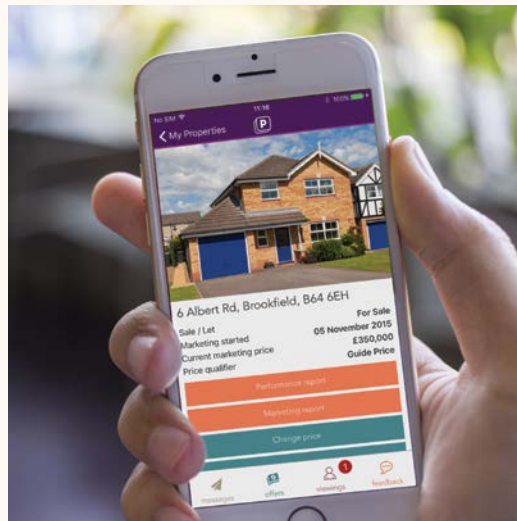




# Purplebricks Group plc

## Annual Report

### 2016



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# CONTENTS

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Company information	05
Highlights	06
Chairman's statement	08
Strategic report	10
Local Property Experts case studies and productivity	18
Directors' report	26
Directors' remuneration report	31
Independent auditor's report to the members of Purplebricks Group plc	32
Statement of comprehensive income	33
Statement of financial position	34
Statement of changes in equity	35
Statement of cash flows	36
Notes to the financial statements	37







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I would like to thank our shareholders for the support and encouragement we receive from them. They have invested in creating a strong and thriving business that is changing the estate agency industry forever and for the better.

**Michael Bruce**  
CEO

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## COMPANY INFORMATION

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<b>Directors</b>	M P D Bruce N R Cartwright W E Whitehorn P R M Pindar N S Discombe
<b>Registered company number</b>	08047368
<b>Registered and head office</b>	Suite 7 Cranmore Place Cranmore Drive Shirley West Midlands B90 4RZ
<b>Solicitor to the Company</b>	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
<b>Auditor to the Company</b>	Grant Thornton UK LLP Chartered Accountants and Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham B4 6AT
<b>Nomad/Broker</b>	Zeus Capital Ltd 41 Conduit Street London W1S 2YQ

## HIGHLIGHTS

### Financials

Revenue growth <b>+448%</b> to £18.6m (2015: £3.4m)	Gross profit <b>+427%</b> to £10.6m (2015: £2.0m)	<b>£30.5 m</b> cash (2015: £4.6m)	Average revenue per instruction <b>£901</b> (2015: £703)
Adjusted EBITDA <sup>1</sup> <b>(£9.7m)</b> (2015: (£5.3m))	Adjusted EBITDA <sup>1</sup> pre marketing costs <b>£3.2m</b> (2015: (£1.8m))	Loss before tax increased to <b>(£11.9m)</b> (2015: (£5.4m))	The basic and diluted loss per share increased to <b>(£0.12)</b> (2015: (£0.03))

### Operational

Local Property Experts increased by <b>159%</b> to 205 (2015: 79)	Every Local Property Expert to be granted <b>share options</b> on a long term incentive scheme	Sold and completed on <b>£2.766 bn</b> (2015: £832m)	Current SSTC pipeline <b>£1.697 bn</b>
Ended year with <b>2,827</b> <b>instructions</b> in April 2016	Current monthly rate of sales agreed <b>2,386</b> (May 2016)	Conversion from instruction to sale agreed over <b>77%</b> <sup>2</sup>	Average period to exchange of contracts <b>56 days</b> <sup>3</sup>
Online market share increased to <b>62%</b> <sup>4</sup> (2015: 41%)	Most reviewed estate agent in the UK with over <b>5,700</b> <sup>5</sup> reviews on Trustpilot	Currently over <b>1.23 m</b> monthly visits to our website (2015: 0.4m)	Intention to launch Purplebricks in <b>Australia</b> a £3.3bn market

<sup>1</sup>Defined by the Group as (loss)/profit before tax, depreciation, amortisation, net non recurring fund raising / IPO costs and share based payment charges.

<sup>2</sup>Percentage against all instructed properties April 2015 - March 2016. This may represent the minimum conversion assuming those properties still on the market sell hereafter.

<sup>3</sup>Source - My Home Move (the largest conveyancing firm in the UK) Period from contracts issued to exchange of contracts.

<sup>4</sup>Period week ending 5 June 2016.

<sup>5</sup>Period ending 12 June 2016.

## HIGHLIGHTS

### Financial Highlights

- Revenue increased to £18.6m (2015:£3.4m) by 448%
- Gross profit increased to £10.6m (2015:£2.0m) by 427%
- The cash balance increased to £30.5m (2015:£4.6m)
- Average revenue per instruction was £901 (2015:£703)
- Adjusted EBITDA<sup>1</sup> losses narrowed in the second half of the year by 38%
- Adjusted EBITDA<sup>1</sup> pre marketing costs increased to £3.2m (2015:£1.8m loss)
- The loss before tax increased to £11.9m (2015:£5.4m)
- The basic and diluted loss per share increased to £0.12 (2015 rebased<sup>2</sup>:£0.03)
- The loss before tax as a percentage of revenue reduced to 64% (2015:160%)
- The rebased adjusted EBITDA loss per share increased to £0.10 (2015:£0.03)

### Operational Highlights

- The number of Local Property Experts grew by 159% to 205 (2015:79) at the year end
- Every Local Property Expert's business to be granted share options on a long term incentive scheme
- The value of property sold and completed by Purplebricks Group plc in the year was £2.766bn (2015:£0.832bn)
- The pipeline of property sold subject to contract stood at £1.697bn
- The Company recorded 2,827 instructions in April 2016 (April 2015:972)
- The monthly run rate of sales agreed increased to 2,386 in May 2016
- Conversion from instruction to sale was 77%
- Average period from contracts issued to exchange of contracts was 56 days (Source: My Home Move)
- Online market share increased to 62% (2015:41%)
- Most reviewed estate agent in the UK with over 5,700 Trustpilot reviews
- Monthly website visits has increased to 1.23m in April 2016 (April 2015:0.4m)
- Announced intention to launch Purplebricks in Australia
- Successful flotation on AIM on 17 December 2015
- Launched Data Sales and Customer Support Unit in October 2015

	2016		2015		2016	2015
	£m	£m	£m	£m	£m	£m
	H1	H2	H1	H2	FY	FY
Revenue	7.2	11.4	0.8	2.6	18.6	3.4
Gross profit	4.1	6.5	0.4	1.6	10.6	2.0
Gross profit %	56%	57%	54%	62%	57%	59%
Loss before interest & tax	(6.4)	(5.5)	(2.5)	(2.9)	(11.9)	(5.4)
Depreciation and amortisation	0.1	-	-	-	0.1	-
Share based payment	0.3	0.3	-	0.1	0.6	0.1
Fundraising costs	-	1.5	-	-	1.5	-
Adjusted Earnings before interest, tax, depreciation and amortisation	(6.0)	(3.7)	(2.5)	(2.8)	(9.7)	(5.3)

# CHAIRMAN'S STATEMENT

Paul Pindar



Whilst we are at the start of our journey as a Company listed on AIM, we can already see the evidence that our flotation has significantly raised the profile of our Company.



## Summary

Our admission to the Alternative Investment Market in December 2015 marked the next chapter in Purplebricks' development and growth.

Whilst we are at the start of our journey as an AIM listed Company, we can already see the evidence that our flotation has significantly raised the profile of our Company, and the new money raised has enabled us to make important investments across all areas of our business.

During the year, we evolved from a regional footprint to a full national presence across the UK. Our strategy is focussed upon deepening this coverage across the UK to ensure we have an 'ultra local' presence through the recruitment of more Local Property Experts (LPEs). In this regard, I am delighted to report that we are ahead of our recruitment plan, closing our financial year with 205 LPEs, an increase of 159% over the corresponding year. This additional expertise will provide essential capacity to meet the burgeoning demand from our customers. More and more highly skilled estate agents are choosing Purplebricks Group plc because of our strong customer centric culture and full service offering.

We have continued to invest in high impact marketing and, as a consequence, we have built a national brand in just two years. Brand awareness is high and growing and we have sustained our reputation for 'best in class'

customer service, notwithstanding our rapid growth. We actively encourage feedback from all of our customers and we are the most reviewed estate agency business in the UK as measured by independent review site Trustpilot. We are proud that we have sustained our rating of 'Excellent' with an average score of 9.4 out of 10, from over 5,700 customer reviews. The number of brand advocates is growing due entirely to the service that our customers are receiving, the number of sales we are achieving and as a result of the commitment and support we provide, right up until that important moving day.

## Financials

Trading momentum has been strong throughout the year, with revenues of £18.6m representing an increase of 448% on the prior year. This is a pleasing result given Purplebricks Group plc was a national agency for only the last 6 months of the year. As anticipated, we are reporting a loss for the full year, as a consequence of the considerable investment we have made across the business and the uplift in marketing costs when we moved to a national operation. However, the operating leverage of our low fixed cost business model is now becoming apparent with a 38% reduction in adjusted EBITDA losses in the second half of the year, compared to the first half.

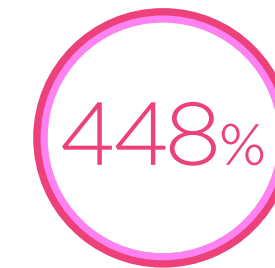
Net cash at the year end was £30.5m as a result of the fundraising activities undertaken and also the marked step up in revenue generation in our 4th quarter.

# CHAIRMAN'S STATEMENT

Paul Pindar



increase in Local Property Experts



increase in revenue to £18.6m



admission to AIM in December 2015

Net assets at 30 April 2016 were £28.0m (2015: £4.4m), with net current assets standing at £27.4m (2015: £4.2m).

The Company intends to use the proceeds of the fundraising to accelerate growth wherever possible as it seeks to be the market leader in what it sees as a transforming estate agency landscape.

All our operations are currently UK based and there is therefore no exposure to foreign currencies and associated exchange rate fluctuations.

## Australia

We have announced today our intention to launch the Purplebricks proposition in Australia, a £3.3bn market\*. Our market research indicates that our compelling proposition of high quality customer service coupled with a competitive flat fee structure will appeal in a market where sellers are currently charged £5,900 (Aus \$12,000) in addition to an average of £2,450 (Aus \$5,000) for the cost of listing on portals and other related advertising.

We have recruited an Australian management team who will execute on our plans and report directly to our UK board. Similarly to the UK, we will launch regionally and adapt our offering should the need arise. Our maximum planned investment of £10m will be funded from existing cash resources over the next two years. We are very excited by the size of the market opportunity.

## Board and people

Our strong results would not have been possible without 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.

The Purplebricks Group plc Board has seen some changes this year as we restructured ahead of our IPO, with me becoming the Non-Executive Chairman, taking over from Nick Discombe who became Senior Non-Executive Director. Our Board is supported by a very strong management team.

## Dividend

As a young and fast growing Company with a substantial market opportunity, we intend to focus our financial resources on realising our potential in full. As we progress our strategy and our financial performance, we will look to move to a progressive dividend policy in future years.

## The year ahead

The current year will be our first full year as a national operator, with all of the benefits of our investment in technology, marketing and our expanding LPE network which will flow through our operationally geared business model. We are ahead of plan on LPE recruitment, excited about the launch of our new marketing campaign and encouraged by the traction we are gaining from our new Data Sales Unit as a lead enquiry generator. The year has started well, our customers are enthused by our full service hybrid agency model, and we view the future with considerable optimism.

Paul Pindar  
Chairman  
15 June 2016



# STRATEGIC REPORT

## Principal activity and strategy

The principal activity of the business is estate agency.

