Purplebricks Group plc
Final results for the year ended 30 April 2018

Doubling of Group revenue led by strong UK performance; winning market share; penetration into new markets.

Purplebricks Group plc (AIM: PURP) ("Purplebricks"), the hybrid estate agent providing a new way to buy, sell or let property, announces its final results for the year ended 30 April 2018.

Business highlights

- Launched in the US in September 2017, operating in 6 states by June 2018
- Raised £100m via strategic investment from Axel Springer
- Post year end acquired Canadian business of DuProprio/ComFree ("DuProprio") for approximately £29.3m

	FY 2018				FY 2017			
Year ended 30 April, £m	**UK**	**Australia**	**US**	**Group**	**UK**	**Australia**	**US**	**Group**
Revenue	78.1	13.5	2.0	**93.7**	43.2	3.5	-	**46.7**
Gross Profit	45.1	6.3	1.3	**52.6**	24.2	1.6	-	**25.8**
Gross Profit margin	57.7%	46.2%	63.0%	**56.1%**	56.1%	45.7%	-	**55.3%**
Marketing costs	(21.4)	(11.4)	(9.4)	**(42.1)**	(14.4)	(3.8)	-	**(18.2)**
Adjusted operating profit / (loss)[1]	6.5	(11.8)	(16.0)	**(21.3)**	1.1	(6.1)	(0.1)	**(5.1)**
Adjusted EBITDA[2]	8.1	(11.8)	(16.0)	**(19.6)**	1.7	(6.1)	(0.1)	**(4.5)**

[1] [2] Adjusting for share based payment charges

Financial highlights

- Group revenue up 101%
- Group gross margin at 56.1%, up 80bps
- UK revenue up 81%; average income per UK instruction up 7%
- UK adjusted EBITDA up 394% to £8.1m
- Australia revenues up 285%; average income per Australian instruction up 22%
- Strong Balance Sheet, with net cash at 30 April 2018 of £152.8m
- Group revenues for FY19 expected to be in the range of £165-185m, with medium term expectation of exceeding 10% total UK market share

Operational highlights

- Total LPE/LREEs as at 30 April up 57% to 790, including 630 in the UK (FY17: 440 in the UK)
- Sold and completed on £9.7bn of UK property in FY 18 with further £3.7bn sold subject to contract at 30 April 2018

- UK online market share of 74%, while online continuing to grow share of total market

Commenting on the results, Michael Bruce, Group Chief Executive, said:

"We have doubled revenues in tough markets, taking market share as we continue to win over consumers to the modern way of buying and selling property. As the latest independent UK research by TwentyCi released July 2018 shows, we sell more of our properties and complete faster than any of the top 10 largest agencies in the country, saving consumers thousands of pounds in the process.

We are confident that Purplebricks' market leadership will continue, given the strength of its brand, the continuing investment into team, technology and processes and our £153m war chest for global growth, following the strategic investment by Axel Springer. Purplebricks' goal to build a modern global estate agency business demonstrates unrivalled ambition and, in just four years, huge progress. We look forward to the years ahead with excitement and confidence."

Analyst presentation

A presentation to analysts and institutional investors will be held at the offices of Instinctif Partners on 5 July 2018. The event will be webcast. For further details please contact Catherine Walton on: +44 (0) 20 7457 2020 or email Catherine.walton@instinctif.com.

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About Purplebricks

Purplebricks is the leading next generation estate agency in the UK with operations in Australia and the US that combines highly experienced and professional Local Property Experts (Local Real Estate Experts in the US) and an innovative use of technology to help make the process of selling, buying or letting so much more convenient, transparent and cost effective. Purplebricks is transforming the way people perceive estate agents and estate agency.

Forward looking Statements

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Chairman's statement

Purplebricks is continuing to lead significant change in the global estate agency market, creating greater transparency, offering better choice for customers and a low, fair fixed fee. We remain focused on our objective of offering consumers a fairer and more cost-effective way of selling their property and driving transparency of pricing in the marketplace, while using technology to provide world class customer service and operational efficiency.

Our strong performance for the year is underpinned by our focus of improving the quality and efficiency of our service through investing in our LPEs, customer support team and infrastructure, continuing to evolve our best-in-class technology, and building upon our high brand awareness and reputation for superior customer service.

In the year we continued to expand our proposition globally, further establishing and growing our Australian business as well as launching in the US on both the West and East coasts, where we are seeing encouraging signs.

This growth in market share across all our markets is ultimately due to our ability to attract top quality LPEs not only across all areas of the UK, but also in Australia and the US, where they are called Local Real Estate Experts (LREEs). They have bought into our strategy of providing a fairer, better service to customers as well as creating an "ultra-local" presence. We value all of their expertise and capacity to deliver real value and meet the continuing demand from our customers.

We are proud that we remain the most positively reviewed estate agent in the UK with over 47,000 independent reviews on TrustPilot while maintaining our excellent rating of 9.5 out of 10. We have recently signed up the respected review service FEEFO which offers our customers another credible alternative site to review our service.

Financials

Momentum has been strong throughout the year, with total revenues of £93.7m representing an increase of 101% on the prior year. The UK has continued to advance with revenue up 81% year on year, while Australia contributed £13.5m of revenue in its first full 12 month period following launch, with the US also contributing £2.0m during its initial launch period.

I am pleased to report that the UK made an adjusted EBITDA profit of £8.1m, a significant increase on £1.7m last year as we continue to solidify our leading nationwide position. Australia made an adjusted EBITDA loss of £11.8m and the US a £16.0m loss, reflecting our investment in launching and establishing these early stage businesses. Group losses from operating activities increased to £24.7m after share based payment charges from £6.0m in FY 17, principally due to our focus on building the operational and marketing footprint in order to support international expansion. The operating leverage of our low fixed cost business model, once established in-country, is demonstrated by the profitable UK performance.

Net cash at the year end of £152.8m was a result of further funds raised in the year from the strategic investment by Axel Springer, bolstering our balance sheet and capability to expand our global presence and improve our offering vastly ahead of competitors. Net assets at 30 April 2018 were £154.4m (2017: £75.4m) with net current assets standing at £143.2m (2017: £66.2m).

For further discussion of financial performance, definition of the adjusted EBITDA measure referred to above and position of the group, please refer to the CFO's report.

Global expansion

While we have grown quickly, there remains enormous potential for our hybrid agency model to further disrupt the traditional model in both the UK and overseas. As the Group expands into new territories that have higher commission rates than the UK, we have found that our model is even more compelling and the savings for our customers far greater. We believe that our model presents a significant opportunity in each of our international markets.

Strategic Investment

On 26 March 2018 we announced a £100m strategic investment in our business by Axel Springer. This investment will enable us to continue to execute our strategy of expedited roll out of our model across states in the US, advance our technology for the benefit of our customers, our people and to unlock better conversion and new revenue streams. Additionally, it will allow us to invest in growing our lettings business and to make strategic investments and acquisitions and to secure longer lifetime relationships with our customers.

Whilst we face competition from traditional estate agents we will make investments that help build upon our success and market share and better exceed the needs and demands of everyone selling, buying and renting in all our markets. The Company welcomes competition from other well managed hybrid competitors, which helps to raise the profile and attractiveness of the new model, as well as driving Purplebricks to continuously improve its own service levels to stay ahead.

Australia

Our business in Australia continues to grow, having only recently completed its first full year in the five key target states. We believe we can create a strong, market leading, profitable business in Australia and will continue to invest in growing our market share.

US

We are excited by the early success and future prospects of our US operation. We continue to recruit Local Real Estate Experts and have announced the launch of new states in accordance with our strategic expansion plan for the US. We have recently extended our footprint in California to Sacramento, Fresno and San Diego and expanded into the East Coast with the launch into the New York Designated Market Area (DMA). The most recent launch has been into the states of Arizona and Nevada in June 2018.

