profit		**(11.1)**	6.9	8.2
Finance income		**0.1**	0.1	0.1
Finance expense		**(1.9)**	(2.7)	(4.7)
(Loss)/profit on ordinary activities before taxation		**(12.9)**	4.3	3.6
Taxation on (loss)/profit on ordinary activities		**(7.3)**	(0.4)	0.3
(Loss)/profit from continuing operations		**(20.2)**	3.9	3.9
Profit from discontinued operations		**-**	2.9	2.9
(Loss)/profit for the period		**(20.2)**	6.8	6.8
Items that may be reclassified subsequently to profit and loss:				
Exchange differences on translation of foreign operations		**-**	0.9	0.9
Total other comprehensive income		**-**	0.9	0.9
Total comprehensive (loss)/profit		**(20.2)**	7.7	7.7
(Loss)/earnings per share				
From continuing operations:				
Basic and diluted	**8**	**(7)p**	1p	1p
Total including discontinued operations:				
Basic and diluted	**8**	**(7)p**	2p	2p

Condensed consolidated statement of financial position at 31 October 2021

	Note	**31 October 2021 unaudited £m**	31 October 2020 unaudited £m	30 April 2021 audited £m
Non-current assets				
Goodwill	**9**	**-**	2.6	2.6
Intangible assets		**4.7**	3.9	4.0
Property, plant and equipment		**1.3**	1.2	1.3
Investment in associate		**10.0**	12.4	11.5
Deferred tax asset		**-**	6.6	7.4
		16.0	26.7	26.8
Current assets				
Trade and other receivables		**5.1**	6.4	3.9
Contract assets – accrued income		**6.5**	6.3	7.2
Contract assets – prepaid cost of sales		**4.3**	8.3	4.9
Cash and cash equivalents		**58.3**	75.8	74.0
		74.2	96.8	90.0
Total assets		**90.2**	123.5	116.8
Current liabilities				
Trade and other payables		**(7.9)**	(13.8)	(12.1)
Contract liabilities - deferred income		**(10.2)**	(20.1)	(14.8)
Refund liabilities	**10**	**(0.5)**	-	-
Provisions	**11**	**(4.5)**	(0.7)	(1.2)
Lease liabilities		**(0.4)**	(0.3)	(0.4)
		(23.5)	(34.9)	(28.5)
Net current assets		**50.7**	61.9	61.5
Total assets less current liabilities		**66.7**	88.6	88.3
Non-current liabilities				
Deferred tax liabilities		**-**	(0.1)	(0.2)
Provisions	**11**	**(0.1)**	-	**-**
Lease liabilities		**(0.1)**	(0.3)	(0.3)
		(0.2)	(0.4)	(0.5)
Net assets		**66.5**	88.2	87.8
Equity				
Share capital		**3.1**	3.1	3.1
Share premium		**177.4**	177.4	177.4
Share-based payments reserve		**2.9**	4.4	4.0
Retained earnings		**(116.9)**	(96.7)	(96.7)
Total equity		**66.5**	88.2	87.8

Condensed consolidated statement of changes in equity
for the six months ended 31 October 2021 – unaudited

Unaudited	**Share capital** £m	**Share premium** £m	**Share-based payment reserve** £m	**Foreign exchange 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	-	-	(1.1)	-	-	(1.1)
Transactions with owners	-	-	(1.1)	-	-	(1.1)
Loss for the period	-	-	-	-	(20.2)	(20.2)
Total comprehensive loss	-	-	-	-	(20.2)	(20.2)
At 31 October 2021	**3.1**	**177.4**	**2.9**	**-**	**(116.9)**	**66.5**

for the six months ended 31 October 2020 – unaudited

Unaudited	**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	-	-	(2.5)	-	-	(2.5)
Transactions with owners	-	-	(2.5)	-	-	(2.5)
Profit for the period (including exchange differences recycled on disposal of Canada)	-	-	-	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 31 October 2020	3.1	177.4	4.4	-	(96.7)	88.2

Condensed consolidated statement of changes in equity

For the year ended 30 April 2021 – audited

Audited	**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	-	-	(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

Condensed consolidated statement of cash flows for the six months ended 31 October 2021