At the core of our strategy is a commitment to our customers and our people.

We will continue to offer an exceptional experience by:

- selecting and training Local Property Experts that enhance our culture and core values and have the desire and motivation to build their own business
- building upon our market leading technology that helps Local Property Experts be more productive and which delivers a much more convenient, transparent and cost effective service for our customers
- creating marketing and advertising that interests, engages and inspires consumers to want to book a free valuation from Purplebricks and ensures that our messaging is clear and transparent to enable consumers to swiftly instruct us to sell their home;
- building upon our customer service and product offering by growing our Data Sales Unit and introducing new products and services that are relevant to our customers' needs throughout their journey;
- maintaining a progressive and fun working environment where our people care about our customers, our brand and our business and can grow personally and professionally, and
- building a strong, sustainable and profitable business, which is respected by all stakeholders for its professional conduct and making good on its promises

Our strategy for growth is based upon the above core commitments.

## Increase our footprint of Local Property Experts

We are extremely privileged to have secured some of the best people in our industry who have a strong desire to be part of a business that is changing the way people think about estate agents and estate agency. They are passionate about customer experience, giving customers that "light bulb moment" where they have met an estate agent who has promised a service, delivered on that service, been available when they needed them, sold their house, supported them until they have moved out and saved them lots of money.

Our Local Property Experts are entrepreneurial, ambitious to grow their territory and to meet the demand which continues to grow for our hybrid offering. As a result we

are accelerating our recruitment programme and increasing our footprint of experts across the UK in order to win significantly more share of instructions in local markets. We are finding that more and more talented, professional estate agents want to be part of what Purplebricks is seeking to achieve. The pool of applicants continues to grow and as a result the number of people suitable to represent the Purplebricks brand is getting bigger and bigger. Our main focus though is on maintaining that first class, culture driven quality of individual. We are pleased to report that the industry has a large number of high quality people to choose from.

## Build upon our market leading technology

Bringing together first class Local Property Experts and industry leading technology is the foundation upon which the Purplebricks business has been created. We are very proud of our technology and indeed the work we are doing to introduce new and innovative features that set us apart from anyone else in the industry. The recent release of the Purplebricks App has proven remarkably successful. In only two months there have been more than 11,000 downloads by our selling customers. We are now working on a Purplebricks App for buyers that will make the whole process even more integrated, convenient, effective and transparent. We have already revolutionised the way sellers and buyers communicate throughout the process and continue to build on the work we have started.

In addition to over 10,000 advanced changes to our technology this year and 2,900 new features we are working on new, engaging, informative, supportive and integrated methods of enhancing the customer experience and making our Local Property Experts more productive. We are also focused on engaging ways of increasing revenue with targeted and timely technology driven cross sales opportunities. There are smarter, more effective ways of selling some products and services with the use of our technology platform.

We have increased our technology team and are starting to become a hub of technical interest for developers across the UK.

## Create engaging marketing and advertising

Advertising has always been a central element of the Purplebricks Group plc strategy. We continue to work hard to grow our brand and the progress in just two years has been outstanding. Purplebricks Group plc is currently leading front of mind awareness (amongst all estate agents) for people thinking of selling their home

# STRATEGIC REPORT

Continued

according to The Nursery, one of the UK's leading independent research and planning agencies\*.

We continue to grow brand recognition across all TV and radio advertising compared with a year ago. We are confident that the team has built upon their early success with the introduction of their new campaign, due to launch in June 2016. Our messaging will continue to focus upon the popularity and professionalism of our Local Property Experts and will present a humorously engaging portrayal of our model.

Our above the line marketing is complemented by brand and generic pay-per-click activity which is predominantly provided by Google and Bing. We are also looking at better ways of using social media in a targeted way to drive more activity amongst sellers. At the start of June 2016 we commenced an intensive test marketing campaign with Rightmove, which we hope will raise further awareness and engagement and drive valuation opportunities.

In addition to paid activities we continue to drive efficiencies in our valuation conversion funnel and to analyse trends amongst our database of hundreds of thousands of sellers and buyers in order to ensure that our key messages are resonating with consumers. As part of our strategy to increase awareness we have recently employed an experienced consumer PR professional to focus on securing local and national press coverage as well as writing engaging content for social media and Search Engine Optimisation (SEO).

We will continue to create marketing and advertising that interests, engages and inspires consumers to want to book a free valuation from Purplebricks and ensure that our messaging is clear and transparent to enable consumers to swiftly instruct us to sell their home.

## Grow our Data Sales unit

We started the Data Sales Unit in October 2015 with only a handful of people and in just a few months have grown it to a team of over 70 employees engaging with buyers, sellers and viewers. As part of our strategy to increase valuations and drive down the cost per acquisition we continue to grow our Data Sales Unit. Every day we generate thousands of data points from people registering with Purplebricks, arranging a viewing direct, online or via the property portals and from buyers making offers and agreeing sales. We are steadily increasing revenue generating opportunities from data and as our people develop and we place them into dedicated

product and service streams, we will start to see the unit make a significant financial contribution.

## Introduce new products and services

We believe that a major part of selling is being in the right place at the right time. Our model of combining people and technology places us in the best possible position to be in the right place at the right time. As a result we want to be able to offer customers relevant additional products and services that complement their journey of selling, buying or letting. We continue to look at new and smarter ways of supporting our customers with much more convenient, easy, accessible, stress free and cost effective products and services. We will add new products and services once we are satisfied that they add value for our customers and will be delivered with the Purplebricks culture and ethos. We want to create lifetime value for our customers and everything we do as part of our strategy is working towards this.

## Our culture is our business

Our people create our culture and our technology and our people deliver it. As a starting point the founders wanted to create a Purplebricks that cared about its people, that had a progressive and fun working environment and as a consequence our people cared about our customers, our brand and our business and they could grow personally and professionally. We have achieved these founding principles to date and continue to ensure that the same principles are applied as we scale.

Following our listing, the businesses of our founding Local Property Experts and a number of employees have been awarded share options in Purplebricks Group plc that will vest in part each year and in full over the coming years. We intend to extend awarding of share options to more Local Property Experts' businesses and employees with the objective of everyone having some form of reward for their efforts in growing our business into the future in accordance with our admission document.

We have created a strong brand advocacy within our growing business and our customers. We work in a progressive and fun environment where, despite a strong desire to grow their business, our people have a tremendous degree of camaraderie, togetherness and a collective brand advocacy that is extremely hard to replicate. The foundations begin for everyone with the recruitment programme and training methodology and continue through the heart of the business.

# STRATEGIC REPORT

Chief Executive's Statement



We have continued to strengthen our position across the UK, buoyed by our national footprint and our strong and growing brand awareness.



## Review of the year

This has been a significant year of development for Purplebricks Group plc, culminating in our admission to AIM in December 2015. We have continued to strengthen our position across the UK, buoyed by our national footprint and our strong and growing brand awareness and reputation for delivering customers a more convenient, transparent and cost effective service. Customers are responding to our hybrid model and in just our second full financial year we sold properties worth nearly £2.8bn. We have over £1.697bn of property in our pipeline where sales have been agreed and they are going through the legal process. Our Company is doing an exceptional job of selling properties.

The average number of monthly instructions continues to grow. If we compare the second half of 2015 where the monthly average was just 578 to the same period in 2016, the monthly average has grown to 2,033 instructions, an increase of 252%. In April 2016, a month where most traditional operators were reporting a slowdown in activity levels, we achieved 2,827 instructions.

We are winning share from the traditional estate agents and sustaining our 62% share of total instructions of the non-traditional market. However, any estate agent is only as good as their sales conversion and I am delighted to state that in the year we achieved an instruction to completed sale rate of 77% which we believe to be industry leading.

The on-going strength in our trading is only made possible by our success in continuing to secure first class, professional, experienced and highly motivated Local Property Experts. They are attracted to our customer focused culture coupled with a personal and professional desire to run their own business in an environment that assists them to quickly build a scalable, profitable, local business. We are ahead of plan in our recruitment, finishing the year with 205 Local Property Experts, an increase of 159% on the prior year.

To maintain the high quality of our Local Property Experts and the rate of recruitment, we have invested in more infrastructure and support, including an additional Training and Recruitment Director and a further three Regional Training and Recruitment Managers. Our three stage recruitment process, including our 11 day intensive training programme, continues to provide the necessary skills, culture and customer focus, to help transition traditional agents to fast becoming successful Local Property Experts.

The growth of Local Property Experts has been one key element that has contributed to increased revenues. We have also invested in our in-house marketing team and developed our marketing strategy, resulting in significant growth in brand awareness with new engaging and informative television and radio campaigns that have taken the "Bruce brothers" out of the studio and onto the

# STRATEGIC REPORT

Chief Executive's Statement continued

## Purplebricks App

more than  
**11,000**  
downloads since  
launch in April 2016



streets of the UK. We continue to evolve our marketing strategy and are confident that our new campaign, which is due to air from 18 June 2016 will take brand awareness, messaging and customer engagement to the next level.

Website visits continue to grow as activity levels increase amongst sellers, buyers, landlords and tenants browsing, booking valuations, arranging viewings, making offers or agreeing sales. This presents unique opportunities to offer further products and services. In the year our website visitors rose by 208% to over 1.23m per month and page views rose by 339% to over 7.0m per month. Unique visitors also increased by 366% to more than 616k per month and funnel conversion (measured as the number of people who come to instruct) has increased by over 50%.

Culturally we have a strong focus on customer support which is testament to the number of houses we are selling, the speed at which they are transacting through the legal process and the level of concentrated help customers receive where issues arise with any aspect of their sale. We provide dedicated, focused support whenever it is required. I have seen first-hand, running law firms in the past, how estate agents can inadvertently be an obstacle to progress with a sale. This is why we have an extremely experienced conveyancing lawyer managing our post sales process. There are over 300 people (LPEs and customer support team) helping and supporting customers with their sale, within the confines

of a progressive, supportive customer centric culture. It is the distinct advantage for the customer and the process that we are focused on a completion and not a commission.

In October we launched a Data Sales Unit and brought all of our Central Property Experts in-house. We now have over 70 people, contributing significantly to the success of our marketing strategy through the use of data and speaking to more and more people who have a house to sell, require a mortgage, conveyancing, insurance or any of the other products or services we have to offer. Our strategy is to grow this team as activity levels increase and to introduce new and complementary revenue streams for our customers.

Our advancement with technology continues at pace. We launched the Purplebricks App at the beginning of April 2016, taking everything we do to a whole new level of convenience, speed and simplicity. We believe it to be the first truly sales process driven App in the industry. We continue to add new features and develop our App for buyers.

Lettings remains an important element of our future strategy. During the course of the year we made some good progress. We have to date been predominantly growing lettings organically through the growth in sales and investor registration. Landlords who buy through Purplebricks tend to want to continue their experience



# STRATEGIC REPORT

Chief Executive's Statement continued



and use our services for lettings. Valuations were 521% up in the year, instructions were 492% up, applications 535% up, move-ins 479% up and we increased our occupied portfolio by 400%. Whilst lettings remains a smaller part of our revenues and overall activity we are seeking to grow the department through the strategic acquisition of managed properties and increased organic activity.

## Customer reviews

We continue to be the most customer reviewed estate agent in the UK on independent review site Trustpilot. We are very proud of the feedback we receive which is testament to the culture, commitment and widespread appeal of our full service hybrid model, demonstrating that we offer not just a competitive flat fee but also superior customer service. We are rated Excellent, averaging 9.4 out of 10 from over 5,700 customer reviews. We recognise that from time to time we will receive a small proportion of negative reviews and as a result we ensure that every customer is contacted and we do everything we can to provide them with a swift resolution and an excellent customer experience thereafter.