Canada

Post year end we were delighted to announce our expansion into Canada through the acquisition of a leading Canadian digital real estate brand DuProprio. DuProprio is well established and profitable and aligned to our strategic vision and culture. We have confidence in the existing and proven management team, who will, with the backing and support of Purplebricks, accelerate and deepen market penetration across Canada and expand the offering into areas including buy-side services.

People and culture

As part of our strategy to grow and develop our global business it is important that we invest in attracting and engaging high quality, experienced individuals who can support our ambitious plans for the business. Our strong results would not have been possible without the leadership of the senior management team and the enthusiasm and commitment shown by our colleagues this year. On behalf of the Board, I would like to thank them sincerely for their hard work in growing our business whilst maintaining our strong culture of customer service.

Board

The Board is focused on driving the Group's mission to deliver excellent customer experiences through world class technology and customer focused people. We take care to ensure that the Group's ambitions are managed against risks, with accelerated yet sustainable growth at the heart of our focus.

We recently announced the departures of non-executive directors Nick Discombe and Will Whitehorn. Nick and Will have been influential in the formative years of the Company and on behalf of the Board I would like to thank them sincerely for their contributions. We have welcomed four new non-executive members to our board: Michael Wroe (former Group Chief Financial Officer of Just Eat plc), Simon Downing (founder of Civica Group with 30 years' experience in the tech industry), Adrian Blair (former Global Chief Operating Officer at Just Eat plc and ex-Spotify) and Andreas Wiele (President Classifieds Media at Axel Springer). We are delighted to have been able to attract such a high calibre of new non-executive directors and we are excited by the skills, experience, perspective and advice they will bring to our business.

Governance overview

As a fast-growing and relatively young business, we are aware that as we grow we need to maintain a governance infrastructure that is appropriate for our increasing size and profile. The Company seeks to apply the principles set out in the Quoted Companies Alliance Corporate Governance Code and have applied them pragmatically to our business, given the size and nature of the Group's operations.

In order to ensure that we continue to comply with the General Data Protection Regulation, effective from 25 May 2018, the Board established a GDPR SteerCo comprising directors and senior management.

Dividend strategy

Due to the evolution of our business the Board has concluded that it would be premature to consider declaring a dividend. We will continue to focus our financial resources on capitalising on our market opportunities and realising our potential. As we progress our strategy and our financial performance, we will look to move to a progressive dividend policy in future years.

Current trading and outlook

We continue to grow and outperform what is a tough UK market, and thereby increasing our market share. We believe our unrivalled net cash position, flexible low cost business model and brand strength supports our long term potential, albeit at the expense of lower near term growth, against tough comparatives. Additionally, we have significant company initiatives in plan for the current year, including increased marketing spend, technology and product developments, which should boost growth as we progress through the year.

Australia continues to track the UK performance at the same time in its development. Growth has continued into the current year, despite the tough market backdrop. Company initiatives, including a new Sales Director, are bedding in well and expected to optimise the model, increase team productivity and drive growth going forward. We now expect that Australia will reach monthly profitability within 12 months.

We are excited about the US business and the rollout into six states by June 2018, which is ahead of plan. Initial KPIs are ahead of the UK at the same time in its evolution, and for the month of May alone revenues were 43% of total US revenues for FY18. For the current financial year as a whole we anticipate that the US will become our second largest market by revenues.

The business we are acquiring in Canada, which is expected to complete on 5 July, DuProprio/ComFree, offers substantial opportunities for growth through deeper and accelerated penetration of the existing offering across the country, capitalising on the buy-side opportunity and introducing aspects of the Purplebricks business model to operate alongside the digital service already on offer. We will be investing in the business and as stated in the announcement of 2 July expect to reinvest the profits of the business for the next two years.

Taking all of the above into account, the fact that it is early in the financial year and that we have four businesses at different stages of development, we expect full year group revenues to be in the range of £165m to £185m. Our confidence in the Group's future prospects remains undiminished and we are confident that we can exceed a minimum of 10% total UK market share in the medium term.

Paul Pindar

Chairman

5 July 2018

Chief Executive's Statement

This has been a year where we have cemented our position as the largest estate agency brand in the UK (according to independent research by TwentyCi released July 2018), have continued to grow our footprint in Australia, launched into the US, the largest real estate market in the world, and post the financial year end agreed to acquire the DuProprio business in Canada. Our brand awareness has materially grown across all markets and we are leading the way in providing positive customer experiences and feedback.

Whilst the markets in the UK and Australia have been and continue to be challenging for the industry, with overall transaction volume and sentiment down year on year, we have managed to gain market share, increase revenues and grow customer engagement in all three countries in which we operate.

As we previously announced, we have invested for growth by developing our infrastructure, increasing our management team and technical expertise and adding to our compliance, legal and PR resource. We will start to see the benefits and operational gearing arising from this investment as we grow across the UK, Australia, the US and now Canada. Our strategy of investment for sustainable market share growth continues and we believe will place our company in a strong position for the long term.

On 26 March 2018 we announced that we had secured a £125m strategic investment (of which £100m was equity for new shares) in our business by Axel Springer, the leading European publishing, classifieds and property portal business, in order to accelerate the rollout of the Purplebricks model in the US, to support entry into new markets and to fund technological innovation and expand Purplebricks' service offering. Some of the more significant progress that we have made in these areas is set out below.

UK

In the UK, our year on year monthly instructions and revenue continue to grow despite a number of traditional estate agents reporting a slowdown in activity, a reduction in market share and a decrease in their revenues. We continue to win market share from the traditional estate agents and have increased our year on year share of the "non traditional" market from 72% to 74%. An independent analysis recently commissioned by Purplebricks and provided by the leading, whole of market, industry data specialists TwentyCi resulted in a number of conclusions about our performance for FY 18:

- **Sold more:** Purplebricks sold (Sold Subject to Contract (SSTC)) 3.1 times the number of properties than the next largest UK estate agency brand (increased to 3.3 in H2)
- **Sold more:** By the end of the financial year Purplebricks was selling (SSTC and exchanged) more houses than any other group of estate agency brands in the UK
- **Highest conversion:** Purplebricks had the highest level of conversion to sale (SSTC) of the top 10 estate agency brands in the UK and have the best year on year improvement in conversion
- **Sold faster:** Purplebricks sell (SSTC) properties faster than the top 10 largest estate agency brands in the UK
- **Complete faster:** Purplebricks complete on sales faster than any of the top 10 largest estate agency brands in the UK
- **Secure best price:** Purplebricks secure an average uplift of £6,000 on sale price (in properties in the £250,000-£300,000 range), in addition to the saving made on fees charged by Purplebricks when compared to a traditional estate agent

- **No1 at selling houses:** 81% of listings sold (completed, exchanged or SSTC) within 12 months to April 2018
- **Largest market share:** Purplebricks has the largest market share across all price bands up to £1m and strong growth in all price bands, unrivalled by any of the top 10 estate agencies in the UK

Our revenue per instruction continues to increase and is now £1,168, and we have new initiatives that will be launched in FY 19 which we expect to drive further progress.

Recruitment and training remains an important part of our success and growth strategy. The number of LPEs engaged increased by 43% year on year although in the second half of the financial year we put a greater emphasis on increased LPE productivity, growing academy members and sales assistants in LPE businesses. We have a thriving academy which is training the next generation of LPEs and which has already provided graduates who are now operating on behalf of the Purplebricks brand. The current strategy enables us to build on the strong customer focused culture we have created and enables the LPEs to continue to build sustainable, profitable businesses.

We are proud of the brand we have created in the short period since launch of the business back in 2014. Our 'Commisery' campaign resulted in unprecedented levels of recognition and current brand attribution for the industry and, at 96%, brand awareness levels higher than the leading property portals.