	Six months ended 31 October 2021 unaudited £m	Six months ended 31 October 2020 unaudited £m	Year ended 30 April 2021 audited £m
(Loss)/profit for the period after taxation	**(20.2)**	6.8	6.8
Adjustments for:			
Impairment of goodwill	**2.6**	-	-
Amortisation of intangible assets	**1.2**	1.2	2.5
Impairment of intangible assets	**0.1**	-	-
Depreciation of tangible fixed assets	**0.4**	0.4	0.8
Gain on disposal of Canadian business	**-**	(2.3)	(2.3)
Share-based payment credit	**(1.1)**	(2.5)	(2.9)
Charge to loss provision	**-**	-	0.1
Increase in provisions	**3.9**	0.1	0.8
Increase in refund liabilities	**0.5**	-	-
Interest income	**(0.1)**	(0.1)	(0.1)
Interest expense	**-**	-	0.1
Share of results of associate	**1.5**	0.1	1.0
Taxation charge/(credit)	**7.3**	0.4	(0.3)
Operating cash (outflow)/inflow before changes in working capital	**(3.9)**	4.1	6.5
Movement in trade and other receivables	**0.2**	(5.4)	0.2
Movement in trade and other payables	**(4.8)**	7.8	4.9
Movement in deferred income	**(4.6)**	7.1	1.4
Net cash (outflow)/inflow from operating activities	**(13.1)**	13.6	13.0
Investing activities			
Purchase of property, plant and equipment	**(0.4)**	(0.1)	(0.3)
Development expenditure capitalised	**(1.4)**	(0.9)	(2.1)
Purchase of intangible assets	**(0.7)**	-	(0.2)
Interest income	**0.1**	0.1	0.1
Proceeds from disposal of Canadian business	**-**	35.9	36.4
Cash disposed of with Canadian business	**-**	(3.5)	(3.5)
Net cash (outflow)/inflow from investing activities	**(2.4)**	31.5	30.4
Financing activities			
Lease interest payments	**-**	-	(0.1)
Payments against lease liabilities	**(0.2)**	(0.3)	(0.3)
Net cash outflow from financing activities	**(0.2)**	(0.3)	(0.4)
Net (decrease)/increase in cash and cash equivalents	**(15.7)**	44.8	43.0
Cash and cash equivalents at the beginning of the period	**74.0**	31.0	31.0
Cash and cash equivalents at the end of the period	**58.3**	75.8	74.0

Notes to the condensed financial statements for the six months ended 31 October 2021

1. General information

Purplebricks Group plc ('the Company') is a public company limited by shares that 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.

The information for the year ended 30 April 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Summary of significant accounting policies

The annual financial statements of Purplebricks Group plc will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'.

The accounting policies adopted are consistent with those of the previous financial period (see pages 84 to 93 of the Annual Report 2021) except as described below in note 2.5.

The Annual Report 2021 is available at https://www.purplebricksplc.com/investors/results-reports-presentations/

2.1 Basis of preparation

These interim unaudited condensed financial statements have been prepared under the historical cost convention subject to recognising certain financial instruments at fair value, and in accordance with IAS 34 Interim Financial Reporting.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

The Group typically experiences a seasonal slowdown in activity during the December holiday period.

2.2 Going concern

In adopting a going concern basis for the preparation of the condensed financial statements, the Directors have made appropriate enquiries and have considered the Group's business activities, cash flows and liquidity position, and the Group's principal risks and uncertainties.

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 January 2023, being over 12 months from the date of these condensed financial statements.

This assessment has taken into consideration sensitivity analysis with regard to the forecast volume of instructions, the variable nature of significant elements of the Group's cost base and steps which could be taken to further mitigate costs if required and therefore increase cash headroom further. Mitigations available to the Group are consistent with cost control and cash preservation actions taken in FY 21 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. The Directors also note that the Group continues to operate without the need for external financing facilities.

In satisfying themselves that the going concern basis is appropriate, the Directors have considered the scenario of

a severe downside sensitised fall in revenues resulting from a decrease in instruction volumes which is in excess of the Directors' realistic expectations. The Directors have also considered a number of scenarios around cashflows in respect of the provision for deposit registration issues made during H1 22, including an outflow at the higher bound of the range that is considered reasonably possible.

Even in this extreme scenario, and before taking any mitigating actions, given the Group's cash position of £58.3m at 31 October 2021, the Group expects to maintain a position of significant liquidity throughout the forecast period to 31 January 2023. 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. No scenario resulting in an outcome where the Group runs out of liquidity within the assessment period is considered reasonably possible.

