RNS Final Results

Final Results to 31 January 2020

ONTHEMARKET PLC

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OnTheMarket plc

("OnTheMarket", the "Company" or the "Group")

FULL-YEAR RESULTS TO 31 JANUARY 2020

Strong operational progress positions the Company to capitalise on long-term growth opportunities

OnTheMarket plc (AIM: OTMP), the majority agent-owned company which operates the OnTheMarket.com property portal, today announces its audited results for the year ended 31 January 2020.

Highlights of the year

Year ended 31 January	**2020**	**2019**	**Change**
Group revenue	£18.8m	£14.2m	32%
Adjusted EBITDA[1]	£(7.1)m	£(11.7)m	£4.6m
Loss after tax	£(11.5)m	£(14.5)m	£3.0m
Period-end net cash	£8.7m	£15.7m	£(7.0)m
ARPA[2]	£122	£130	£(8)
Average branches listed	12,497	9,460	32%
Total advertisers[3] at 31 Jan	13,364	11,946	12%
Traffic/visits[4]	237m	159m	49%
Average monthly leads per advertiser	96	55	75%

- **Leveraging unique agent-ownership model**
  - c.65% agent-owned, with over 3,000 agent shareholders operating c.6,000 branches at 31 January 2020.
  - Over 8,000 branches under paying contracts[5] at 31 January 2020.
- **Progress with product roadmap, driven by technology**
  - Successful rollout of suite of back-office products and new value-add consumer-facing products in addition to launch of new homes developments to address wider property market.
  - Strategic 20% stake acquisition in Glanty Limited with "teclet" product supporting agents by automating the lettings process.

Strategic and operational highlights post year-end

- **At 31 May 2020, total advertisers were 13,605 and agent ownership remained c.65%**
  - Continued growth in paying customers, with over 9,000 branches under paying contracts[5].
  - Shares to be issued alongside new contracts signed will further increase agent shareholder numbers.
- **Measures taken to mitigate impact of COVID-19 and ensure ongoing support for agents**
  - Protecting the health and jobs of staff through home working and selective use of the Coronavirus Job Retention Scheme.
  - Actions taken to conserve cash and protect the business, including a 33% listing fee discount for full-tariff paying customer invoices issued in the three months starting April 2020.
- **Net cash position**

- As at 31 May 2020, the Group had net cash of £8.8m, and, excluding deferred creditor payments of £2.3m, no borrowings.

- **COVID-19 impact and current trading**
  - Trading in February and the first half of March was in line with the Group's expectations.
  - However, the COVID-19 pandemic and subsequent government restrictions had an immediate impact on the ability of our customers to run their business, with transactions largely suspended.
  - Since the partial relaxation of restrictions on 11 May, the Group has seen strong increases in weekly new instructions, traffic and leads against the previously subdued levels. This is despite a substantial reduction in advertising expenditure.
  - In the first week of June, OnTheMarket.com visits were up 260% compared with the trough experienced during lockdown and up c.15% versus the first week in March, which was before the impact of the COVID-19 crisis on the housing market.
  - New instructions have recovered to early March levels, whilst stock levels are up as the backlog of transactions takes time to complete.
- **Outlook**
  - Due to the continuing economic uncertainty, financial guidance remains suspended.
  - In the short-term, revenues will be reduced by the support we are providing our customers through the discounts we have offered them. Furthermore, the pandemic has impacted our customer recruitment and slowed the ongoing conversion of customers onto paying contracts.
  - However, the recent uplift in activity, which reflects increased brand awareness, is encouraging and we remain confident that we have the right strategy to support our longer-term vision to become the portal of choice for agent customers and property-seekers alike.

Clive Beattie, Acting Chief Executive Officer of OnTheMarket, commented:

"Since our financial year end, the emergence of COVID-19 has affected all of us and I have great admiration for the exceptional resilience and dedication of my colleagues during these challenging times. We have taken swift and decisive actions to protect the health and safety of our team, to conserve cash and to support agents so that OnTheMarket is positioned to capitalise in the future on long-term growth opportunities.

"The year to 31 January 2020 saw the Group deliver a strong operational performance, which was particularly encouraging given the challenging property market conditions. It was a year of progress during which we continued to invest in marketing and advertising to raise our brand awareness. We increased our paying agent base, broadened our customer markets with the introduction of new homes developers and achieved significant growth in portal visitors and in leads to our property advertiser customers.

"The current crisis has been a catalyst for many agents to review their portal choices and the value they derive from them. We have been encouraged by our performance since 11 May, which we believe reflects increased consumer awareness of, and engagement with, OnTheMarket.com. Being majority agent-owned, our interests and those of our agent customers are one and the same and there remains a clear long-term opportunity for OnTheMarket to gain market share. We look forward with confidence and a differentiated proposition that is highly valued by agents looking for sustainably fair pricing."