We continue to drive down our costs of acquisition through innovative PPC strategies and new technologies. Our customer experience is continuously being enhanced with new onsite journeys being deployed for both valuation and instruction bookings and the introduction of CRM capabilities.

We firmly believe that we must continue to grasp the opportunity that exists for the brand, whilst relentlessly developing the experience for our customers and our people. Technology will drive long term success for Purplebricks, it will help to delight, excite and surprise customers as we make the process of moving home increasingly simple, straightforward and stress free. Technology will also help our people and LPEs deliver service with greater ease, making them more and more productive and as a result more successful.

We will continue to invest in marketing in the UK and will broaden our strategy to engage more closely with people on a local level in order to win that next swathe of people considering our service. Whilst we will review marketing spend to make the most of the opportunities that present themselves we expect in the current financial year to increase our UK marketing spend to further grow our market share.

Our focus on customers and the support and advancement of our people remains front and centre. The culture of our business provides strength, gives protection and ensures positive momentum and focus on our customers and each other. We are a collective force for change that works to ensure customers receive a continuously better service, find the process simple, convenient and more transparent whilst saving money to invest in their homes and their families. We are focused on completion not on a commission so can offer unrivalled attention and conflict free advice for customers.

Despite our constant drive for innovation and growth we are proud that we continue to be the most positively reviewed estate agent in the UK on independent review site Trustpilot. This is testament to the culture, commitment and dedication to always enhancing the customer experience. The rapid and widespread appeal of our hybrid model proves that customers not only benefit from a fixed flat fee but also from a superior service. We are rated Excellent, averaging 9.5 out of 10 from over 47,000 customer reviews. We have recently introduced a second review site FeeFo which gives our customers a wider choice of credible independent reviews sites.

Australia

We have made the progress we expected in Australia during this financial year. Revenue has increased by 285% year on year to £13.5m (in excess of $24m AUD) and the average revenue run rate has increased by 137%. Average revenue per instruction has increased by 22% to £3,170. The number of LPEs has increased to 90 although there was a change in strategy during the year to introduce Sales Associates with a view to increasing the productivity of LPEs. A total of 88 Sales Associates have been recruited increasing the sales coverage by over 170%.

The brand continues to grow with spontaneous unaided awareness rising by over 176%, making Purplebricks Australia's third most recognised brand, whilst awareness of our competitors has remained flat. Consideration has also grown by 45% year on year to 29% by year end. We have now facilitated the sale and completion of over $2.1bn of properties in Australia, $1.76bn of which in this financial year. We estimate we have saved Australian's over $36m in traditional agents commission. Despite our growth we have maintained an Excellent rating on Trustpilot with reviews increasing by 500% year on year to 2,800 in total and an average rating of 9.3/10.

Whilst the Australian market overall is challenging for the industry there remains a big opportunity for Purplebricks to capitalise on the significant sea-change in consumer thinking, as they move away from high cost traditional estate agency to saving thousands of dollars and getting great service with Purplebricks. We are investing more in advertising, technology and the advancement of our service in Australia to grow our market share.

US

We are excited by the progress we are making in the US market. We launched in September 2017 in LA designated market areas and have since then launched into Sacramento, Frezno and San Diego in January 2018, New York DMA in April 2018 and more recently announced a launch into Arizona and Nevada in June 2018.

Whilst it is still early days we are pleased with our progress and the prospects for continued growth. The revenue opportunities are significant with our fixed listing fee, buy side fees, escrow, title and mortgage services that have been or are due to be launched very soon. We are growing market share across all the states where we are located and are successfully building out the infrastructure to capitalise on the already significant revenue that can come from providing escrow and title services.

We continue to gain more and more intelligence on each market, the types of people who are listing with us, their demographics, average property values and the type of experience that resonates best with our customers. We have successfully launched advertising campaigns across all channels and are due to launch a new series of "Commisery" advertising in July 2018.

There have been some remarkable achievements in the short period since our launch in the US. Our aided brand awareness has grown to 50.5% from a standing start whilst unaided brand awareness has already reached over 3% (established agent Redfin has 4.2%). Consideration is outstanding at 35.9%

amongst our core target audience. The UK did not reach this score until nearly three and a half years after launch.

Canada

Following the investment from Axel Springer, we announced on 2 July 2018 that we had entered into a conditional agreement to acquire DuProprio from Yellow Pages Digital & Media Solutions Limited, a subsidiary of Yellow Pages Limited, in a transaction that offers a growing established platform for expansion into the Canadian real estate market. The enterprise value (on a cash free/debt free basis) of CAN$51 million, approximately £29.3 million, is payable in cash at closing, which is expected to occur on or before 6 July 2018, subject to customary adjustments. The valuation is attractive based on DuProprio's strong market position in the Canadian real estate sector, particularly in Quebec, impressive revenue growth since launch and its current profitability.

DuProprio owns and operates one of Canada's leading commission-free real estate services brands. The acquisition by Purplebricks is expected to enable additional growth opportunities for the business including growing market share in Canada, enhancing customers experience through its market leading model and technology, capitalising on an extensive buy-side revenue opportunity and introducing aspects of the Purplebricks business model to operate alongside the highly successful digital service offered by DuProprio. Purplebricks is targeting an additional investment of up to £15m in DuProprio's expansion across Canada over the next two years funded, as before, from the retained profits generated by the province of Québec and supplemented from the cash reserves of Purplebricks.

DuProprio will continue to operate under the existing brands of DuProprio in Québec and ComFree outside of Québec, although there will be a strategic opportunity to introduce the Purplebricks brand outside of Québec in the future. DuProprio will continue to be led by the existing, highly experienced, management team headed by CEO, Marco Dodier, Senior Vice President & CFO, Jean-Bruno Lessard, COO & Vice President Brokerage Operations, Lukas Lhotsky and Marie-Christine Blain, Vice President Legal Affairs and Compliance, who together have been with DuProprio for a combined total of 33 years.

Michael Bruce

Group Chief Executive Officer

5 July 2018

Chief Financial Officer's report

The 2018 financial year has been shaped by three key factors:

Significant growth and improved profitability within the UK business;

The first 12 month period where we have operated within the key five mainland Australian states; and the US launch.

Overall revenue for the group increased by 100.6% during the year to £93.7m. Gross profit increased by 103.5% to £52.6m (2017: £25.8m). Investment in further establishing the Australian business and in launching within the US has led to a group operating loss of £24.7m, compared to a loss of £6.0m in FY 2017.

The business is supported by a robust balance sheet with a strong cash position. To date the group has financed its expansion without taking on debt. The group had a cash balance at 30 April 2018 of £152.8m.

Adjusted EBITDA

Adjusted EBITDA, which is not defined in IFRS, is a measure which is used by the board and management for planning and reporting.

Definition

Profit or loss from operating activities, adding back depreciation, amortisation and share based payment charges. The group believes that this measure, which is not considered to be a substitute for or superior to IFRS measures, provides stakeholders with helpful additional information on the underlying performance of the group.

Relevance to strategy

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

Depreciation: a non cash item which fluctuates depending on the timing of capital investment. We believe that a measure which removes this volatility improves comparability of the group's results period on period.

Amortisation: a non cash item which varies depending on the timing of and nature of acquisitions, and on the timing of and extent of investment in internally generated intangibles such as software. We believe that a measure which removes this volatility improves comparability of the group's results period on period.

Share based payment charges: a non cash item which varies significantly depending on the share price at the date of grants under the group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. We believe that a measure which removes this volatility improves comparability of the group's results period on period and also improves comparability with other companies which typically do not operate similar share based payment schemes.

Adjusted operating costs

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

Share based payment charge opening reserves adjustment

We have identified an error in the brought forward share based payment reserve, with an equal an opposite compensating error in retained earnings, of £975,000. This error has been restated. There was no impact on reported earnings or net assets.