In light of the Group's current liquidity and the results of the sensitivity testing conducted, the Directors are satisfied that their assessment indicates that the Company, and the Group as a whole, can operate within the level of its current facilities, as set out above, without the need to obtain any new facilities for a period of not less than 12 months from the date of this report. Accordingly, the condensed financial statements have been prepared on the going concern basis.

2.3 New accounting standards adopted in the period

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 interim condensed consolidated financial statements. Apart from this change, the accounting policies set out in the 2021 Annual Report and Accounts have been applied consistently to both periods presented in these condensed consolidated financial statements.

New standards and interpretations not yet applied

There were no new or revised IFRSs, amendments or interpretations in issue but not yet effective that are potentially material for the Group and which have not yet been applied.

2.4 Tax

Taxes on income in the interim period are accrued using the effective tax rate which is expected to apply to the Group for the year ending 30 April 2022, using rates substantively enacted by 31 October 2021, as required by IAS 34 *Interim Financial Reporting*.

2.5 Revenue

Following the launch of the Group's Money Back Guarantee product on a trial basis in May 2021 and nationwide in July 2021, the Group's policy in respect of instruction revenue has been amended as follows:

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 related to the instruction fee (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 inter-related, 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.

Since May 2021, the Group has offered a Money Back Guarantee in respect of instruction fees. Under the Money Back Guarantee, customers may be entitled to claim a refund of the instruction fee, if a Proceedable Credible 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 ten-month period, and accepting viewings of the property.

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, with the balance of cash received held as a provision for refunds.

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 end 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.

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. Refer to the Critical Estimates and Judgements section for further information.

Contract assets and liabilities and refund liability

The approach described above gives rise to contract liabilities in the form of deferred revenue and a refund liability.

The period of service is expected in the majority of cases to be less than one year. The value of remaining services expected to be provided more than 12 months after each reporting date is expected to be insignificant, and therefore no deferred revenue held on the consolidated statement of financial position is shown as non-current.

The refund liability amount is presented as a current liability, since the Group does not have the right to defer settlement of the refund liability for at least 12 months.

Costs associated with instructions revenue included, up to September 2021, commissions paid to the Group's LPEs. This commission was due at listing of the advertisement for sale. Therefore, these costs were prepaid and amortised over the average service period. Since September 2021, commissions have been paid to the Group's employed agents. These costs have also been prepaid and amortised over the average service period, in order to result in a recognition of gross profit margin in line with recognition of revenue.

Unamortised costs at each period end are reported as contract assets within prepayments.

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 condensed 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.

The accounting estimates and judgments as set out on pages 94 and 95 of the Annual Report 2021 have been applied consistently in these financial statements. We also disclose a new judgement in respect of the carrying value of the group's investment in Homeday.

Estimates

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

3.1 Measurement of intangible assets

The Group recognises an intangible asset in respect of software developed in house. This software is a key part of the Group's operating model and value proposition. Management is required to estimate the time and related value attributable to the element of the development team that relates to the creation and build of intangible assets which meet the criteria for capitalisation in IAS 38. The cost of this team is material and a significant change in this estimate could have a significant effect on the value of costs capitalised. The impact of a change to this estimate could result, at the most extreme, i.e. in a scenario where either no development team costs are capitalised, or where they are capitalised in full, in a decrease of £1.0m or increase of £1.5m in administrative expenses in H1 21.

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 of 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 other deductions can be utilised.

The recognition of deferred tax assets is dependent upon the estimation of future taxable profits. Due to expected taxable losses in FY 22, management have taken the view that it is prudent to derecognise in full the brought forward deferred tax assets in respect of taxable losses and timing differences. Taxable profits were generated in FY 21 and the Group forecasts to return to taxable profits in the near future. Unrecognised deferred tax assets at 31 October 2021 amount to £14.4m.

3.3 Revenue Recognition

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 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 reflects an assessment of the future service period in respect of instructions on hand at the year end.

As at 31 October 2021, the key factor 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.

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. The Directors expect that this effect will continue in the short term, until returning economic confidence leads to a greater supply of properties.