We request a review from a customer once a sale is agreed but they are free to choose to leave reviews at any stage of the selling process. This is carried out via a link with Trustpilot. We do not offer any form of incentive, we merely provide a link and request the customer completes a review. We receive 8.9 times more reviews than any other estate agent (traditional, online or hybrid) because we give our customers the opportunity to share their experience publicly and immediately. I am extremely grateful to everyone in the business for this

fantastic achievement and for the brand advocacy they are creating.

## Growing the Purplebricks brand across Australia

We have always been open in our desire to investigate international markets but only when we believe a sufficiently attractive opportunity exists, which we have confidence in realising. Planning and execution has enabled the UK business to scale quickly and that is why we put in place a first class management team who will continue to concentrate their efforts on the UK growth strategy. We have implemented a similar local team and structure for Australia, where we believe market dynamics are similar and well suited for the Purplebricks model.

The size of the market opportunity is similar to that of the UK despite the number of transactions being around half. Annual real estate agents fees total in excess of £3.3bn (\$6.7bn AUD), with an average customer paying over £5,900 (\$12,000 AUD) plus marketing fees of £2,450 (\$5,000 AUD). The marketing fees are usually payable on instruction. We see this as a perfect opportunity for the Purplebricks hybrid model to readdress the balance for the consumer and to build a strong sustainable business with significant market share. Purplebricks Group plc has undertaken considerable research on the Australian market and has completed independent market research with sellers and those intending to sell in the near future. The worries, concerns, needs and requirements of the seller and landlords are very much aligned with the UK.

Our research tells us that finding an agent who will work for the seller rather than serve their own interests can be

# STRATEGIC REPORT

Chief Executive's Statement continued



tough. Only a few people feel in control of the process whilst many more felt at the mercy of the agent. The Purplebricks proposition was very appealing to the vast majority of Australian consumers that took part in the research. Once they understood the offering they were even more vocal than those in the UK about embracing a new way and found the cost-effective flat fee very attractive.

We have engaged a Chief Executive Officer in Australia and together we have recruited a strong management team who we are confident can grow the Purplebricks brand and market share alongside a strong UK management team who will build upon our success to date in the UK.

## Thank you

I would like to thank all of our people for their hard work, dedication, commitment and absolute belief in our customers and our brand. They have created thousands of brand advocates in an industry that is often talked about, criticised and disliked. I would also like to thank our customers who have embraced what we are trying to achieve and have actively helped and supported us in our journey to date. Without your belief in what we promise to deliver (and do deliver) we could not grow our business in quite the same way. Your advocacy of our products, services and brand is truly remarkable.

Finally I would like to thank our shareholders for the support and encouragement we receive from them. They have invested in creating a strong and thriving business that is changing the estate agency industry forever and

for the better. We are working tirelessly to deliver enduring returns for our shareholders.

## The future

There has been a significant amount of debate around the property market and what the future holds with uncertainty over BREXIT, a lack of supply of sellers and tax changes impacting the higher end of the market and second home buyers. Whilst we continue to monitor trends in the market we have seen no slowdown in activity and our strategy is predicated on winning market share rather than market growth. However, our business model was purposely built with low fixed overheads and a focus on variable costs to provide greater flexibility and agility to protect against any changes in the market.

During the year we invested in all areas of the business, providing us with strong foundations to continue to build upon what has been an extraordinary journey for our young, fast growing business. We have established a national agency, increased the number of our Local Property Experts, introduced new product innovation through our on-going focus on technology and further raised our brand profile and customer satisfaction scores. We approach the future with confidence.

**Michael Bruce**  
Chief Executive Officer  
15 June 2016



# STRATEGIC REPORT

Continued

## Key performance indicators (KPIs)

The following KPIs are the tools used by management to monitor the performance of the Company, in addition to the more traditional income statement, statement of financial position and cash flow analysis reviewed at regular Board meetings.

	2016	2015
<b>Financial KPIs</b>		
Revenue growth	448%	28,283%
Operating loss* as a percentage of revenue	(52%)	(155%)
<b>Non financial KPIs</b>		
Number of Local Property Experts	205	79
Monthly website visits	1.23m	0.4m

\*pre amortisation of intangibles and share based payment charges

Revenue growth is closely monitored to ensure we grow so as to cover our fixed costs as quickly and as efficiently as possible and consume as little capital as possible, whilst pursuing a high growth strategy.

The regular monitoring of the operating margin percentage helps us ensure that the focus on growth is not at the expense of profitability in the short and medium term.

## Principal risks and uncertainties

Risk management is an important part of the management process for the Company. Regular reviews are undertaken to assess the nature of risks faced, the magnitude of the risk presented to business performance and the manner in which the risk may be mitigated. Where controls are in place, their adequacy is regularly monitored.

The risks considered to be particularly important at the current time are set out below:

### Economic

Potential impact: As an estate agency the Company's fortunes are closely intertwined with those of the housing market and the broader economy as a whole.

Mitigation: The Company keeps a close eye on market conditions and the broader economy. Our cost base is

flexible and able to react quickly and effectively to changes in market conditions.

### People

Potential impact: An experienced and knowledgeable workforce is required to service clients' needs. The market for skilled staff remains competitive and a failure to recruit and retain experienced staff could impact on the Company's ability to develop and deliver solutions.

Mitigation: Providing existing staff with relevant training, great rewards, effective marketing and an effective software platform is a key priority for the business. Recruiting and developing new employees, when required, is undertaken by experienced staff to ensure the correct calibre of individual is identified.

### Reputational and quality

Potential impact: The quality of references obtained from existing users of Purplebricks' platform is an important part of the decision making process for a potential client seeking to instruct the Company.

Mitigation: The Company strives to maintain its reputation as the best estate agency combined with great value for money and monitors its Trustpilot reviews on a real time daily basis.

### Availability of funding

Potential impact: In order to grow the business and become profitable the Company needs access to funding. Without sufficient capital the Company will be unable to meet its ambitious targets.

Mitigation: The Company has continued fundraising activities as a result of the flotation and prior investment rounds and has sufficient headroom in respect of its working capital requirements and its forecasts, even when applying lower case sensitivities to the forecast.

### Financial

Potential impact: Inaccurate financial information may result in sub-optimal decisions being taken by management and staff. Inadequate internal controls may fail to prevent the Company suffering a financial loss.

Mitigation: The systems of internal controls deployed within the Company are designed to prevent financial loss.

# STRATEGIC REPORT

Continued



205 Local Property Experts recruited and trained since launch

Controls are strongest in areas where management considers the potential exposure to the Company of material loss or misstatement to be at its greatest, such as revenue recognition and cash collection. The adequacy and effectiveness of internal controls are reviewed regularly.

### New entrants to market

Potential impact: The Company operates in a sector where there are a number of competitors.

Mitigation: To counter the threat of competitors seeking to win business from us the Company aims to invest in the development of technology and branding to ensure that the Company becomes the market leader in the estate agency sector.

### Future developments

We expect future developments in estate agency to see a migration away from the high street as a highly fragmented market consolidates by virtue of the ease and simplicity that Purplebricks and its technology brings. We expect Purplebricks Group plc to remain at the forefront of this change in the industry landscape, creating and building on a market leadership position.

Today we have announced our intention to launch the Purplebricks proposition in Australia, a £3.3bn market. Our market research suggests that our compelling customer proposition of high quality service and a competitive flat fee structure will appeal in a market

where sellers are currently charged £5,900 (\$12,000 Australian Dollars) in addition to an average of £2,450 (\$5,000) for the cost of listing on portals and other related advertising.

We have recruited an Australian management team who will execute on our plans and report directly into the UK Board. Similarly to the UK we will launch regionally and adapt our offering should the need arise. The conservatively estimated maximum investment will take place over the next two years of £10m, to be funded from current cash resources, provides an attractive entry, where the downside/risk is managed whilst the opportunity is compelling compared to the size of the market opportunity.

Approved and signed on behalf of the Board

**Michael Patrick Douglas Bruce**

Director  
15 June 2016

**Neil Richard Cartwright**

Director

Purplebricks Group plc, Suite 7, Cranmore Place, Cranmore Drive, Shirley, Solihull, B90 4RZ

## CASE STUDY 1

James Humphries-Stone - Territory Owner and Local Property Expert, Basingstoke and surrounding area



For the last 10 months I have consistently been the No. 1 estate agent in Basingstoke and I now have five members in my team.

I joined Purplebricks on the very first training course. I was on the Southampton course run by Michael, while Kenny was running the course for the other group in Brighton.

It was really positive for me to see two founders taking such an interest in our progression and mindset when they had such enormous expectations for Purplebricks. Looking back though that was the foundation that set Purplebricks on the road to the growth it has experienced to date. We thought we knew everything about what was important to sellers but learned so much more on the course.

Prior to joining Purplebricks I was a Senior Branch Manager for the then No. 1 independent estate agent in Basingstoke, earning around £50,000 per annum including commission. At that time I had amassed 10 years of experience, five of which was as a branch manager. I had done every aspect of estate agency.

The reason I chose to leave the high street estate agent was entirely down to the fact that I believed the “single minded, get as much as you can at any cost, culture” was not the environment I wanted to work in. I knew I could build a great business off the back of my dedication to people, my detailed knowledge of the area and working in an environment that promoted a better customer experience. I made the right choice with Purplebricks.

After only six months in the Basingstoke area I became the No. 3 estate agent and for the last 10 months I have consistently been No.1. I was one of the first to engage more people in my business. I now have five members in my team, two Local Property Experts, two focused on viewings and an administrator. As a result of valuations having doubled this year I am recruiting a third Local Property Expert and planning to have five by the end of the year.

I am earning considerably more than I did when I was a high street estate agent and I am genuinely giving a more dedicated and productive service to my customers. I am selling more houses and I have a better balance in my life. I couldn't be more pleased that I took the plunge to join Purplebricks. It is a breath of fresh air in an uncertain traditional estate agency market.

No. 1  
for new listings  
out of 79 agents  
in Basingstoke

## CASE STUDY 2

Daren Cridge - Territory Owner and Local Property Expert, SW and SM postcodes



The technology and the infrastructure is amazing and permits me to concentrate on my customers, helping and supporting them with things that matter.

I have been in the property industry for over 27 years and have worked for two of the three largest estate agents in the UK. I was one of the first Local Property Experts in London. I was trained by Andrew Vass although Kenny and Michael did play a part and were always involved throughout.

When you attend the training course you can, after 27 years, think you have seen and heard it all before. You can think that there is not much Purplebricks can teach you, I was pleasantly surprised. Their methodology is very deliberate and creates a camaraderie amongst everyone that I have never witnessed before in a training environment. It puts in place the foundations for a strong culture and how we don't push the Purplebricks proposition in a traditional estate agency sales way. I learned a lot over that 11 day period.

I was able to hit the ground running the moment that I came off the training programme. I have built my territory and we are now number 2 for new listings out of 855 estate agents operating in the SW postcodes of London. We are 4th for new listings out of 158 agents in the SM postcodes. I have now recruited three Local Property Experts and two viewings assistants to help build upon our early success. I suspect I will require a further four Local Property Experts over the next year.

What has amazed me about the Purplebricks proposition is how much more productive I can be as opposed to how I operated on the high street. The technology and the infrastructure is amazing and permits me to concentrate on my customers, helping and supporting them with things that matter to them. I am very proud how successful we have become selling properties and the amount of excellent reviews and feedback we get from customers.

I am earning more money than I did on the high street, running my own business, without having to do some of the more difficult aspects like creating technology and producing interesting marketing. It leaves me free to do what I am good at.