Extract of consolidated statement of comprehensive income		
	FY 2018	FY 2017
	£m	£m
Revenue	93.7	46.7
Cost of sales	(41.1)	(20.9)
Gross profit	52.6	25.8
Gross profit margin (%)	56.1%	55.3%
Administrative expenses	(35.2)	(13.6)
Sales & marketing expenses	(42.1)	(18.2)
Loss from operating activities	(24.7)	(6.0)
Reconciliation to alternative performance measure: Adjusted EBITDA		
Depreciation & amortisation	1.7	0.6
Share based payment charge	3.5	0.9
Adjusted EBITDA	(19.6)	(4.5)
Reconciliation to alternative performance measure: Adjusted operating loss		
Loss from operating activities	(24.7)	(6.0)
Share based payment charge	3.5	0.9
Adjusted operating loss	(21.3)	(5.1)
Reconciliation to alternative performance measure: Adjusted operating costs		
Administrative expenses	(35.2)	(13.6)
Share based payment charge	3.5	0.9
Depreciation & amortisation	1.7	0.6

Adjusted operating costs	(30.1)	(12.2)

UK

Extract of UK statement of comprehensive income		
	FY 2018	FY 2017
	£m	£m
Revenue	78.1	43.2
Cost of sales	(33.1)	(18.9)
Gross profit	45.1	24.2
Gross profit margin (%)	57.7%	56.1%
Administrative expenses	(19.5)	(9.7)
Sales & marketing expenses	(21.4)	(14.4)
Profit from operating activities under IFRS	**4.2**	**0.2**
Reconciliation to alternative performance measure: Adjusted EBITDA		
Depreciation & amortisation	1.6	0.5
Share based payment charge	2.4	0.9
Adjusted EBITDA	**8.1**	**1.7**
Reconciliation to alternative performance measure: Adjusted operating profit		
Profit from operating activities	**4.2**	**0.2**
Share based payment charge	2.4	0.9
Adjusted operating profit	**6.5**	**1.1**
Reconciliation to alternative performance measure: Adjusted operating costs		
Administrative expenses	(19.5)	(9.7)
Share based payment charge	2.4	0.9
Depreciation & amortisation	1.6	0.5
Adjusted operating costs	**(15.5)**	**(8.2)**

UK revenue increased by 80.9% during the year. This was driven by two key factors:

1 – increase of 52.5% in number of instructions published.

2 – rise in average revenue per instruction by 7.4% to £1,168 (£1,088 in prior year)

The revenue for the year was split 57:43 between instruction and ancillary revenue respectively (FY 2017: 70:30). We have seen a notable shift towards ancillary as we continue to increase our focus on offering more products and choice to our customers.

Gross profit margin for the year was 57.7% up from 56.1% during the prior year. The majority of cost of sales is represented by amounts paid to LPEs.

As discussed below, during the year the UK deferred payment provider was changed for commercial reasons. Due to differences in the arrangements with our new deferred payment provider, £1.7m of costs associated with the new agreement are recognised within interest payable (as invoice factoring costs) rather than within cost of sales as was previously the case. If the equivalent costs for FY 2017 and the first part of FY 2018 had been similarly classified, then gross profit margin would have moved from 60.7% in FY 2017 to 59.9% in FY 2018.

Adjusted operating costs (see definition above) rose 89.4% during the year to £15.5m (£8.2m in FY 2017). FY 2018 has seen investment in infrastructure in terms of the technology team, legal and compliance, and tax and treasury, along with expanding our office space in Solihull to enable us to meet the growth in demand which has been generated. This investment will continue where appropriate as the business continues to scale in the UK. Both share based payments charge and depreciation/amortisation have increased year on year, due to the grant of new share options to incentivise and retain employees and LPEs, and due to ongoing investment respectively. Despite these cost increases, operating profit has improved strongly in the year.

Marketing costs, which include portal costs, rose 48.7% to £21.4m (£14.4m in FY 2017), reflecting continued investment in the UK brand and customer acquisition to grow market share. Marketing efficiency and operating leverage over this spend has driven a reduction in cost per instruction of 4.9% during the year from £349 to £332. These figures include portal costs.

Adjusted EBITDA for the year (see definition above) of £8.1m is up £6.4m or 389.9% over the prior year.

Depreciation and amortisation is up £1.1m or 191.2% on FY 2017. This increase is due to continued investment in our technology platform.

Share based payment charge is up £1.5m or 158.4% on FY 2017. This reflects the further grant of options under the group's schemes during the year to align the objectives of key employees with the performance of the group as a whole, along with a catch up adjustment to the method of spreading this charge over the 4 year vesting period of the option schemes.

KPIs

The Directors use key performance indicators (KPIs) to assess performance of the business against the Group's strategy. The strategy is built around: efficiently attracting good quality customers to our website; gaining market share and providing customers with choice to enable revenue per instruction to increase.

New users represents the number of unique visitors to the website in the year.

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

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

UK KPIs	2018	2017	*Change (%)*
New users	13,820,000	8,396,000	64.6%
Instructions	64,376	41,211	56.2%
Average revenue per instruction	£1,168	£1,088	7.4%
Cost per instruction(i)	£332	£349	(4.9)%
Marketing as a % sales	27.4%	33.3%	(5.9)bps

(i) Cost per instruction is calculated as total marketing costs including portal costs divided by instructions.

Australia

Extract of Australia statement of comprehensive income		
	FY 2018	FY 2017
	£m	£m
Revenue	13.5	3.5
Cost of sales	(7.3)	(1.9)
Gross profit	6.3	1.6
Gross profit margin (%)	46.2%	45.7%
Administrative expenses	(7.3)	(3.9)
Sales & marketing expenses	(11.4)	(3.8)
Loss from operating activities under IFRS	**(12.4)**	**(6.1)**
Reconciliation to alternative performance measure: Adjusted EBITDA		
Depreciation & amortisation	0.1	0.0
Share based payment charge	0.6	0.0
Adjusted EBITDA	**(11.8)**	**(6.1)**
Reconciliation to alternative performance measure: Adjusted operating loss		
Loss from operating activities	**(12.4)**	**(6.1)**

Share based payment charge	0.6	0.0
Adjusted operating loss	**(11.8)**	**(6.1)**
Reconciliation to alternative performance measure: Adjusted operating costs		
Administrative expenses	(7.3)	(3.9)
Share based payment charge	0.6	0.0
Depreciation & amortisation	0.1	0.0
Adjusted operating costs	**(6.7)**	**(3.9)**

Australia KPIs	2018	2017	*Change (%)*
New users	851,000	270,000	315.2%
Instructions	4,544	1,457	211.9%
Average revenue per instruction	£3,170	£2,600	21.9%
Cost per instruction	£2,533	£2,282	11.0%
Marketing as a % sales	83.9%	108.6%	(24.7)bps

The Australian business completed its launch into the five mainland states in April 2017. This financial year therefore represents a full twelve months of business within these states.

Investment continues within the Australian business and as at 30 April 2018 a total of £19.3m had been invested by the group in Australia. During FY 2018 the management team was strengthened, the development team expanded and the operational footprint was further refined in order to meet the demands of the states in which Purplebricks operates.

Revenue increased by 284.8% to £13.5m (£3.5m in FY 2017). Gross profit of £6.3m is up from £1.6m in FY 2017.

Gross profit margin has improved slightly on FY 2017.

Adjusted operating costs (see definition above) increased from £3.9m to £6.7m (70.7%) as the scale of operations increased and continued investment was made in the operating footprint.

Loss from operating activities includes the charge of £0.6m (2017: Nil) arising from grant of share options to incentivise and retain Australian employees and LPEs.

Marketing costs increased from £3.8m to £11.4m as the business invested in growing market share. This increase of 198.4% compares favourably to the increase in revenue.