The Directors assess that the delays within the process between sale agreed and completion which have been experienced over recent months due to high levels of transactions, particularly in advance of expiry of Stamp Duty Land Tax holidays, have now largely passed and this process is returning to normal as transaction levels reduce. As a result, the Directors assess that, time between sale agreed and completion is likely to reflect normal levels.

On balance, at 31 October 2021, the Directors have assessed that the period used in calculating contract liabilities in respect of deferred income is therefore 3% shorter than at 30 April 2021.

Given the continuing uncertainty caused by the impact of Covid-19 on the UK economy, there remains a greater degree of subjectivity in estimating the future service period than would be the case in a "steady state" scenario and the Directors have adopted a best estimate approach, taking into account available evidence. An increase of 6% or decrease of 9% 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 £0.7m or decrease in deferred income of approximately £1.0m respectively.

3.4 Carrying value of the Group's investment in Homeday

Homeday is a start-up business, and, as anticipated at the point of the Group's investment, remains loss-making due to investment in brand, footprint and technology. Significant revenue growth has been achieved over recent

years, and further significant growth is forecast by local management. This growth is expected to lead to cash generation in the near future. As with any start-up business, Homeday's continued growth is subject to uncertainty from market factors and from its own operational performance. If Homeday is not successful in becoming profitable and cash generating, then ultimately the Group's investment may not be recoverable. This scenario could lead to impairment of up to the full carrying value of £10.0m. Purplebricks management have reviewed and stress tested discounted cash flow calculations covering the period to 31 December 2026 based on Homeday's business plans for this period, discounted at a rate of 17.6% and assuming a terminal growth rate of 2.5%. These calculations indicate headroom over carrying value of £27.7m. A 45% reduction in revenue growth rates as compared to those forecast would be required to bring the carrying value to zero. Based on the outcome of these calculations and stress testing, Purplebricks' management believes that Homeday has the resources and capabilities to bring the plans to a successful conclusion and that the investment is not impaired. This assessment will be updated at each reporting date until Homeday becomes established as a profitable business.

3.5 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 has been communicating with tenants on behalf of landlords in relation to the registration of tenancy deposits. In response, the Board has sought independent third-party assurance in relation to the end-to-end process and controls in the lettings business, including compliance with applicable laws and regulations. This has 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 has discussed the findings and agreed a number of process and control enhancements, including in the processes around timely registration of deposits, provision of prescribed information and other information to tenants. The execution of these actions, including a review of the Group's broader process, control and governance arrangements will be led by the CEO and overseen by the Audit Committee, including third-party assurance to confirm that they have been implemented and are operating effectively.

A provision of £3.6m for potential future claims which could arise under the Housing Act 2004 has been made in these interim financial statements. 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 estimation uncertainty and degree of estimation involved in calculating this provision.

The ultimate level of financial exposure is dependent on the claim rate, and on the level of penalty applied in respect of successful claims. The provision is especially sensitive to the claim rates, which have been assessed at 22.1% for current tenants and 2.5% for former tenants. A 10% change in the claim rates would increase or decrease the provision by £0.3m and £0.1m respectively. 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 £1.4m lower or £5.6m higher than the provision included in these financial statements.

Judgements

In the view of the Directors, the areas of judgement 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:

3.6 Revenue recognition

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

3.7 Assessment of the Group's investment in Homeday

In assessing the status of the Group's investment in Homeday, which is held through a joint venture ("JV HoldCo") with Axel Springer, the Group has to consider the effect of convertible loans which exist between Axel Springer and JV HoldCo, and also put and call options which exist between the shareholders of Homeday. For further detail refer to note 21 in the FY 21 Annual Report and Accounts.

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.

At 31 October 2021, the Group continues to take the view that there are no substantive barriers to the exercise of the convertible loans between Axel Springer and JV HoldCo. Therefore, at 31 October 2021, the Group has continued to account for its investment in JV HoldCo as an associate rather than as a joint venture.

4. Alternative performance measures

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

Adjusted EBITDA

Definition

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

Relevance to strategy

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

- Depreciation: a non-cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Amortisation: a non-cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the Group's results period on period.
- Share-based payment charges: a non-cash item which varies significantly depending on the share price at the date of grants under the Group's share option schemes and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the Group's results period on period and also improves comparability with other companies which do not operate similar share-based payment schemes.
- Exceptional items: these items represent amounts which result from unusual transactions or circumstances and at a significance which warrants individual disclosure. We believe that adjusting for such exceptional items improves comparability period on period. See note 7 for further detail of amounts disclosed as exceptional.
- Results of associates: while the Group exercises some influence over these results, it is unable to fully control them.