No. 2  
for new listings  
out of 855 agents  
in SW postcode



## CASE STUDY 3

Roxsamme Wilson - Data Sales Manager



Because we all take part in recruitment events and in the selection process we have a strong connection and culture from day one.



Prior to joining Purplebricks I had been in estate agency for a number of years. I joined Purplebricks because it represents for me a new start for the industry, a way of demonstrating that there are great people out there who want to do a fantastic job for customers.

These are not just words spoken by management at Purplebricks, it is ingrained in the culture. We are all on the same page.

Being given the opportunity to manage part of the Data Sales Unit was amazing for me because I am able to shape how people interact with the customer and ensure that the experience they get fits our ethos and creates a brand advocate.

Our team speak to buyers, sellers, landlords and tenants to help and support them and to introduce them to Purplebricks and the services we have to offer.

I was one of the first people to join the unit and due to demand we are growing every month. I work alongside the team with Stephanie and Rebecca who are the senior management.

The team work well together and because we all take part in recruitment events and in the selection process we have a strong connection and culture from day one.

I am confident that we are adding to the overall Purplebricks experience and we will continue to play a large part in supporting customers and the business. I look forward to an exciting future with Purplebricks.

“I received a call from a lovely gentleman called Lewis. He assisted me to book a viewing and explained everything fully.

He didn't pressure me when I wasn't ready yet which made me feel more comfortable and I feel like I would definitely use them if I do sell my property.”

**Sabrina Patel**



## CASE STUDY 4

Shirein Famili - Sub-licencee for Daren Cridge



I have a more balanced lifestyle and I tend to have contact with customers when it is more convenient for them, rather than during rigid office hours.



I have had the pleasure of working as an estate agent for more than 10 years in the London area. I have worked for some of the strongest estate agents in the capital and I believe that the Purplebricks ethos and culture is having an enormously positive impact on sellers and buyers in our territory.

The Purplebricks proposition enables me to be part of a new and exciting business, grow our market share, and increase our profile in the local market and to be successful through selling our customers' homes and saving them thousands in London. I have a personal pride that we are achieving this and it is nice that I am also earning considerably more than I did in my previous management role.

Working with Daren and the team is a privilege. We are all highly motivated to deliver an excellent customer experience across all areas of our local business. I am excited to be given the opportunity to represent Purplebricks as they build awareness for what is a fantastic service.

I find that I am much more productive at Purplebricks because of the technology and the way in which we work. I am not travelling to an office in the morning during rush hour, I am not sat in an unproductive morning meeting

and part of a rigid corporate structure. I have a more balanced lifestyle although I do tend to have contact with customers when it is more convenient for them rather than during office hours.

I am a firm believer that success breeds success and the rate of growth that Purplebricks has experienced shows no sign of abating. When I am out on valuations, more and more people are saying “This is the way forward for estate agency”, a sentiment I totally agree with.

“Shirein was our Expert and offered an amazing service - extremely helpful, extensive knowledge of the market and area, and took time to understand our needs. The whole process was easy and affordable and encourages both buyer and seller to communicate. The platform is straightforward and user friendly, and email updates are very useful.”

**Stephen**



## CASE STUDY 5

Paul Brown - Territory Owner and Local Property Expert, Sheffield and Doncaster



“The help and advice provided by Paul Brown is second to none and nothing seems to be too much trouble. Paul has provided me with guidance on the online sales process and a rapid response to all of my questions.”

**Michelle Boughton**

 **TRUSTPILOT**



### Paul Brown

Age: 47







Area: Sheffield and Doncaster

Previously: 14 years at Countrywide

### My growing, profitable estate agency territory

Joining Purplebricks has been one of the best decisions I have ever made. It has given me the opportunity to build an amazing business in a short space of time. I have recruited a further two Local Property Experts due to the demand and this enables me to concentrate on building a substantial lettings side to our business. I am recruiting a Local Lettings Expert presently.

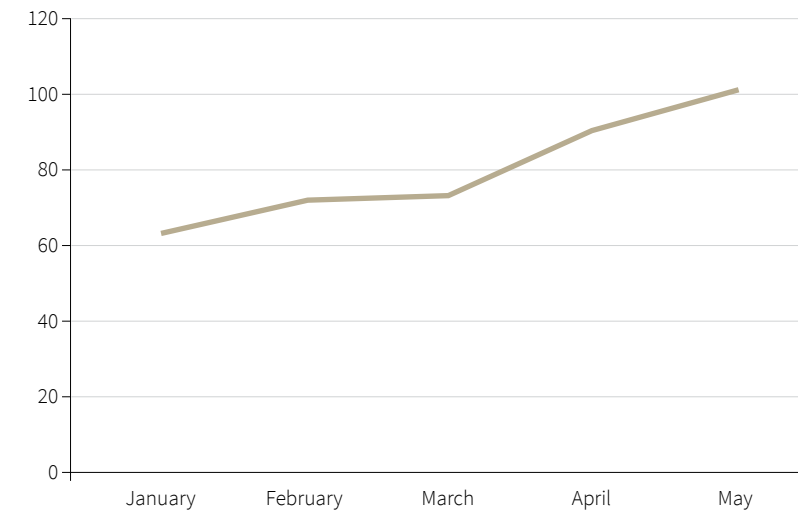
### Paul's Territory Team

 <p><b>Jemma Harris</b> Age: 29 Joined: May 2016 Previously: William H Brown (Sequence) Industry experience: 9 years</p>	 <p><b>Paul Salkeld</b> Age: 48 Joined: February 2016 Previously: Independent agent Industry experience: 16 years</p>
 <p><b>Josh Carline</b> Age: 27 Joined: July 2015 Previously: William H Brown (Sequence) Industry experience: 5 years</p>	 <p><b>Kerry Neal</b> Age: 32 Joined: April 2016 Previously: Haart Industry experience: 11 years</p>
 <p><b>Chris Evans</b> Age: 29 Joined: April 2016 Previously: Independent agent Industry experience: 7 years</p>	 <p><b>James Williams</b> Age: 28 Joined: May 2016 Previously: Countrywide Industry experience: 4 years</p>

## CASE STUDY 5

Paul Brown - Territory Owner and Local Property Expert, Sheffield and Doncaster

### Paul Brown's Instructions in 2016



**No.1**  
for new listings  
out of **564** agents  
for all 'S' postcodes

1. Purplebricks
2. Wilkins Vardy Residential
3. 2Roost
4. emoov
5. William H Brown

Source: Rightmove Plus, period 15/05/16 to 18/06/16

### Our Local Property Experts are much more productive:

- ✓ No commute to work
- ✓ No morning meeting
- ✓ No corporate structure
- ✓ No canvassing
- ✓ No booking valuations
- ✓ No registering applicants
- ✓ No arranging viewings
- ✓ No chasing instructions
- ✓ No sending property particulars
- ✓ No chasing approval of property particulars
- ✓ No getting properties live onto the internet
- ✓ No ordering boards or EPCs
- ✓ No seeking feedback or distributing feedback after viewings
- ✓ No impact from high industry staff turnover rates
- ✓ No window dressing

A Local Property Expert and technology makes for the perfect estate agency experience



# SAMPLE INDEPENDENT SOLD SIGN ANALYSIS

**ROCHESTER**  
**PURPLE BRICKS**  
BASED ON A SURVEY COLLECTED ON 28 APRIL - 5 MAY 2016

**87.5%**

ONE SIMPLE MESSAGE  
**HIGHEST RATIO OF SOLD TO FOR SALE SIGNS**  
OF ANY OTHER AGENT\*

\*PURPLE BRICKS WAS THE ESTATE AGENT WITH THE HIGHEST PROPORTION OF SOLD SIGNS EXPRESSED AS A % OF THEIR TOTAL SIGNS, BASED ON ESTATE AGENTS WITH MORE THAN 5 BOARDS IN TOTAL.

independenceassured

For Sale Sign Analysis confirms that this advert is a fair and accurate representation of the information found between the dates shown. The quantity of For Sale and Sold signs does not necessarily equal to the number of completions.

0845 308 2004  
[www.forsaleanalysis.co.uk](http://www.forsaleanalysis.co.uk)

forsale  
SIGN ANALYSIS  
SUPPLIERS OF INDEPENDENT MARKET SHARE REPORTS THROUGHOUT ENGLAND AND WALES

# SAMPLE INDEPENDENT SOLD SIGN ANALYSIS

**SHELDON**  
**PURPLE BRICKS**  
BASED ON A SURVEY COLLECTED ON 28 APRIL - 4 MAY 2016

**83.3%**

ONE SIMPLE MESSAGE  
**HIGHEST RATIO OF SOLD TO FOR SALE SIGNS**  
OF ANY OTHER AGENT\*

\*PURPLE BRICKS WAS THE ESTATE AGENT WITH THE HIGHEST PROPORTION OF SOLD SIGNS EXPRESSED AS A % OF THEIR TOTAL SIGNS, BASED ON ESTATE AGENTS WITH MORE THAN 5 BOARDS IN TOTAL.

independenceassured

For Sale Sign Analysis confirms that this advert is a fair and accurate representation of the information found between the dates shown. The quantity of For Sale and Sold signs does not necessarily equal to the number of completions.

0845 308 2004  
[www.forsaleanalysis.co.uk](http://www.forsaleanalysis.co.uk)

forsale  
SIGN ANALYSIS  
SUPPLIERS OF INDEPENDENT MARKET SHARE REPORTS THROUGHOUT ENGLAND AND WALES

**MARCH**  
**PURPLE BRICKS**  
BASED ON A SURVEY COLLECTED ON 10-13 MAY 2016

**87.5%**

ONE SIMPLE MESSAGE  
**HIGHEST RATIO OF SOLD TO FOR SALE SIGNS**  
OF ANY OTHER AGENT\*

\*PURPLE BRICKS WAS THE ESTATE AGENT WITH THE HIGHEST PROPORTION OF SOLD SIGNS EXPRESSED AS A % OF THEIR TOTAL SIGNS, BASED ON ESTATE AGENTS WITH MORE THAN 5 BOARDS IN TOTAL.

independenceassured

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0845 308 2004  
[www.forsaleanalysis.co.uk](http://www.forsaleanalysis.co.uk)

forsale  
SIGN ANALYSIS  
SUPPLIERS OF INDEPENDENT MARKET SHARE REPORTS THROUGHOUT ENGLAND AND WALES

**WEST DERBY**  
**PURPLE BRICKS**  
BASED ON A SURVEY COLLECTED ON 28 APRIL - 5 MAY 2016

**66.7%**

ONE SIMPLE MESSAGE  
**HIGHEST RATIO OF SOLD TO FOR SALE SIGNS**  
OF ANY OTHER AGENT\*

\*PURPLE BRICKS WAS THE ESTATE AGENT WITH THE HIGHEST PROPORTION OF SOLD SIGNS EXPRESSED AS A % OF THEIR TOTAL SIGNS, BASED ON ESTATE AGENTS WITH MORE THAN 5 BOARDS IN TOTAL.

independenceassured

For Sale Sign Analysis confirms that this advert is a fair and accurate representation of the information found between the dates shown. The quantity of For Sale and Sold signs does not necessarily equal to the number of completions.

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forsale  
SIGN ANALYSIS  
SUPPLIERS OF INDEPENDENT MARKET SHARE REPORTS THROUGHOUT ENGLAND AND WALES

Research independently produced by For Sale Sign Analysis.

# DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 April 2016

## Business review

A comprehensive analysis of the Company's development, performance and KPIs is contained in the Strategic report. Information on the financial risk management strategy of the Company and of the exposure of the Company to currency risk, interest rate risk, credit risk, capital risk and liquidity risk is set out in note 17 to the accounts.