US

Extract of US statement of comprehensive income		
	FY 2018	FY 2017
	£m	£m
Revenue	2.0	0.0
Cost of sales	(0.8)	0.0
Gross profit	1.3	0.0
Gross profit margin (%)	63%	0.0%
Administrative expenses	(8.4)	(0.1)
Sales & marketing expenses	(9.4)	(0.0)
Loss from operating activities	**(16.5)**	**(0.1)**
Reconciliation to alternative performance measure: Adjusted EBITDA		
Depreciation & amortisation	0.0	0.0
SBP	0.5	0.0
Adjusted EBITDA	**(16.0)**	**(0.1)**
Reconciliation to alternative performance measure: Adjusted operating loss		
Loss from operating activities	**(16.5)**	**(0.1)**
Share based payment charge	0.5	0.0
Adjusted operating loss	**(16.0)**	**(0.1)**
Reconciliation to alternative performance measure: Adjusted operating costs		
Administrative expenses	(8.4)	(0.1)
Share based payment charge	0.5	0.0
Depreciation & amortisation	0.0	0.0
Adjusted operating costs	**(7.9)**	**(0.1)**

It is expected that US KPIs will be incorporated going forward as the business develops. The Group launched activities in the US in September 2017. Prior to US launch certain operating and marketing activities were undertaken for which costs were incurred in both FY 2017 and FY 2018. Having launched in Los Angeles (LA), there were further launches within California in January 2018 followed by the launch in the Designated Market Area (DMA) of New York in April 2018.

US revenue for FY 2018 was £2.0m with a gross profit margin of 63%. There was a loss from operating activities of £16.5m which represents investment in marketing and infrastructure as the Purplebricks model is rolled out and market share is won. FY 2018 operating loss includes a share based payment charge in respect of share options granted to incentivise and retain key US employees and LREEs.

The Group is pleased with the traction which has already been gained within all US regions. The timing of launches outside of LA was ahead of schedule and we are excited about the opportunity which the US market represents. Both the volume of transactions across the whole of the US market and the fee pool per transaction are higher than both the UK and Australia.

Further launches within the US are planned for FY 2019 and beyond.

Material transactions and exceptional items

No exceptional items were identified for the year to 30 April 2018 (FY 2017: none).

During the year the group received a significant new funding via an investment from Axel Springer SE. The impact on the group's financial position and cash flow are discussed in the sections below.

Axel Springer SE (through its subsidiary, Fünfundachtzigste "Media" Vermögensverwaltungsgesellschaft mbH) ("Axel Springer"), Europe's leading digital publisher, made a £125 million (of which £100m was to the Company) strategic investment in Purplebricks by subscribing for new ordinary shares of £0.01 each ("Ordinary Shares") in the Company (the "Subscription") as well as acquiring existing Ordinary Shares from certain PDMRs of the Company (the "Share Purchase") at a price of 360p per Ordinary Share (together the "Strategic Investment"). Following the Strategic Investment, Axel Springer owns approximately 11.5 per cent. of Purplebricks' issued share capital, as enlarged by the Subscription, and Purplebricks have appointed Dr Andreas Wiele, an executive board member of Axel Springer and President Classifieds Media, as a non-executive director on Purplebricks' board of directors (the "Board").

The group changed its UK deferred payment provider during the year. While the commercial terms of the arrangements are slightly different, there is no cashflow impact. Due to the differences in commercial terms, from an accounting point of view, the fees payable in respect of the new provider are reflected in the income statement as losses on derecognition of financial assets, whereas the fees payable to the former provider were shown within cost of sales. The impact of this difference on gross profit margin is discussed above. During the year Company made capital injections into its subsidiaries in Australia and the US, reflective of the Group's long term financial commitment to our continuing overseas expansion whilst strengthening the local balance sheets. (FY 2017: none).

Post balance sheet acquisition

On 2 July 2018, Purplebricks announced that it had entered into a conditional agreement to acquire DuProprio/ComFree (“DPCF”) from Yellow Pages Digital & Media Solutions Limited, a subsidiary of Yellow Pages Limited, in a transaction that offers a-growth established platform for expansion into the Canadian real estate market. The enterprise value (on a cash free/debt free basis) of CAN$51 million, approximately £29.3 million, is payable in cash at closing, which is expected to occur on or before 6 July 2018, subject to customary adjustments. The valuation is attractive based on DPCF’s strong market position in the Canadian real estate sector, impressive revenue growth since launch and its profitability. Please see the Strategic Report for further details of this transaction.

Discontinued operations

All of the group’s activities are continuing throughout FY 2017 and FY 2018.

Statement of financial position

The Group has a strong financial position to support its continued expansion, including a closing cash balance of £152.8 million (2017: £71.3 million) and no debt. The cash position includes the inflow from the Axel Springer strategic investment in the Group, net of operating outflows in the year.

Net assets of £154.4 million were £79.0 million higher than the April 2017 year end figure of £75.4 million, driven largely by the growth in the cash balance, partially offset by an increase in the net working capital liability reflecting the growth of the Group, since 2017. Fixed assets increased to £8.1 million (2017: £6.1 million) representing the Group’s continued investment in its technology capabilities.

The working capital position of the group has grown in line with increased activity.

	2018	2017
	£m	£m
Tangible and intangible fixed assets	8.1	6.1
Deferred tax asset, net of deferred tax liabilities	2.9	2.8
Non-current assets/(liabilities)	**11.0**	**8.9**
Net working capital	(9.7)	(4.7)
Derivative financial liabilities	-	(0.1)
Tax receivable	0.3	-
Cash and cash equivalents	152.8	71.3
Net assets	**154.4**	**75.4**

Cash-flow

Operating cash flow, which represents cash generated from, or consumed by operations, after marketing expenditure but before fixed asset expenditure was an outflow of £14.6 million (2017: £3.1 million outflow). After technology expenditure which is eligible for capitalisation, other capital expenditure and finance income/expenditure, the Group had a free cash outflow of £19.8 million (2017: £5.2 million outflow) which represents the cash consumed by the Group in the course of operations and to fund organic expansion, before acquisition expenditure and the proceeds of raising finance.

The total cash inflow for the year was £82.0 million (2017: £40.8 million) after the inflow from share issues. Full cash movements are included in the statement of cashflows.

	2018	2017
	£m	£m
Operating profit before marketing	17.4	12.2
Marketing expenditure	(42.1)	(18.2)
Operating loss	**(24.7)**	**(6.0)**
Depreciation and amortisation	1.7	0.6
Share based payments non-cash charge	3.5	0.9
Movement in working capital	4.9	1.4
Operating cash-flow	**(14.6)**	**(3.1)**
Investment in fixed assets	(3.7)	(2.2)
Finance income / expenditure	(1.5)	0.1
Free cash-flow	**(19.8)**	**(5.2)**
Acquisition of subsidiary	-	(3.3)
Share issue proceeds	101.8	49.3
Net cash inflow / (outflow)	**82.0**	**40.8**

Tax

The Group's tax charge was £0.9 million (2017: £3.1 million credit). The tax charge includes £1.3m notional tax that would be payable on underlying UK profits, prior to the statutory deduction for the exercise of share options inclusive of a £0.2m catch up prior year adjustment. This is an accounting outcome only, requiring the disclosure of a tax charge in the income statement, even though no tax is payable and an offsetting credit direct to equity of £1.3m for share option related deductions in changes in equity, even though no tax is payable. The tax charge is also stated net of a credit for repayable R&D tax credits. Whereas 2017 reflected a tax credit for the first-time recognition of previously unrecognised deferred tax assets, the deferred tax position has been held largely constant in 2018, with no significant new recognition of deferred tax assets.