Reconciliation

See segmental reporting in note 6.

Adjusted operating costs

Definition

Adjusted operating costs are administrative expenses, adjusted by adding back depreciation, amortisation and share-based payment charges and exceptional items. In H1 21, adjusted operating costs included receipts in respect of government assistance to support companies with employees on furlough during the Covid-19 pandemic. For clarity, and for consistency with the results for the year ended 30 April 2021, the H1 21 comparatives have been re-stated to remove this item from adjusted operating costs.

Relevance to strategy

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

Reconciliation

See segmental reporting in note 6.

Adjusted operating profit/loss

Adjusted EBITDA is the key profit measure used by the CODM (the Board being the Chief Operational Decision Maker (CODM)) in making strategic decisions and as such, adjusted operating profit is not presented as an alternative profit measure in H1 22 and future reporting periods as it does not significantly add value to the users of the accounts.

5. Revenue

Revenue by contract type

	H1 22 unaudited £m	H1 21 Unaudited[1] £m	Year ended 30 April 2021 audited £m
Continuing			
Instructions	**26.6**	30.5	60.1
Conveyancing	**8.8**	8.0	17.9
Lettings	**3.0**	3.3	6.6
Other	**2.9**	2.4	6.3
	41.3	44.2	90.9
Discontinued			
Instructions	-	3.5	3.6
Other	-	3.0	2.9
	-	6.5	6.5
Total revenue	**41.3**	50.7	97.4

[1]Restated to provide additional information by showing separately lettings revenue. There is no change to the total amounts of revenue.

6. Segmental reporting

The Group's trade is managed as a single division, providing services relating to the sale and letting of properties within a single geographic location, the UK. Following the sale of the Canadian business in July 2020, the results of the Canadian business are presented as discontinued. The operating losses of discontinued segments are reconciled to the net loss relating to discontinued activities within this note.

Adjusted EBITDA is a key profit measure used by the Board (the Board being the Chief Operational Decision Maker (CODM)) in making strategic decisions. During the period, no customer contributed 10% or more of the Group's revenues (H1 21, FY 21: none).

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

	H1 22 – six months ended 31 October 2021 - unaudited			H1 21 – six months ended 31 October 2020 – unaudited				
	UK	**Arising on consolidation**	**Total**	UK	Arising on consolidation	Continuing operations	Discontinued operations (Canada)	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	**41.3**	-	**41.3**	44.2	-	44.2	6.5	50.7
Cost of sales	**(15.1)**	-	**(15.1)**	(14.6)	-	(14.6)	(1.8)	(16.4)
Gross profit	**26.2**	-	**26.2**	29.6	-	29.6	4.7	34.3
Gross profit margin (%)	**63.4%**	-	**63.4%**	67.0%	-	67.0%	72.3%	67.7%
Net other income and expenditure	-	-	-	0.7	-	0.7	0.9	1.6
Administrative expenses	**(18.6)**	**(2.7)**	**(21.3)**	(14.0)	(0.3)	(14.3)	(3.5)	(17.8)
Marketing expenses	**(14.5)**	-	**(14.5)**	(9.0)	-	(9.0)	(0.6)	(9.6)
Share of results of associate	-	**(1.5)**	**(1.5)**	-	(0.1)	(0.1)	-	(0.1)
Operating (loss)/profit	**(6.9)**	**(4.2)**	**(11.1)**	7.3	(0.4)	6.9	1.5	8.4
Reconciliation to adjusted EBITDA								
Operating (loss)/profit	**(6.9)**	**(4.2)**	**(11.1)**	7.3	(0.4)	6.9	1.5	8.4
Depreciation and amortisation	**1.6**	**-**	**1.6**	1.3	0.3	1.6	0.2	1.8
Share-based payments credit	**(1.1)**	-	**(1.1)**	(1.9)	-	(1.9)	(0.6)	(2.5)
Share of results of associate	-	**1.5**	**1.5**	-	0.1	0.1	-	0.1
Exceptional items	**5.6**	**2.7**	**8.3**	1.7	-	1.7	-	1.7
Adjusted EBITDA	**(0.8)**	**-**	**(0.8)**	8.4	-	8.4	1.1	9.5
Reconciliation of administrative expenses to adjusted operating costs								
Administrative expenses	**(18.6)**	**(2.7)**	**(21.3)**	(14.0)	(0.3)	(14.3)	(3.5)	(17.8)
Depreciation and amortisation	**1.6**	**-**	**1.6**	1.3	0.3	1.6	0.2	1.8
Share-based payments credit	**(1.1)**	-	**(1.1)**	(1.9)	-	(1.9)	(0.6)	(2.5)
Exceptional items	**5.6**	**2.7**	**8.3**	1.7	-	1.7	-	1.7
Adjusted operating costs[1]	**(12.5)**	**-**	**(12.5)**	(12.9)	-	(12.9)	(3.9)	(16.8)