The company reregistered as a plc on 10 December 2015. On 19 November 2015, the Company reduced its share premium account from £22,296,928 to £3,296,928 by the cancellation of £19,000,000 of the amount standing to the credit of such account, in order to create distributable reserves to ensure that the Company satisfied the net asset requirement for a public Company that its nets assets are more than its paid up share capital and non-distributable reserves. The Company listed on the Alternative Investment Market on 17 December 2015.

## Post Balance Sheet events

There were no post Balance Sheet events.

## Dividend

No dividends were paid in the year and there are none recommended. (2015: £nil)

## Employees

The Company's policy of providing employees with information about the Company has continued and regular meetings are held between management and employees to allow exchanges of information and ideas. The Company continues to consider ways to encourage the involvement of employees in the Company's performance.

The Company gives every consideration to applications for employment by disabled persons where the requirements of the job may be adequately filled by a disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under similar terms and conditions and to provide training, career development and promotion wherever appropriate.

## Substantial shareholdings

At 13 June 2016, being the latest practicable date prior to the publication of this annual report, the Company had

been notified of the following interests amounting to 3% or more of the voting rights in the issued share capital of the Company.

Shareholder name	Number of shares	% holding
Woodford Investment Management LLP	72,065,887	29.99%
M P D Bruce and wife	43,851,843	18.25%
Old Mutual Global Investors (UK) Ltd	19,359,878	8.06%
K F C Bruce	12,137,303	5.05%
P R M Pindar and wife	7,939,865	3.3%

Paul Pindar purchased 300,000 Ordinary shares in the Company on 26 January 2016 at 78.16p per share and Michael Bruce purchased 320,000 Ordinary shares in the Company on 26 January 2016 at 78.00p per share.

In addition to this, the following Directors held shares in the Company:

Shareholder name	Number of shares	% holding
Nick Discombe and wife	6,412,788	2.67%
Will Whitehorn	1,088,269	0.45%

## Directors and directors' interests

The directors who held office during the financial year are set out below:

M P D Bruce  
N R Cartwright  
W E Whitehorn\*  
P R M Pindar\*  
N S Discombe\*  
K F C Bruce (resigned 19 November 2015)  
J R Kydd (resigned 19 November 2015)  
M J Farrow (resigned 19 November 2015)  
N J Marovac\* (resigned 5 November 2015)

\*Denotes non-executive directors

## Founder & Chief Executive Officer - Michael Bruce

Michael has been the driving force behind the development of Purplebricks alongside his brother

# DIRECTORS' REPORT

Continued

Kenny. He is a qualified solicitor who has owned and run his own law firms before acquiring Burchell Edwards Estate Agents in 2006. The business was grown to include estate agency, lettings, mortgages and their own dedicated law firm. Michael was Chief Executive until 2010 whereupon he became Chairman of the business. The business, including the law firm, was sold to Connells Group (part of Skipton Building Society) in November 2011 as a result of Michael and Kenny Bruce, his brother, wishing to pursue the Purplebricks Group plc model. As founder of the business and initial major investor, Michael has been the Chief Executive Officer of Purplebricks Group plc since its inception, working alongside Kenny who, as Sales Director, heads the Company's sales efforts.

## Chief Financial Officer - Neil Cartwright

Neil joined Purplebricks Group plc in January 2015 from Capita Plc, having been Chief Financial Officer at a division of Capita Plc for eight years. A Chartered Accountant, Neil has previously held a number of senior financial positions at Anite Plc, Transco and Albright & Wilson Plc. In August 1999 he was involved in the AIM admission of IFTE Plc and a year later the reverse takeover of Symtron Systems Inc based in Fairlawn, New Jersey.

## Independent Non-Executive Director - William Whitehorn

Will is a highly experienced director. For many years he held a number of senior board roles within the Virgin Group. For over 20 years he was the Brand Development and Corporate Affairs Director and helped grow the Virgin brand globally, acting as spokesman for Sir Richard Branson and co-ordinating branding, marketing PR and current affairs across the whole group of investments and businesses. He was also President of Virgin Galactic for nearly five years. He is currently Chairman of Speed Communications (a PR Company), and Deputy Chairman of Stagecoach Group plc having been a Non-Executive Director for the previous 4 years. He has been an investor in and Non-Executive Director of Purplebricks since March 2013.

## Non-executive Chairman - Paul Pindar

Paul joined Capita plc in 1987, initially as Finance Director, then Managing Director in 1991 and Chief Executive in 1999. He was the third-longest serving FTSE 100 CEO when he stood down in 2014. He joined Capita after advising on the £0.3m management buyout (MBO)

while working for 3i Group plc. When he joined Capita, it had 33 employees and annual revenue of £1.3 million. When he left the business in February 2014, Capita had more than 62,000 employees and a market capitalisation of £7.5 billion. Since July 2012, Paul has served as Chairman of Integrated Dental Holdings, the UK's largest chain of dental surgeries, which is owned by Carlyle. Since June 2014 he has served as Chairman of Independent Clinical Services following its acquisition by TowerBrook. He backed the MBO of International Travel Connections, a luxury travel business, and became Chairman in August 2014, a role he continues in. Paul has also been a non-executive director of retailer Debenhams Plc, Chairman of the NSPCC's Corporate Development Board and Chairman of Great Ormond Street Hospital's Corporate Partnerships Board. Paul was also an early investor in Purplebricks.

## Senior Non-Executive Director - Nick Discombe

Nick acts as Chairman/advisor with portfolio companies for a small number of private equity or growth capital backed businesses around the world. His current commitments include portfolio companies for Hg Capital and Towergate. Nick's last executive position was as Chief Executive Officer of Witness Systems Inc (NASDAQ – WITS) which was sold for just over US\$1 billion in cash in June 2007. Since this time, he has, as Chairman, worked with seven companies leading them to successful exits. Prior to his role at Witness Systems, Nick spent five years with Apax backed Eyretel which in 2003 was merged with Witness Systems. At Eyretel as Chief Executive Officer, Nick led the expansion of the global organisation and in 2000 the successful initial public offering on the London Stock Exchange. He has been an investor in Purplebricks Group plc since early 2014. Nick acted as chairman of Purplebricks Group plc from October 2014 but, with effect from Admission, he became the Senior Non-Executive Director of the Company.



# DIRECTORS' REPORT

Continued

Details of options to purchase Ordinary shares in the Company granted to the executive directors are set out below.

	Class of share	Interest at end of year	Class of share	Interest at start of year
M P D Bruce	Ordinary	2,430,551	A Ordinary	-
N R Cartwright	Ordinary	2,858,994	A Ordinary	14,128

Details of share based payments are included in the notes to the accounts. During the year, the Company issued bonus shares prior to admission to the Alternative Investment Market on a one for 108.2747 basis.

## Scheme interests and Outstanding Share awards

Director name	Description	Date of grant	Interest 1 May 2015	Bonus issue effect	Restated Interest at the start of the year	Options granted during the year	Options exercised during the year	Outstanding interest at 30 April 2016
M P D Bruce	EMI and unapproved options	06/11/2015	-	-	-	2,430,551	-	2,430,551
M P D Bruce	EMI Options	07/08/2015	-	-	-	4,041,678	(4,041,678)	-
N R Cartwright	EMI Options	09/01/2015	14,128	1,515,577	1,529,705	-	(833,715)	695,990
N R Cartwright	EMI Options	10/07/2015	-	-	-	1,245,159	-	1,245,159
N R Cartwright	EMI and unapproved Options	06/11/2015	-	-	-	917,845	-	917,845

The share price was 172.50p on 30 April 2016.

## Research and development

The Company undertakes a continuous programme of development expenditure, as part of its commitment to lead change in estate agency. Development expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development, as disclosed in note 11 to the accounts. All other development expenditure is recognised in the Statement of Comprehensive Income as an expense as disclosed in note 7 to the accounts.

The Company has a qualifying indemnity insurance policy in respect of Directors' and Officers' liability.

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and

# DIRECTORS' REPORT

Continued

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors confirm that:

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

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

## Auditor

Grant Thornton UK LLP were appointed as auditors on the 13 May 2015 and are willing to continue in office. In accordance with s489(4) of the Companies Act 2006 a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

## Corporate Governance

The Board is committed to achieving high standards of corporate governance, integrity and business ethics. Under the AIM Rules the Company is not required to comply and has not complied with the provisions of the new edition of UK Corporate Governance Code issued by the Financial Reporting Council in 2014 (the Code).

Whilst the Code has not been applied, the Board has taken into consideration the QCA Corporate Governance

Code for Small and Mid-Size Quoted Companies produced by the Quoted Companies Alliance, and taken steps to apply the principles of the Code in so far as it can be applied practically, given the size of the Company and the nature of its operations.

The Board has established an audit committee (the Audit Committee), a remuneration committee (the Remuneration Committee) and a nomination committee (the Nomination Committee).

The Audit Committee is chaired by Paul Pindar, its other member is Nick Discombe. Neil Cartwright will be entitled to attend and observe meetings of the Audit Committee. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It receives and reviews reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee meets at least three times a year and has unrestricted access to the Company's auditors.

The Remuneration Committee is chaired by Nick Discombe, its other member is William Whitehorn. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-executive Directors of the Company are set by the Board.

The Nomination Committee is chaired by Paul Pindar, its other member is Nick Discombe. Michael Bruce is entitled to attend and observe meetings of that committee. The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board, performance of Board members, induction of new directors, appointment of committee members and succession planning for senior management. The Nomination Committee is responsible for evaluating the

# DIRECTORS' REPORT

Continued

balance of skills, knowledge, diversity and experience on the Board, the size, structure and composition of the Board, retirements and appointments of additional and replacement directors and makes appropriate recommendations to the Board on such matters. The Nomination Committee prepares a description of the role and capabilities required for a particular appointment. The Nomination Committee meets formally at least twice a year and otherwise as required.

## Corporate Social Responsibility

### Equality, Diversity and Rights

Purplebricks Group plc maintains a strong commitment to equality and opportunity in our employment policies and practices in the workplace. Through our recruitment and selection processes we seek to attract and retain a diverse and talented workforce. As prescribed by law, we commit that no existing or potential employee will receive less favourable treatment due to their race, creed, nationality, colour, ethnic origin, sexual orientation, gender, gender reassignment, marital status, membership of a trade union, disability, or any other criteria. Whilst the Company does not have a specific human rights policy, it does have policies such as Equal Opportunities and Anti-bribery that adhere to internationally agreed human rights principles.

### Environment

Purplebricks Group plc is committed to minimising the environmental impact of its business operations and seeks to actively manage its carbon footprint. As an online business with very limited physical infrastructure and a marketing model that is largely paperless, the Company has a much reduced environmental impact as compared to traditional real estate agencies. As a relatively new and fast-growing Company we will be constantly reviewing our business model and operations to limit the impact we and our customers make in the course of our business in areas such as energy efficiency, waste, recycling, emissions, transport and printing.

### Health and Safety

The effective management of health and safety across our business is an integral part of our broader business administration requirements. As the business grows we are committed to ensuring appropriate assessment and

suitable control of the health and safety risks arising from our work activities for our employees, our customers and our partners.


### Charitable and Philanthropic activity

An important part of the Purplebricks Group plc culture and ethos is to give back to the public and local communities through the commitment of time, resources and fundraising activities. Our employees are active in raising money or supporting fundraising activities for a wide range of causes both local and national.

During 2016 we will set up the Purplebricks Foundation. The purpose of the foundation is to consolidate all our charitable activity in one place and provide top up funds where appropriate for local community projects.