Approved and signed on behalf of the Board

James Davies

Director

5 July 2018

Consolidated statement of comprehensive income
for the year ended 30 April 2018

	Note	2018 £	2017 £
Revenue	3	**93,697,267**	46,706,078
Cost of Sales		**(41,107,813)**	(20,857,938)
Gross profit		**52,589,454**	25,848,140
Administrative and establishment expenses		**(35,194,535)**	(13,639,927)
Marketing costs		**(42,141,822)**	(18,218,845)
Loss from operating activities		**(24,746,904)**	(6,010,632)
Loss from operating activities before adjustments:		**(20,033,139)**	(4,694,190)
Share based payment charge		**(3,458,225)**	(917,089)
Amortisation of intangibles		**(1,255,539)**	(399,353)
Loss from Operating activities		**(24,746,904)**	(6,010,632)
Finance (expense)/income and other charges		**(1,492,321)**	55,430
Fair value movement in respect of derivatives		**59,792**	(104,317)
Loss on ordinary activities before taxation		**(26,179,432)**	(6,059,519)
Taxation on loss on ordinary activities		**(887,000)**	3,054,190
Loss for the year		**(27,066,432)**	(3,005,329)
Items that may be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		**(489,857)**	116,370
Total other comprehensive income		**(489,857)**	116,370
Total comprehensive loss		**(27,556,289)**	(2,888,959)
Losses per share			
Basic and diluted loss per share	5	**(10p)**	(1p)

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

Consolidated statement of financial position
for the year ended 30 April 2018

	Note	2018 £	2017 £
Non-current assets			
Property, plant and equipment		**1,054,154**	718,492
Intangible assets		**4,433,966**	2,757,053
Goodwill		**2,605,979**	2,605,979
Deferred tax asset		**3,067,949**	3,086,950
		11,162,048	9,168,474
Current assets			
Tax receivable		**306,000**	-
Trade and other receivables		**9,380,426**	4,865,195
Cash and other cash equivalents		**152,845,787**	71,330,300
		162,532,212	76,195,496
Current liabilities			
Trade and other payables		**(15,624,681)**	(7,302,467)
Deferred income		**(3,467,328)**	(2,306,512)
Derivative financial instruments		**(44,525)**	(104,317)
		(19,136,535)	(9,713,297)
Net current assets		**143,395,677**	66,482,199
Total assets less current liabilities		**154,557,725**	75,650,672
Non-current liabilities			
Deferred tax liabilities		**(141,534)**	(243,534)
Net assets		**154,416,191**	75,407,138
Equity			
Share Capital		**3,018,430**	2,705,009
Share premium		**176,399,520**	74,900,827
Share based payments reserve		**4,545,131**	1,668,939
Foreign exchange reserve		**(373,486)**	116,370
Retained earnings		**(29,173,404)**	(3,984,007)
Total Equity		**154,416,191**	75,407,137

Consolidated statement of changes in equity
for the year ended 30 April 2018

	Share Capital	Share Premium	Share based payment reserve	Foreign exchange reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£
At 1 May 2017 as restated	2,705,009	74,900,826	1,668,939	116,370	(3,984,004)	75,407,140
Issue of shares	277,778	99,722,141	-	-	-	99,999,919
Cost of share issue charged to share premium account		(650,000)	-	-	-	(650,000)
Exercise of options	35,643	2,426,553	(582,033)	-	582,033	2,462,196
Deferred tax movement in respect of share options	-	-	-	-	1,295,000	1,295,000
Share based payment charge	-	-	3,458,225	-	-	3,458,225
Transactions with owners	**313,421**	**101,498,694**	**2,876,192**	-	**1,877,033**	**106,565,340**
Loss for the year	-	-	-	-	(27,066,432)	(27,066,432)
Exchange differences on translation of foreign operations	-	-	-	(489,857)	-	(489,857)
Total comprehensive loss	-	-	-	(489,857)	(27,066,432)	(27,556,289)
At 30 April 2018	**3,018,430**	**176,399,520**	**4,545,131**	**(373,487)**	**(29,173,403)**	**154,416,191**

Consolidated statement of changes in equity
for the year ended 30 April 2017

	Share Capital £	Share Premium £	Share based payment reserve £	Foreign exchange reserve £	Retained Earnings £	Total Equity £
At 1 May 2016 as previously stated	2,402,591	25,887,400	331,370	-	(558,195)	28,063,166
Effect of misstatement	-	-	975,000		(975,000)	-
At 1 May 2016 as restated	2,402,591	25,887,400	1,306,370	-	(1,533,195)	28,063,166
Issue of shares	227,273	49,772,726	-	-	-	49,999,999
Cost of share issue charged to share premium account	-	(1,209,639)	-	-	-	(1,209,639)
Exercise of options	75,145	450,339	(554,520)	-	554,520	525,484
Share based payment charge	-	-	917,089	-	-	917,089
Transactions with owners	302,418	49,013,426	362,569	-	554,520	50,232,933
Loss for the year	-	-	-	-	(3,005,329)	(3,005,329)
Exchange differences on translation of foreign operations	-	-	-	116,370	-	116,370
Total comprehensive loss	-	-	-	116,370	(3,005,329)	(2,888,959)
At 30 April 2017 as restated	2,705,009	74,900,826	1,668,939	116,370	(3,984,004)	75,407,140

Consolidated Statement of Cash Flows for the year ended 30 April 2018

	2018	2017
	£	£
Loss for the year after taxation	(27,066,432)	(3,005,332)
Adjustments for:		
Amortisation of intangible assets	1,255,539	399,353
Depreciation	424,910	166,322
Loss on disposal of fixed assets	-	1,868
Share based payment charge	3,458,225	917,088
Invoice factoring charges	1,724,396	-
Interest income	(232,075)	(55,430)
Non-designated foreign exchange forward contracts	(59,792)	104,317
Taxation	906,000	(3,054,189)
Operating cash outflow before changes in working capital	**(19,589,229)**	**(4,526,002)**
Movement in trade and other receivables	(4,515,230)	(1,706,903)
Movement in trade and other payables	8,322,214	1,574,291
Movement in deferred income	1,160,816	1,546,154
Net cash outflow utilised in operating activities	(14,621,429)	(3,112,460)
Cash flow from investing activities		
Purchase of property, plant and equipment	(760,571)	(585,583)
Proceeds from sale of property, pant and equipment	-	991
Development expenditure capitalised	(2,291,883)	(1,421,927)
Purchase of intangible assets	(640,569)	(194,595)
Acquisition of subsidiary net of cash acquired	-	(3,295,189)
Net cash flow utilised in investing activities	(3,693,023)	(5,496,304)
Cash flow from financing activities		
Invoice factoring charges	(1,724,396)	-
Interest income	232,075	55,430
Issue of shares	102,462,115	50,525,483
Costs of issue of share	(650,000)	(1,209,639)
Net cash flow from financing activities	100,319,794	49,371,274
Net increase in cash and cash equivalents	82,005,341	40,762,510
Effect of foreign exchange rates	(489,857)	91,403

Cash and cash equivalents at beginning of year	71,330,299	30,476,386
Cash and cash equivalents at the end of the year	**152,845,784**	**71,330,299**

Notes to the Preliminary results

1. General information

Purplebricks Group plc is a public company limited by shares registered in England and Wales. The address of the Company's registered office is Purplebricks Group plc, Suite 7, First Floor, Cranmore Place, Cranmore Drive, Shirley, Solihull, West Midlands, B90 4RZ. The Company is primarily involved in the estate agency business.

On 29 March 2017 Purplebricks Group plc incorporated a wholly owned subsidiary, Purplebricks Australia PTY Ltd, a Company registered in Australia. On 10 March 2017, Purplebricks Group plc incorporated a wholly owned subsidiary Purplebricks Inc, a company registered in the United States.