[1]H1 21 adjusted operating costs as previously presented included net other income and expenditure. For clarity, and for consistency with the results for the year ended 30 April 2021, the H1 21 comparatives have been re-stated to remove this item from adjusted operating costs.

For year ended 30 April 2021 – audited

	UK £m	Arising on consolidation £m	Continuing operations £m	Discontinued operations (Canada) £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 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)

The operating profit of the discontinued Canada segment is reconciled to the net profit from discontinued activities as follows:

	Six months ended 31 October 2021 £m	Six months ended 31 October 2020 £m	Year ended 30 April 2021 £m
Operating profit relating to discontinued segment	-	1.5	1.5
Gain on disposal of Canadian business	-	2.3	2.3
Exchange differences recycled on disposal of Canadian business	-	(0.9)	(0.9)
Profit from discontinued operations	-	2.9	2.9

Following the disposal of the Canadian business in H1 21, all operations are now UK based; therefore, no segmental analysis of the statement of financial position has been provided.

Cash flows related to discontinued operations were as follows:

	Six months ended 31 October 2021 unaudited £m	Six months ended 31 October 2020 unaudited £m	Year ended 30 April 2021 unaudited £m
Operating cash (outflow)/inflow before changes in working capital			
Continuing operations	**(3.9)**	3.1	5.2
Discontinued operations	**-**	1.0	1.3
	(3.9)	4.1	6.5
Operating cash (outflow)/inflow after changes in working capital, interest and taxation paid			
Continuing operations	**(13.1)**	12.3	12.0
Discontinued operations	**-**	1.3	1.0
Net cash (outflow)/inflow from operating activities	**(13.1)**	13.6	13.0
Investing activities			
Continuing operations	**(2.4)**	(0.9)	(2.5)
Discontinued operations	**-**	32.4	32.9
Net cash (outflow)/inflow from investing activities	**(2.4)**	31.5	30.4
Financing activities			
Continuing operations	**(0.2)**	(0.3)	(0.4)
Discontinued operations	**-**	-	-
Net cash outflow from financing activities	**(0.2)**	(0.3)	(0.4)

7. Exceptional items

	Six months ended 31 October 2021 £m	Six months ended 31 October 2020 £m	Year ended 30 April 2021 £m
Restructuring costs	**2.0**	0.8	1.2
Provision for claims	**3.6**	-	-
Impairment	**2.7**	-	-
LPE support	**-**	0.9	0.9
Exceptional items	**8.3**	1.7	2.1

In H1 22, exceptional items comprised costs of moving to an employed sales field force, an additional legal provision and impairment charges.

The main components of costs of moving to an employed sales field force were:

i) Consultancy costs for support in the design of the employed model, including of the commission structure (£0.6m)
ii) Retention payments to individuals becoming employed (£0.7m)
iii) Costs of contractors and project-specific employees working within the project team (£0.2m)
iv) Creation of Learning and Development materials and onboarding materials, and costs of training meetings and roadshows (£0.5m)

Further costs are expected in H2 22, being primarily further bonuses due to staff for continued employment.

A provision of £3.6m for potential future claims which could arise under the Housing Act has been made in H1 22 as described above.

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 31 October 2021 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 31 October 2021.

A discounted cashflow 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 H1 21, exceptional items comprised:

i. costs of a fundamental restructuring of head office functions of £0.8m
ii. 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 £3.7m at 31 October 2021 (H1 21: £0.1m). 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.