Any member of staff can nominate a local project for the foundation to support. The final projects will be chosen by the Foundation Committee, made up of members of the management team and chaired by James Kydd. The Foundation Committee will meet periodically.

Approved and signed on behalf of the Board



**Michael Patrick  
Douglas Bruce**

Director  
15 June 2016



**Neil Richard  
Cartwright**

Director

Purplebricks Group plc, Suite 7, Cranmore Place,  
Cranmore Drive, Shirley, Solihull, B90 4RZ

# DIRECTORS' REMUNERATION REPORT

The Directors present their first Directors' Remuneration Report (the "Remuneration Report") for the financial year ended 30 April 2016

As an AIM listed Company, Purplebricks Group plc is not required to prepare this Remuneration Report in accordance with the Directors' Remuneration Report Regulations 2002 or the recently enacted Large and Medium-sized companies and Group (Accounts and Reports) (Amendment) Regulations 2013 (together the Regulations). However, the Directors recognise the importance, and support the principles, of the Regulations and will seek to follow them to the extent considered relevant for an AIM listed Company. The Remuneration Committee will continue to monitor market practice to ensure that, in future, this report will include disclosures for at least as good as market practice for AIM companies. The Auditor is not required to report to the Shareholders on the Directors' Remuneration Report.

### Remuneration Committee

Nick Discombe chairs the Remuneration Committee which also comprises William Whitehorn. The committee held two meetings before the end of the financial year, primarily to ratify awards and sanction invitations made prior to the AIM admission under the share options schemes.

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

### Remuneration policy

The Company's policy is that the remuneration package of the Executive Directors should be sufficiently competitive to attract, retain and motivate those directors to achieve the Company's objectives without making excessive payments. The Board determines the terms and conditions of the Non-Executive directors.

### Basic salary and benefits

Base salaries will be reviewed annually by the Remuneration Committee, and adjusted where appropriate to reflect performance, changed responsibilities and/or market conditions.

### Service contracts and letters of appointment

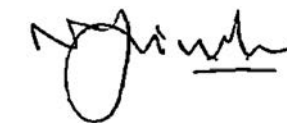
The Company's policy is for all of the Executive Directors to have twelve month rolling service contracts. All Non-Executive Directors are salaried and are appointed for an initial term of three years from Admission to AIM which took place on 17 December 2015. They are not eligible for bonuses, pension benefits, share options or other benefits, save where compulsory by law. The Directors are indemnified to the full extent permitted by statute. Executive and Non-Executive Directors Remuneration is detailed in note 8 to these financial statements.

### Long term equity incentive plan

It is expected that some grants shall be made to the Executive Directors, staff, and a number of Local Property Experts' companies in the coming year to align theirs and shareholders' interests ever more closely.

### Approval

The Directors' Remuneration Report was approved by the Board on 15 June 2016 and signed on its behalf by



**Nick Discombe**

Chair of the Remuneration Committee  
15 June 2016



# INDEPENDENT AUDITOR'S REPORT

to the members of Purplebricks Group plc

We have audited the financial statements of Purplebricks Group plc for the year ended 30 April 2016 which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

## Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 April 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and

- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## David White

Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants, Birmingham  
15 June 2016

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 April 2016

	Note	2016 £	2015 £
<b>Revenue</b>		<b>18,603,679</b>	3,394,464
Cost of sales		<b>(8,011,976)</b>	(1,383,337)
<b>Gross profit</b>		<b>10,591,703</b>	2,011,127
Administrative and establishment expenses	7	<b>(9,604,541)</b>	(3,965,412)
Sales and marketing costs		<b>(12,924,002)</b>	(3,473,028)
<b>Loss from operating activities</b>		<b>(11,936,840)</b>	(5,427,313)
<b>Loss from operating activities before adjustments:</b>		<b>(9,777,815)</b>	(5,282,234)
Amortisation of intangibles	11	<b>(101,309)</b>	(40,063)
Share based payment charge	6	<b>(596,647)</b>	(105,016)
Fund raising costs including Initial Public Offering		<b>(1,461,069)</b>	-
<b>Loss from operating activities</b>		<b>(11,936,840)</b>	(5,427,313)
Finance income		<b>35,009</b>	-
Finance expenses		-	(8,467)
<b>Loss before taxation</b>		<b>(11,901,831)</b>	(5,435,780)
Taxation	9	-	-
<b>Loss for the year and total comprehensive loss</b>		<b>(11,901,831)</b>	(5,435,780)
Basic and diluted EPS Loss per share	21	<b>(12p)</b>	(357p)

All operations are continuing.

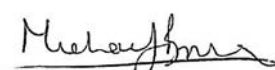
The accompanying accounting policies and notes form an integral part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

at 30 April 2016

	Notes	2016 £	2015 £
<b>Non-current assets</b>			
Property, plant and equipment	10	217,386	63,207
Intangible assets	11	370,847	137,893
		<b>588,233</b>	201,100
<b>Current assets</b>			
Trade and other receivables	13	2,970,258	746,083
Cash and cash equivalents		30,476,386	4,609,771
		<b>33,446,644</b>	5,355,854
<b>Current liabilities</b>			
Trade and other payables	14	(5,211,353)	(1,052,739)
Deferred income	14	(760,358)	(109,930)
		<b>(5,971,711)</b>	(1,162,669)
<b>Net current assets</b>		<b>27,474,933</b>	4,193,185
<b>Total assets less current liabilities</b>		<b>28,063,166</b>	4,394,285
<b>Net assets</b>		<b>28,063,166</b>	4,394,285
<b>Equity</b>			
Share capital	15	2,402,591	17,658
Share premium account		25,887,400	12,298,268
Share based payment reserve		330,968	105,016
Retained earnings		(557,793)	(8,026,657)
<b>Total equity</b>		<b>28,063,166</b>	4,394,285

These financial statements were approved and authorised for issue by the Board of directors on the 15 June 2016 and were signed on its behalf by:



Michael Patrick Douglas Bruce  
Director



Neil Richard Cartwright  
Director

Company Registration Number 08047368

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

# STATEMENT OF CHANGES IN EQUITY

for the year ended 30 April 2016

	Share capital £	Share premium account £	Retained earnings £	Share based payment reserve £	Total equity £
At 1 May 2015	17,658	12,298,268	(8,026,657)	105,016	4,394,285
Issue of shares	252,051	34,748,659	-	-	35,000,710
Exercise of options	138	25,056	-	-	25,194
Exercise of warrants	123	91,947	-	-	92,070
Redemption of shares	(89)	-	-	-	(89)
Share premium cancellation	-	(19,000,000)	19,000,000	-	-
Costs of IPO charged to share premium	-	(143,820)	-	-	(143,820)
Share-based payment charge	-	-	-	596,647	596,647
Transfer on exercise of options	-	-	370,695	(370,695)	-
Bonus share issue	2,132,710	(2,132,710)	-	-	-
<b>Transactions with owners</b>	<b>2,384,933</b>	<b>13,589,132</b>	<b>19,370,695</b>	<b>225,952</b>	<b>35,570,712</b>
Loss for the year	-	-	(11,901,831)	-	(11,901,831)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(11,901,831)</b>	<b>-</b>	<b>(11,901,831)</b>
<b>At 30 April 2016</b>	<b>2,402,591</b>	<b>25,887,400</b>	<b>(557,793)</b>	<b>330,968</b>	<b>28,063,166</b>

for the year ended 30 April 2015

	Share capital £	Share premium account £	Retained earnings £	Share based payments reserve £	Total equity £
At 1 May 2014	10,350	4,163,618	(2,590,877)	-	1,583,091
Issue of shares	7,308	8,134,650	-	-	8,141,958
Share-based payment charge	-	-	-	105,016	105,016
<b>Transactions with owners</b>	<b>7,308</b>	<b>8,134,650</b>	<b>-</b>	<b>105,016</b>	<b>8,246,974</b>
Loss for the year	-	-	(5,435,780)	-	(5,435,780)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(5,435,780)</b>	<b>-</b>	<b>(5,435,780)</b>
<b>At 30 April 2015</b>	<b>17,658</b>	<b>12,298,268</b>	<b>(8,026,657)</b>	<b>105,016</b>	<b>4,394,285</b>

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



# STATEMENT OF CASH FLOWS

for the year ended 30 April 2016

	2016	2015
	£	£
<b>Cash flows from operating activities</b>		
Loss for the year after taxation	(11,901,831)	(5,435,780)
<i>Adjustments for:</i>		
Amortisation of intangible assets	101,309	40,063
Depreciation	61,159	15,757
Share-based payment charge	596,647	105,016
Fund raising costs	1,461,069	-
Tax refund	-	265,884
<b>Operating cash outflow before changes in working capital</b>	<b>(9,681,647)</b>	<b>(5,009,060)</b>
Movement in trade and other receivables	(2,224,175)	(205,271)
Movement in trade and other payables	4,158,614	368,640
Movement in deferred income	650,428	109,930
<b>Net cash outflow from operating activities</b>	<b>(7,096,780)</b>	<b>(4,735,761)</b>
<b>Cash flow from investing activities</b>		
Purchase of property, plant and equipment	(215,338)	(42,650)
Development expenditure capitalised	(334,263)	(123,229)
<b>Net cash outflow from investing activities</b>	<b>(549,601)</b>	<b>(165,879)</b>
<b>Cash flow from financing activities</b>		
Issue of shares	35,117,885	8,141,958
Cost of issue of shares	(1,604,889)	-
<b>Net cash flow from financing activities</b>	<b>33,512,996</b>	<b>8,141,958</b>
Net increase in cash and cash equivalents	25,866,615	3,240,318
Cash and cash equivalents at beginning of year	4,609,771	1,369,453
<b>Cash and cash equivalents at the end of the year</b>	<b>30,476,386</b>	<b>4,609,771</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

forming part of the financial statements

## 1. Reporting entity

Purplebricks Group plc is a Company domiciled in the United Kingdom. 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.

## 2. 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 under IFRS.

On 29 March 2016 Purplebricks Group plc incorporated a wholly owned subsidiary, Purple B PTY Ltd, a Company registered in Australia. This Company is dormant with share capital of AUD \$1. A consolidated set of financial statements has not been prepared on the grounds that this is immaterial to the Group.

## Going concern

The financial statements have been prepared on a going concern basis. The Company'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 Company show that the UK Company is likely to become profitable and cash generative during the year ended April 2017. The Company achieving profitability and cash generation is likely to be delayed by virtue of international expansion in Australia but this will not adversely affect the UK Company. At the financial year-end the Company reported cash balances of £30.5 million. The directors have performed sufficient sensitivity analysis to be satisfied that the going concern basis of preparation is appropriate. The operational gearing of the Company is such that it only reinforces the confidence of the directors.

The directors have prepared a monthly forecast to 30 April 2018 on the basis that the growth aspirations are achieved which show that the Company can operate with its existing resources.

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

## Basis of measurement

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

## Functional and presentation currency

The financial statements are presented in Sterling, which is the functional and presentational currency of the Company.

## Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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. Information about significant areas of estimation and critical judgments that have the most significant impact on the financial statements are described in the following notes:

### Estimates

*Note 11: Measurement of intangible assets:* In testing for impairment of intangible assets, management has made certain

# NOTES TO THE FINANCIAL STATEMENTS

continued

assumptions concerning the future development of the business that are consistent with the annual budget and business plan. Should these assumptions regarding the growth in profitability be unfounded then it is possible that intangible assets included in the statement of financial position could be impaired. Management is confident that this will not be the case and conservatively amortises the intangible asset over three years, a realistic timescale for software code to become superseded by future releases. Accordingly, when assessing the recoverable value attributable to intangible assets, management has estimated cash flows attributable to existing businesses and extrapolated forward budgets for the financial year ending 30 April 2018.