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

The financial information set out in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The Consolidated Statement of Financial position at 30 April 2018, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and associated notes for the year then ended have been extracted from the Group's 2018 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 498(2) or (3) of the Companies Act 2006. The auditor's opinion is unqualified.

The accounts for the year ended 30 April 2018 will be posted to shareholders shortly and laid before the Company at the Annual General Meeting, details of which will be announced in due course. Following publication, a copy of the accounts will also be available on the Company's website (www.purplebricks.com) in accordance with AIM Rule 26, and will be delivered to the Registrar of Companies in due course.

2. Summary of significant accounting policies

The principal accounting policies are set out below.

2.1 Basis of preparation

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

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

2.2 Going concern

The financial statements have been prepared on a going concern basis. The directors have prepared a monthly forecast to 31 July 2019 for the existing Group excluding the recent Canadian acquisition of DuProprio (detailed in the CFO report), which on the basis of the assumptions made, show that the Group can operate with its existing resources. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance that may arise as a result of current economic conditions and other risks faced by the Group show that the UK Company is likely to continue being profitable and cash generative during the year ended April 2019. The Group achieving profitability and cash generation is likely to be delayed by virtue of international expansion in Australia, USA and the recently acquired DuProprio which will reduce the Company's cash through loans to these subsidiaries. The impact of the acquisition of DuProprio is an initial outflow of £29.3m followed by a further investment of up to £15m. At the financial year-end the Company reported cash balances of £153 million. The directors have performed sufficient sensitivity analysis to be satisfied that the going concern basis of preparation is appropriate.

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

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 April 2018. The Company controls an entity when the Group is exposed to, or has rights to, variable returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

2.4 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.

There was an error in the brought forward share based payment reserve at both 1 May 2016 and 1 May 2017, with an equal and opposite compensating error in retained earnings at £975k. This error, which was due to the incorrect application of the vesting period of the options resulting in an understatement of the SBP expense recognised, has been restated. There was no impact on reported earnings or net assets.

3. Segmental reporting

The Group trade is managed as a single division, providing services relating to the sale of properties however management report to the Board using geographical segments. The financial information reviewed by the board is materially the same as that reported under IFRS and falls under the three geographic locations it owns a Company in: UK, Australia and the US. During the year, no customer contributed 10% or more of the Group's revenues (2017: none).

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

		2018		
	UK	**Australia**	**US**	**Consolidated**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	78,118,481	13,540,005	2,038,781	93,697,267
Cost of sales	(33,067,101)	(7,286,259)	(754,453)	(41,107,813)
Gross profit	**45,051,380**	**6,253,745**	**1,284,328**	**52,589,454**
Gross profit margin (%)	**58%**	**46%**	**63%**	**56%**
Administrative expenses	(19,486,595)	(7,305,836)	(8,402,104)	(35,194,535)
Marketing expenses	(21,387,512)	(11,354,667)	(9,399,644)	(42,141,822)
Operating profit/(loss)	**4,177,274**	**(12,406,758)**	**(16,517,420)**	**(24,746,904)**
Depreciation & amortisation	1,600,592	57,631	22,226	1,680,449
EBITDA	**5,777,866**	**(12,349,127)**	**(16,495,194)**	**(23,066,455)**
Share based payments	2,369,413	592,941	495,871	3,458,225
Adjusted EBITDA	**8,147,280**	**(11,756,186)**	**(15,999,323)**	**(19,608,229)**

		2017		
	UK	**Australia**	**US**	**Consolidated**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	43,187,653	3,518,425	-	46,706,078
Cost of sales	(18,946,018)	(1,911,920)	-	(20,857,938)
Gross profit	**24,241,635**	**1,606,505**	-	**25,848,140**
Gross profit margin (%)	**56%**	**46%**	**0%**	**55%**
Administrative expenses	(9,659,191)	(3,914,890)	(65,846)	(13,639,927)
Marketing expenses	(14,386,154)	(3,805,491)	(27,200)	(18,218,845)

Operating profit/(loss)	**196,290**	**(6,113,876)**	**(93,046)**	**(6,010,632)**
Depreciation & amortisation	549,726	15,949	-	565,675
EBITDA	**746,016**	**(6,097,927)**	**(93,046)**	**(5,444,957)**
Share based payments	917,089	-	-	917,089
Adjusted EBITDA	**1,663,105**	**(6,097,927)**	**(93,046)**	**(4,527,868)**

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

Segment assets and liabilities by location

Non current assets	**2018**	2017
	£'000	£'000
UK	**29,469**	8,743
Australia	**139**	71
US	**90**	0
Consolidation adjustments	**(18,536)**	354
Total	**11,162**	**9,168**

Total assets	**2018**	2017
	£'000	£'000
UK	**203,486**	90,096
Australia	**2,735**	2,912
US	**3,020**	0
Consolidation adjustments	**(35,547)**	(7,643)
Total	**173,694**	**85,365**

Total liabilities	**2,018**	2,017
	£'000	**£'000**
UK	**13,016**	8,710
Australia	**10,569**	8,908
US	**11,547**	93
Consolidation adjustments	**(15,854)**	(7,754)
Total	**19,278**	**9,957**

4. Share based payments

Grant date	Scheme No	Type of scheme	Employees / Licensees entitled	Number of options outstanding	Performance conditions	Exercise Price	Earliest exercise date	Expiry date
09/01/2015	1	EMI	7	87,973	Length of service	£0.01	09/01/2015	09/01/2025
10/07/2015	2	EMI	6	441,326	Length of service	£0.13	10/07/2015	10/07/2025
10/08/2015	4	EMI	10	266,636	Length of service	£0.13	10/08/2015	10/08/2025
06/11/2015	5	EMI	5	3,524,076	Length of service	£0.01	06/11/2016	06/11/2026
29/06/2016	6	ESOP/LSOP	65	4,155,703	Length of service	£1.29	29/06/2017	29/06/2027
05/12/2016	7	ESOP/LSOP	175	2,851,744	Length of service	£1.25	05/12/2017	05/12/2027
04/01/2017	8	ESOP	3	1,450,000	Length of service	£1.40	04/01/2018	04/01/2028
05/03/2017	9	ESOP/LSOP	147	2,107,502	Length of service	£3.10	05/03/2018	05/03/2028
29/06/2017	10	ESOP/LSOP	2	1,400,000	Length of service	£3.05	29/06/2018	29/06/2028
06/09/2017	11	ESOP/LSOP	44	753,000	Length of service	£4.69	06/09/2018	06/09/2028
19/12/2017	12	ESOP/LSOP	93	2,460,000	Length of service	£3.79	19/12/2018	19/12/2028
05/03/2018	13	ESOP/LSOP	26	575,000	Length of service	£4.15	05/03/2019	05/03/2029

3,472,967 share options were exercised during the period
(2017: 7,121,414)

The Company operates an HMRC approved executive management incentive plan (EMI), an employee share ownership plan (ESOP) and a licensee share option plan (LSOP).

Under these approved plans, a total of 13 schemes have been granted, of which a total of 12 schemes are currently operating.

The vesting conditions for schemes 1, 2 and 4 are based on length of service with 25% of the options vesting on or after the 12 month anniversary of the employee's start date and a further 6.25% vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee or licensee’s start date.

The vesting conditions for schemes 6 to 13 are based on future service from the date of grant, with between 25% and 33% of the options vesting on or after either the 12 or 24 month anniversary of the grant, and a further 6.25% vesting every three months thereafter so that options vest in full on either the 48 or 60 month anniversary of the date of grant to the employee or the licensee.

The Company also operates an unapproved executive incentive plan (Scheme 5). The vesting conditions are based on length of service with 25% of the options vesting on or after the 12 month anniversary of the employee’s start date and a further 6.25% vesting every three months thereafter so that options vest in full on the 48 month anniversary of the employee’s start date.