8. Earnings per share

Total including discontinued operations

	Six months ended 31 October 2021	Six months ended 31 October 2020	Year ended 30 April 2021
(Loss)/profit from total operations £m	**(20.2)**	6.8	6.8
Weighted average number of shares in issue ('000)	**306,806**	306,806	306,806
(Loss)/earnings per share for total operations (£) – basic	**(0.07)**	0.02	0.02
Potentially dilutive shares unissued at reporting date ('000)	**3,757**	12,607	3,016
Total potentially dilutive shares at reporting date ('000)	**310,563**	319,413	309,822
(Loss)/earnings per share for total operations (£) – diluted	**(0.07)**	0.02	0.02

Where applicable, diluted loss per share from total operations is equal to the basic loss per share as a result of the Group recording a loss for the period, which cannot be diluted.

From continuing operations

	Six months ended 31 October 2021	Six months ended 31 October 2020	Year ended 30 April 2021
(Loss)/profit from continuing operations £m	**(20.2)**	3.9	3.9
Weighted average number of shares in issue ('000)	**306,806**	306,806	306,806
(Loss)/earnings per share for continuing operations (£) – basic	**(0.07)**	0.01	0.01
Potentially dilutive shares unissued at reporting date('000)	**3,757**	12,607	3,016
Total potentially dilutive shares at reporting date ('000)	**310,563**	319,413	309,822
(Loss)/earnings per share for continuing operations (£) – diluted	**(0.07)**	0.01	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 30 October 2021, 30 April 2021 and 31 October 2020, was 306,806,039.

9. Goodwill

	£m
Cost and carrying amount	
At 1 May 2021	2.6
Impairment charge recognised in the period	(2.6)
At 31 October 2021	-

The acquisition of BFL Property Management Limited in March 2017 gave rise to a goodwill amount in the consolidated balance sheet of £2.6m, together with other intangible assets in respect of customer relationships.

In light of the provision for potential future claims in respect of deposit registration issues within the lettings business which has been made in these condensed financial statements, the carrying value of goodwill has been assessed for impairment at 31 October 2021.

A discounted cashflow forecast has been prepared including the potential significant cash outflow in respect of claims. This forecast indicated 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.

10. Refund liabilities

	31 October 2021	31 October 2020	30 April 2021
	£m	£m	£m
Current	**0.5**	-	-
	0.5	-	-

	£m
At 1 May 2021	-
Charged to income statement	0.5
At 31 October 2021	**0.5**

The Money Back Guarantee refund provision represents management's best estimate of the Group's liability to refund 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.

11. Provisions

	31 October 2021	31 October 2020	30 April 2021
	£m	£m	£m
Current	**4.5**	0.7	1.2
Non-current	**0.1**	-	-
	4.6	0.7	1.2

	Legal claims	Dilapidations	**Total**
	£m	£m	£m
At 1 May 2021 – current	1.2	-	1.2
Charged to income statement	3.8	0.1	3.9
Utilised	(0.5)	-	(0.5)
At 31 October 2021	**4.5**	**0.1**	**4.6**
Of which current	4.5	-	4.5
Of which non-current	-	0.1	0.1

The charge in respect of legal claims relates mainly to the provision for lettings as discussed in Note 3.5 above, which also includes the sensitivities.

12. Related party transactions

On 19 July 2021, 735,437 awards were granted to Vic Darvey, CEO and 307,500 awards were granted to Andy Botha, then CFO, under the Purplebricks Performance Share Plan. The awards have an exercise price of one penny 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. On 29 October 2021, Andy Botha left the company. All options granted to Andy previously, including those granted on 19 July 2021, lapsed upon his leaving.

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 £32,000 have been incurred in the period, and amounts paid to Iris totalled £26,000. The agreement with Iris was made following a selection process including unconnected alternatives. Amounts charged are on an arm’s length basis.

Independent Review Report to Purplebricks Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2021 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2 the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter – Provision for legal claims in relation to registration of tenancy deposits

We draw attention to note 3.5 and note 11 in the interim financial statements, concerning the uncertainty in relation to the estimation of the value of the provision recognised for future claims under the Housing Act 2004 in relation to deposit registrations. The provision is especially sensitive to case claim rates and the range of potential rates result in a material range of potential outcomes that are explained in note 3.5. Our review conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the AIM Rules of the London Stock Exchange.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company

those matters we are required to state to it in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
30 January 2022