*Note 13: Measurement of trade receivables:* Management assess the likely recoverability of amounts invoiced to customers on the creditworthiness of its credit partners and the age of debts at the period end. The directors consider the carrying amount of trade receivables approximates to their fair value.

*Note 6: 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. The use of a valuation model such as this involves making certain assumptions around the inputs into the model. There is also uncertainty around the number of shares likely to vest and the model therefore takes into account management's best estimate of this.

## Judgments

*Note 11: Intangible assets:* Development expenditure is recognised on the statement of financial position when certain criteria are met, as described more fully in the accounting policy on the treatment of research and development expenditure. Management uses its judgment in assessing development against the criteria. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that the asset may be impaired, as discussed above.

*Note 12: Deferred tax:* The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties. The Company has significant tax losses but does not anticipate sufficient taxable profits to arise in the foreseeable future in order to utilise these losses, and as a result the directors' judgment is that no deferred tax asset should be recognised.

## 3. Accounting policies

### Adopted IFRS not yet applied

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

- IFRS 9 Financial Instruments (IASB effective date 1 January 2018)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (IASB effective date 1 January 2016) (Endorsed)
- Annual Improvements to IFRSs 2010-2012 Cycle (IASB effective date generally 1 July 2014) (Endorsed)
- Annual Improvements to IFRSs 2012-2014 Cycle (effective 1 January 2016) (Endorsed)
- Amendments to IAS 27: Equity Method in Separate Financial Statements (effective 1 January 2016) (Endorsed)

# NOTES TO THE FINANCIAL STATEMENTS

continued

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (effective 1 January 2016)
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2016) (Endorsed)
- Disclosure Initiative: Amendments to IAS 7 Statement of Cash Flows (effective 1 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax assets for Unrealised Losses (effective 1 January 2017)

There are other standards in issue which are not considered applicable and are not expected to have an impact on the Company and have therefore not been included in the list above. The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

## Property, plant and equipment

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

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

The annual rates used are:

- computer equipment – over 3 years
- fixtures and fittings – over 5 years

## Equity instruments

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

## Accounting for financial assets

The Company has financial assets in the loans and receivables category. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. The Company's trade and other receivables fall into this category of financial instruments.

Receivables are considered for impairment on a case-by-case basis when they are past due at the year-end date or when objective evidence is received that a credit partner will default or that a receivable will be impaired.

## Accounting for financial liabilities

The Company's financial liabilities include trade and other payables which, subsequent to initial recognition at fair value, are measured at amortised cost using the effective interest rate method.

## Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved or paid.

## Revenue

Revenue comprises the fair value of consideration received or receivable in respect of services provided relating to the sale of property, net of discounts, rebates and any sales taxes.



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# NOTES TO THE FINANCIAL STATEMENTS

continued

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Revenues are recognised on the basis of the performance of contractual obligations and to the extent that the right to consideration has been earned and the flow of economic resources is probable.

Fees earned on instruction of residential property are accounted for at the point of publication of advert to property portals, the point at which the Company's obligations are complete. Where property particulars have not yet been published to property portals, the fees are recognised as deferred income and presented within liabilities.

Conveyancing fees are accounted for on completion of the service being provided, being legal completion of the transaction. This may lead to the recognition of accrued income.

Fees earned under lettings contracts are recognised on a straight-line basis over the term of the agreement and/or at the point of delivery of the service as appropriate.

Accompanied viewings revenue is recognised when its receipt is assured over the period in which the Company fulfils its obligations.

## Internally developed intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's development activity is recognised in the statement of financial position when the Company can demonstrate the following:

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

Internally generated intangible assets are amortised over their useful economic life, on a straight line basis over three years. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

## Leases

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any to be borne by the lessee.

All other leases are treated as operating leases. Payments under operating lease agreements are recognised as an expense on a straight line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred. The Company does not act as a lessor.

## Pension benefits

The Company does not operate a pension scheme nor is it required to implement a contributory pension scheme under auto enrolment until April 2017.

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# NOTES TO THE FINANCIAL STATEMENTS

continued

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## Impairment

The carrying amount of the Company's assets is reviewed at each year end date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

## Share based payments

The equity settled share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured using the Black-Scholes model at grant date and spread over the period during which the employees become unconditionally entitled to the options. The expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Deferred taxation is recognised over the vesting period.

## Share based payments reserve

This comprises the cumulative share-based payment charge recognised in the Statement of Comprehensive Income in relation to equity-settled options and share rights issued but not yet exercised.

## Taxation

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

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

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be able to be utilised against future taxable income. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full, deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

## 4. Segmental reporting

The Company is managed as a single division, providing services relating to the sale of properties. The financial information reviewed by the board is materially the same as that reported under IFRS. The Company only operates in the United Kingdom.

# NOTES TO THE FINANCIAL STATEMENTS

continued

During the year, no one customer contributed greater than 10% of the Company's revenues. (2015: none)

## 5. Related party transactions

There were no related party transactions in the year (2015: nil).

Directors' remuneration and key management personnel disclosures can be found in note 8.

Paul Pindar purchased 300,000 Ordinary shares in the Company on 26 January 2016 at 78.16p per share and Michael Bruce purchased 320,000 Ordinary shares in the Company on 26 January 2016 at 78.00p per share.

## 6. Share based payments

During the year, the Company made a bonus issue of shares prior to admission to the Alternative Investment Market whereby each existing class of share became 108.2747 new Ordinary shares.

The Company operates a number of HMRC approved executive management incentive plans (EMI).

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 under EMI are set out below:

Grant Date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
09/01/2015	14	4,616,510	Length of service	£0.01	09/01/2015	09/01/2025
10/07/2015	11	4,742,542	Length of service	£0.13	10/07/2015	10/07/2025
07/08/2015	2	7,506,471	Length of service	£0.13	07/08/2015	07/08/2025
10/08/2015	11	682,131	Length of service	£0.13	23/09/2015	10/08/2025

The Company operates an unapproved executive incentive plan. 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 under unapproved rules are set out below and on the following page:

Grant Date	Employees entitled	Number of options	Performance conditions	Exercise price (p)	Earliest exercise date	Expiry date
06/11/2015	8	5,709,435	Length of service	£0.01	06/11/2016	06/11/2025

# NOTES TO THE FINANCIAL STATEMENTS

continued

9,000,660 share options were exercised during the year (2015:Nil). The number and weighted average exercise price of share options are as follows:

	2016 Weighted average exercise price	2016 Number of options (number)	2015 Weighted average exercise price	2015 Number of options (number)
Granted during the year	£0.09	18,802,984	£0.01p	44,937
Exercised during the year	£0.11	(9,000,660)	-	-
Lapsed during the year	£0.13	(162,405)	£0.01p	(2,300)
Outstanding at end of the year	£0.04	10,952,712	£0.01p	42,637
Exercisable at end of the year	£0.06	3,141,298	£0.01p	13,800

The weighted average remaining contractual life of the options is 9.2 years (2015: 10 years).

## 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:

	30 April 2016	30 April 2015
Weighted average share price at date of grant	£0.15	£14.00
Weighted average exercise price	£0.09	£0.01
Weighted average contractual life (years)	10	10
Weighted average expected volatility	27%	27%
Weighted average risk free interest rate	1.5%	1.5%
Total weighted average fair value of options granted	£1,664,100	£596,510

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 the income statement

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

	2016 £	2015 £
Share-based payment charges	596,647	105,016



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 7. Expenses and auditor's remuneration

Included in the income statement are the following items:

	2016 £	2015 £
Auditor's remuneration:		
Audit of these financial statements	32,000	12,000
Amounts received by auditors and their associates in respect of:		
Taxation compliance	2,500	2,000
Taxation advisory services	97,825	-
Depreciation and other amounts written off property, plant & equipment:		
Owned, in respect of continuing activities	61,159	15,757
Amortisation of development costs	101,309	40,063
Aggregate charge against income in respect of research and development costs not eligible for capitalisation	520,786	352,083
Rentals payable under plant and machinery operating leases	15,108	1,093
Leasehold property rentals	74,209	49,328

The aggregate charge in respect of research and development represents the total cost incurred during the year, less amounts capitalised in accordance with IAS38: Intangible Assets.

## 8. Personnel expenses

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

	2016 No.	2015 No.
Sales and marketing	81	38
Technical	18	8
Administration	4	2
	<b>103</b>	<b>48</b>

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

	2016 £	2015 £
Wages and salaries	3,983,829	2,059,983
Social security costs	435,478	211,189
Share based payment charge	596,647	105,016
	<b>5,015,954</b>	<b>2,376,188</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

The following table provides details of remuneration paid to directors:

	2016 £	2015 £
Salaries or fees, including bonuses	625,791	538,379
Employer's national insurance	80,959	74,296
Share based payment charge	468,135	-
	<b>1,174,885</b>	<b>612,675</b>

The highest paid director received remuneration of £383,188 (2015:£182,712) during the year.

No director had a material interest in any contract in relation to the business of the Company.

In addition to the 5 directors (2015: 9), 6 senior management (2015: 2) are also considered to be key management personnel.

The following table provides details of remuneration paid to key management personnel, being 11 individuals (2015: 11 individuals).

	2016 £	2015 £
Salaries or fees, including bonuses and employer's national insurance	1,105,412	697,347
Share based payment charge	596,647	105,016
	<b>1,702,059</b>	<b>802,363</b>

The remuneration of the Directors for the years ended 2016 and 2015 was as follows:

	Salary and fees 2016 £000s	Taxable benefits 2016 £000s	Annual bonuses 2016 £000s	Long term incentives 2016 £000s	Pension 2016 £000s	Total 2016 £000s
<b>Executive directors</b>						
M P D Bruce	163	-	75	145	-	383
N R Cartwright	125	-	-	133	-	258
K F C Bruce	59	-	7	102	-	168
J R Kydd	40	-	32	6	-	78
M J Farrow	52	-	-	82	-	134
<b>Non-executive directors</b>						
P R M Pindar	18	-	-	-	-	18
N S Discombe	18	-	-	-	-	18
W E Whitehorn	36	-	-	-	-	36
Total	<b>511</b>	<b>-</b>	<b>114</b>	<b>468</b>	<b>-</b>	<b>1,093</b>

# NOTES TO THE FINANCIAL STATEMENTS

continued

	Salary and fees 2015 £000s	Taxable benefits 2015 £000s	Annual bonuses 2015 £000s	Long term incentives 2015 £000s	Pension 2015 £000s	Total 2015 £000s
<b>Executive directors</b>						
M P D Bruce	93	-	75	-	-	168
N R Cartwright	42	-	-	-	-	42
K F C Bruce	83	-	100	-	-	183
J R Kydd	58	-	-	-	-	58
M J Farrow	48	-	-	-	-	48
<b>Non-executive directors</b>						
P R M Pindar	6	-	-	-	-	6
N S Discombe	6	-	-	-	-	6
W E Whitehorn	27	-	-	-	-	27
<b>Total</b>	<b>363</b>	<b>-</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>538</b>

## 9. Taxation

	2016 £	2015 £
<b>Current tax expense</b>		
UK corporation tax for the current year	-	-
Total current tax	-	-
<b>Deferred tax</b>		
Deferred tax for the current year	-	-
Total deferred tax	-	-
Taxation charged to the income statement	-	-

### Reconciliation of effective tax rate

The current tax charge for the period is higher than (2015: higher than) than the average standard rate of corporation tax in the UK during the period of 20.00% (2015: 20.92%). The differences are explained on the next page.