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

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

	2018	2018	2017	2017

	Weighted average exercise price	Number of options	Weighted average exercise price	Weighted average exercise price
Outstanding at start of period	£1.04	19,715,516	£0.04	14,256,430
Granted during the period	£3.79	5,418,000	£1.62	12,580,500
Exercised during the period	£0.71	(3,472,967)	£0.07	(7,121,414)
Lapsed during the period	£1.60	(1,587,588)	-	-
Outstanding at end of period	£1.85	20,072,961	£1.04	19,715,516
Exercisable at end of period	£0.70	3,932,788	£0.05	2,364,068

The weighted average share price at the date of exercise of options was £3.95.

The weighted average remaining contractual life of the options is 8.5 years (2017: 9.1 years).

Options outstanding at 30 April 2018 for schemes 1 and 5 have an exercise price of £0.01 (2017: £0.01). The weighted average remaining contractual life of the options is 7.5 years (2017: 8.4 years).

Options outstanding at 30 April 2018 for schemes 2 and 4 have an exercise price of £0.13 (2017: £0.13). The weighted average remaining contractual life of the options is 7.1 years (2017: 8.3 years).

Options outstanding at 30 April 2018 for scheme 6 have an exercise price of £1.29 (2017: £1.29). The weighted average remaining contractual life of the options is 8.2 years. (2017: 9.2 years).

Options outstanding at 30 April 2018 for scheme 7 have an exercise price of £1.25 (2017: £1.25). The weighted average remaining contractual life of the options is 8.6 years. (2017: 9.7 years).

Options outstanding at 30 April 2018 for scheme 8 have an exercise price of £1.40 (2017: £1.40). The weighted average remaining contractual life of the options is 8.7 years. (2017: 9.7 years).

Options outstanding at 30 April 2018 for scheme 9 have an exercise price of £3.10 (2017: £3.10). The weighted average remaining contractual life of the options is 8.9 years. (2017: 9.9 years).

Options outstanding at 30 April 2018 for scheme 10 have an exercise price of £3.05 (2017: not applicable). The weighted average remaining contractual life of the options is 9.2 years. (2017: not applicable).

Options outstanding at 30 April 2018 for scheme 11 have an exercise price of £4.69 (2017: not applicable). The weighted average remaining contractual life of the options is 9.4 years. (2017: not applicable).

Options outstanding at 30 April 2018 for scheme 12 have an exercise price of £3.76 (2017: not applicable). The weighted average remaining contractual life of the options is 9.6 years. (2017: not applicable).

Options outstanding at 30 April 2018 for scheme 13 have an exercise price of £4.15 (2017: not applicable). The weighted average remaining contractual life of the options is 9.8 years. (2017: not applicable).

Fair value assumptions of share based payments

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of fair value is measured using the Black-Scholes model. Details of the fair value of share options granted in the period and the prior period, together with the assumptions used in determining the fair value are summarised below.

	30th April 2018	30th April 2017
Weighted average share price at the date of grant	£4.08	£1.62
Weighted average exercise price	£3.78	£1.62
Weighted average contractual life (years)	10	10
Weighted average expected volatility	31.5%	27.0%
Weighted average risk free interest rate	1.5%	1.5%
Total fair value of options granted (£'000)	£6,776	£20,334

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

Charge to income statement

The charge to income statement, included within the administrative expenses, comprises:

	2018	2017
	£'000	£'000
Share-based payment charge	3,458	917

5. Losses per share

	Basic and diluted	Basic and diluted
	2018	2017
Loss £	**(27,066,432)**	(3,005,329)
Weighted average number of shares	**273,072,234**	249,811,478
Loss per share (£)	**(0.10)**	(0.01)

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

The table below reconciles the weighted average number of shares:

Weighted average number of shares 2017	249,811,478
Weighted average issue of new shares and exercise of options	23,260,756
Weighted average number of shares 2018	**273,072,234**

6. Taxation

	2018	2017
	£'000	£'000
Current tax (charge)/credit - Group		
Current year	**(1,053)**	-
Adjustments in respect of prior years	**(242)**	-
R&D tax credit relating to prior years	**306**	-
Total current tax	**(989)**	-
Deferred tax (charge)/credit- Group		
Current year	**63**	1,201
Adjustments in respect of prior year	**39**	1,853
Total deferred tax	**102**	3,054
Total (charge)/credit for the year	**(887)**	3,054

Reconciliation of effective tax rate

The tax (charge)/credit for the period differs from the standard rate of corporation tax in the UK during the period of 19% (2017: 20%). The differences are explained below. The tax reconciliation for the prior year has been reanalysed to amalgamate certain items to give a better understanding of key factors affecting the tax position.

	2018	2017
	£'000	£'000
Profit/(loss) before taxation	**(26,179)**	(6,059)
Tax calculated at UK corporate tax rate	**4,974**	1,212
Effects of:		
Differences between UK and non-UK corporate tax rates	**1,743**	604
Non-deductible and non-taxable items	**(281)**	(181)
Utilisation of previously unrecognised deferred tax assets	**64**	192
Other changes in unrecognised deferred tax assets	**(7,335)**	1,227
Changes in tax rates	**(155)**	-
Deferred tax prior year adjustment	**39**	-
Current tax prior year adjustment	**(242)**	-
R&D tax credit relating to prior years	**306**	-
Total tax (charge) / credit for the year	**(887)**	3,054

UK: The UK corporation tax rate for the year was 19%. A reduction in the rate to 17% from 1 April 2020 has been substantively enacted. Additionally, new legislation which will restrict the use of brought forward losses has been substantively enacted in the UK. Whilst it is not expected that this legislation will affect the ability to use brought forward UK tax losses, it may extend the period over which they can be utilised.

US: Wide ranging new US tax legislation (Tax Cuts and Jobs Act) has been passed into law which includes various significant changes to the US corporate tax code. A principal measure is a reduction in the main rate of US corporate tax from 35% to 21%, effective from 1 January 2018.

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

Tax included in changes in equity

Group	**2018**	2017
	£'000	£'000
Deferred tax	**-**	-

Current tax	**1,295**	-
Total tax (charge) / credit	**1,295**	-

Deferred tax assets and liabilities

Recognised deferred tax	**2018**	2017
	£'000	£'000
Assets	**3,068**	3,087
Liabilities	**(142)**	(244)
Net deferred tax asset	**2,926**	2,843

Group **2018**

	Assets				**Liabilities**		
	Tax losses	**Fixed asset timing differences**	**Other timing differences**	**Share based payments**	**Fixed asset timing differences**	**Other timing differences**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 May	**3,020**	**48**	**19**		**(244)**	**-**	**2,843**
Included in the income statement	**67**	**(48)**	**(19)**	**-**	**102**	**-**	**102**
Currency variations	**(19)**	**-**	**-**	**-**	**-**	**-**	**(19)**
At 30 April	**3,068**	**-**	**-**	**-**	**(142)**	**-**	**2,926**

Group **2017**

Assets Liabilities

	Tax losses	Fixed asset timing differences	Other timing differences	Share based payments	Fixed asset timing differences	Other timing differences	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 May	-	-	-	-	-	-	-
Acquistion of Subsidiaries	-	-	-	-	(211)	-	(211)
Included in the income statement	3,020	48	19	-	(33)	-	3,054
At 30 April	3,020	48	19	-	(244)	-	2,843

Unrecognised deferred tax assets

Group	**2018**		2017	
	Gross Value	**Unrecognised Tax value**	Gross Value	Unrecognised Tax value
	£'000	**£'000**	£'000	£'000
Tax losses	**50,257**	**11,316**	19,846	4,189
Share based payments	**19,442**	**3,305**	17,774	3,199
Fixed asset timing differences	**520**	**90**	-	-
Other timing differences	**111**	**33**	-	-
	70,330	**14,744**	37,620	7,388