# NOTES TO THE FINANCIAL STATEMENTS

continued

	2016 £	2015 £
Loss before taxation from continuing operations	<b>(11,901,831)</b>	(5,435,780)
Tax using the average UK Corporation tax rate of 20.00% (2015: 20.92%)	<b>(2,380,366)</b>	(1,137,165)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	<b>498,144</b>	66,024
Tax losses for which no deferred tax asset was recognised	<b>1,882,222</b>	1,070,991
Other permanent differences	-	150
Total tax in income statement	-	-

## 10. Property, plant and equipment

	Computer equipment £	Furniture and fittings £	Total £
<b>Cost</b>			
Balance at 1 May 2014	41,264	-	41,264
Additions	40,486	2,164	42,650
Balance at 30 April 2015	81,750	2,164	83,914
Additions	130,673	84,665	215,338
Disposals	(63)	-	(63)
Balance at 30 April 2016	212,360	86,829	299,189
<b>Depreciation</b>			
Balance at 1 May 2014	(4,950)	-	(4,950)
Charge for the year	(15,558)	(199)	(15,757)
Balance at 30 April 2015	(20,508)	(199)	(20,707)
Charge for the year	(48,927)	(12,232)	(61,159)
Accumulated depreciation on disposal	63	-	63
Balance at 30 April 2016	(69,372)	(12,431)	(81,803)
<b>Net book value</b>			
<b>At 30 April 2016</b>	<b>142,988</b>	<b>74,398</b>	<b>217,386</b>
At 30 April 2015	61,242	1,965	63,207



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 11. Intangible assets

	Internally generated intangible asset £
<b>Cost</b>	
Balance at 1 May 2014	56,291
Internally developed	123,229
Balance at 30 April 2015	179,520
Internally developed	334,263
Balance at 30 April 2016	513,783
<b>Amortisation and impairment</b>	
Balance at 1 May 2014	(1,564)
Amortisation for the year	(40,063)
Balance at 30 April 2015	(41,627)
Amortisation for the year	(101,309)
Balance at 30 April 2016	(142,936)
<b>Net carrying value</b>	
<b>Balance at 30 April 2016</b>	<b>370,847</b>
Balance at 30 April 2015	137,893

The internally generated intangible asset relates to capitalised development costs in respect of the customer facing Purplebricks software platform.

The amortisation charges are recognised in the following line items in the income statement:

	2016 £	2015 £
Administrative and establishment expenses	<b>101,309</b>	40,063

## Amortisation and impairment

Intangible assets are amortised over their useful economic lives. In the case of the internally developed intangible asset, amortisation is charged on a straight line basis over three years.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 12. Deferred tax assets and liabilities

Movement in unprovided deferred tax for the year ended 30 April 2016

	As at 1 May 2015 £	Movement in the year £	As at 30 April 2016 £
Share-based payment expense	21,003	119,329	140,332
Tax losses	1,411,119	1,882,222	3,293,341
	1,432,122	2,001,551	3,433,673

The gross value of losses in respect of which the unrecognised deferred tax asset relates is £16,632,846 (2015: £7,055,596).

The provision of a deferred tax asset is based on the future trading forecasts for the Company. A deferred tax asset has not been recognised in respect of trading losses and other temporary differences as the Company does not anticipate sufficient taxable profits to arise within the foreseeable future.

## 13. Trade and other receivables

	2016 £	2015 £
Trade receivables	<b>1,016,815</b>	238,059
Prepayments	<b>1,555,644</b>	450,006
Accrued income	<b>362,790</b>	58,018
Accrued interest	<b>35,009</b>	-
	<b>2,970,258</b>	746,083

All trade and other receivables are short-term and due in less than one month. The directors consider that the carrying amount of trade receivables approximates to their fair value. All trade and other receivables have been reviewed for indications of impairment.

Of the total trade receivables shown above, no amounts (2015: £nil) are past due and none are impaired.

## 14. Trade and other payables

	2016 £	2015 £
Trade payables	<b>2,728,709</b>	552,862
Other taxation and social security	<b>427,514</b>	48,278
Accruals	<b>2,055,130</b>	451,599
	<b>5,211,353</b>	1,052,739
Deferred income	<b>760,358</b>	109,930
	<b>5,971,711</b>	1,162,669

All trade and other payables are short-term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 15. Share capital

Allotted, issued and fully paid:

Class:	Number	Nominal Value:	2016 £	2015 £
Ordinary shares	240,259,152	£0.01p	2,402,591	-
A Ordinary	656,537	£0.01p	-	6,565
B Ordinary	255,930	£0.01p	-	2,559
C Ordinary	141,120	£0.01p	-	1,411
Series Seed shares	712,261	£0.01p	-	7,123
			<b>2,402,591</b>	17,658

The table below summarises the movements in the number of the shares at the beginning and end of the period:

	Ordinary shares	Deferred shares	D Ordinary shares	A Ordinary shares	B Ordinary shares	C Ordinary shares	Series Seed shares
Ordinary shares at 1 May 2015	-	-	-	656,537	255,930	141,120	712,261
Series Seed Shares allotted	-	-	-	-	-	-	135,796
D Shares allotted	-	-	69,328	-	-	-	-
Conversion to A shares	-	-	(60,363)	60,363	-	-	-
Conversion of deferred shares	-	8,965	(8,965)	-	-	-	-
Redemption of deferred shares	-	(8,965)	-	-	-	-	-
Exercise of options	-	-	-	13,800	-	-	-
Exercise of warrants	-	-	-	12,276	-	-	-
Shares prior to bonus issue	-	-	-	742,976	255,930	141,120	848,057
Bonus issue effect	-	-	-	79,702,551	27,454,822	15,138,610	90,975,086
Post bonus issue	-	-	-	80,445,527	27,710,752	15,279,730	91,823,143
Conversion to A shares	-	-	-	134,813,625	(27,710,752)	(15,279,730)	(91,823,143)
Conversion to Ordinary shares	215,259,152	-	-	(215,259,152)	-	-	-
Shares allotted on admission	25,000,000	-	-	-	-	-	-
<b>Ordinary shares at 30 April 2016</b>	<b>240,259,152</b>	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

continued

The following fully paid shares were allotted during the year at a premium as shown below:

On 8 July 2015, 135,796 Series Seed Shares of £0.01 each were allotted with £73.64 paid up on each Series Seed Share.

On 6 November 2015, 69,328 D Ordinary shares were allotted following exercise of options over D Ordinary shares; and on 19 November 2015, the Company reduced its share premium account from £22,296,928 to £3,296,928 by the cancellation of £19,000,000 of the amount standing to the credit of such account, in order to create distributable reserves to ensure that the Company satisfied the net asset requirement for a public Company that its net assets are more than its paid up share capital and non-distributable reserves.

The Company issued 213,271,069 bonus shares on 9 December 2015 to meet the minimum nominal share capital requirements in order for it to be re-registered as a public Company and to reduce the value of an individual share to £1. Prior to the bonus issue, the 69,328 D Ordinary shares were converted into 60,363 A Ordinary shares and 8,965 deferred shares of £0.01 each, which were subsequently redeemed and cancelled by the Company. At the same time, 13,800 options over A Ordinary shares were exercised and 12,276 Company warrants over A Ordinary shares were exercised.

The Company was re-registered as a public limited Company on 10 December 2015 and by a special resolution changed its name from New Broom Limited to Purplebricks Group plc.

Immediately prior to Admission, all shares in the Company will automatically convert into A Ordinary shares in accordance with Article 8 of the Company's articles of association in force at the relevant time. The A Ordinary shares were re-designated as Ordinary shares on 9 December 2015. Following the conversion and re-designation, the issued share capital of the Company was 215,259,152 Ordinary shares.

The Company's issued share capital prior to admission to AIM was 215,259,152 Ordinary shares (with an aggregate nominal value of £2,152,591.52) and became 240,259,152 Ordinary shares (with an aggregate nominal value of £2,402,591.52) by virtue of the £25,000,000 of the new placing shares.

All shares carry the same rights.

## 16. Capital and reserves

### Reconciliation of movements in capital and reserves

Movements in capital and reserves are set out in the statement of changes in equity on page 35.

### Share capital

Share capital represents the nominal value of shares that have been issued.

### Share premium

Share premium represents the excess of consideration received for shares over the nominal value.

### Share based payment reserve

Share based payment reserve represents all current and prior period share based payment charges less the effect of the exercise of share options.

### Retained earnings

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

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 17. Financial instruments disclosure

### Capital risk management

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

The capital structure of the Company currently consists of cash and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The Company's Audit Committee reviews the capital structure as part of its risk analysis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital.

The Company is not subject to externally imposed capital requirements.

### Categories of financial assets and financial liabilities

The Company held the following categories of financial instruments:

	2016 £	2015 £
<i>Financial assets</i>		
Loans and receivables (including trade and other receivables, cash and cash equivalents)	<b>31,528,210</b>	4,847,830
<i>Financial liabilities held at amortised cost</i>		
Trade payables and accruals	<b>4,783,839</b>	1,004,459

The fair value of the financial instruments set out above is not materially different to the book value.

### Liquidity risk management

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring both forecast as well as actual cash flows to enable matching of the maturity profiles of financial assets and liabilities. Sufficient cash is retained to service short-term financing needs. Liquidity risk is managed through regular senior review of performance versus an integrated profit and loss, balance sheet and cash flow model. Sensitivities are applied to this model to ensure the Company has early warning of any manifestation of liquidity risk and communicate any such risk to investors in a timely and accurate manner so as to manage liquidity risk comprehensively and effectively.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities. The table includes principal only cash flows in respect of trade and other payables.

	2016 £	2015 £
Trade payables and accruals due within one month	<b>3,826,803</b>	824,195
Trade payables and accruals due within three months	<b>1,384,550</b>	228,544
Trade and other payables	<b>5,211,353</b>	1,052,739

# NOTES TO THE FINANCIAL STATEMENTS

continued

## Interest rate sensitivity analysis

At the year end date there was no material exposure to movements in interest rates as the Company has no borrowings or other financial assets or liabilities linked to interest rates.

## Other financial assets and liabilities

There are no financial assets or liabilities measured at fair value.

## Foreign currency risk management

The Company has no material currency exposure. The Company's financial instruments are denominated in Sterling.

## Credit risk management

The Company's credit risk is primarily attributable to its trade receivables. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The Company has an excellent history with no trade receivables written off as irrecoverable.

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

## 18. Contingent liabilities

The Company has no contingent liabilities (2015: £nil).

## 19. Commitments

Capital commitments, approved by the Board and existing at 30 April 2016 amounted to £ nil (2015: £nil).

Total commitments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £	Other £	Land and buildings £	Other £
Payable:				
Within one year	<b>100,700</b>	<b>20,237</b>	12,709	4,373
In the second to fifth years inclusive	<b>302,742</b>	<b>28,246</b>	-	8,382
	<b>403,442</b>	<b>48,483</b>	12,709	12,755

Operating leases relate to land, buildings and other assets, such as IT equipment, used to support the operational requirements of the Company.

## 20. Ultimate controlling party

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



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# NOTES TO THE FINANCIAL STATEMENTS

continued

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## 21. Loss per share

	<b>Basic and diluted 2016</b>	Basic and diluted (rebased) 2015	Basic and diluted 2015
Loss £	<b>(11,901,831)</b>	(5,435,780)	(5,435,780)
Weighted average number of shares	<b>101,194,640</b>	164,817,806	1,522,219
Loss per share (£)	<b>(0.12)</b>	(0.03)	(3.57)

During the year the Company issued bonus shares prior to its admission to the Alternative Investment Market (AIM) on a 108.2747 for 1 basis. Rebased loss per share reflects the effect of the bonus issue and the additional equity raised as part of the admission to AIM and is provided in the interests of further and better disclosure.

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



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