1) *Adjusted EBITDA is defined as operating loss before finance costs, taxation, depreciation, amortisation, share-based payments, specific professional fees and non-recurring items.*
2) *Average revenue per property advertiser, being revenues due from property advertisers for a period divided by the average number of property advertisers for that period. ARPA presented herein is the average of the monthly ARPAs for the year.*
3) *Total advertisers are defined as the aggregate of estate and lettings agent branches and new homes developments listed at OnTheMarket.com.*
4) *Visits comprise individual sessions on OnTheMarket.com's web based portal or mobile applications by users for the period indicated as measured by Google Analytics.*
5) *A minority of paying contracts include an initial free period before payment commences.*

ENDS

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Background on OnTheMarket:

OnTheMarket plc, the majority agent-owned company which operates the OnTheMarket.com property portal, is a leading UK residential property portal provider.

Its objective is to create value for shareholders and property advertiser customers by delivering an agent-backed, technology enabled portal - offering a first-class service to agents and new homes developers at sustainably fair prices and becoming the go-to portal for serious property-seekers.

With over 3,000 estate and lettings agent shareholders, operating c.6,000 offices, OnTheMarket provides a unique opportunity for agents to participate in the equity value of their own portal. Agent backing and support enable OnTheMarket to display "New & exclusive" properties to serious property-seekers 24 hours or more before agents release these properties to other portals.

Chairman's Statement

I am pleased to report OnTheMarket's full year results to 31 January 2020.

The year presented a number of challenges as agents faced lower than usual transaction volumes, reduced lettings fee income, concerns over a possible recession and the uncertainty over Brexit and the UK political landscape.

A key strategic objective for the year was to convert agents who had previously joined us on introductory free of charge contracts onto full-tariff paying contracts and as shareholders in the Company. Given the market backdrop, this proved more difficult to achieve and the Group had to adapt its offers accordingly. Nevertheless, at 31 January 2020 the Group had:

- 12,470 agent offices listed at OnTheMarket.com;
- over 8,000 agent offices under paying contracts;
- c.65% of its shares under agent ownership; and
- over 3,000 shareholder agent firms operating c.6,000 agent offices.

In addition, in September 2019 we broadened our advertiser markets with the launch of new homes developments. At 31 January 2020 we had 894 developments listed, including those of leading developers such as Barratt Developments PLC and Persimmon Plc.

This progress saw us increase our annual revenues by 32% to £18.8m.

In late December 2019, in line with our vision to provide additional products and services to agents, we made a strategic investment in Glanty Limited. Its initial product, "teclet", an automated online lettings platform for agents, is at the early stages of rollout but has been very well received by early adopters.

Following the UK general election in December 2019 and the UK's withdrawal from the EU on 31 January 2020, underlying markets were showing signs of improvement that we believed would offer the platform for the next stage in the Group's development. However, the property market, like many other industries, has been faced with considerable challenges since the year-end, as a result of the COVID-19 pandemic.

Governance

After the period end, we made changes to the Board that we believe will best enable us to continue our progress as a strong, agent-backed, profitable and technology-enabled business.

On 9 March 2020, the Group announced that Ian Springett, Chief Executive Officer, had left the business. The Board believed the time was right to appoint a new Chief Executive Officer to oversee the next stage in the development of the Group. The Board would like to extend its thanks to Ian for his contribution to OnTheMarket's admission to AIM and its growth over the past few years.

Chief Financial Officer Clive Beattie agreed to take on the additional role of Acting Chief Executive Officer while the Board conducted a formal process to appoint a permanent Chief Executive Officer. This process is ongoing, having been impacted by the restrictions on movements imposed in response to COVID-19. I would like to record my thanks to Clive for taking on this role and for all he has achieved to date under exceptionally challenging circumstances.

I am also delighted to report that on 27 February 2020 Rupert Sebag-Montefiore joined as an independent Non-Executive Director and Chairman of the Remuneration Committee. Rupert has substantial agency experience, including over 20 years in board roles at Savills. Rupert brings a deep understanding of the property market and an invaluable insight into the perspective of estate agents and housebuilders.

COVID-19

In March 2020, the reality of COVID-19 and the implications for individuals, businesses and the economy began to be felt. First and foremost, our deepest sympathy goes out to those who have lost loved ones. Although it pales in comparison, the implications for the financial welfare of individuals and businesses is yet to be fully understood. Our thoughts are with all those suffering on account of the crisis.

As a Company, OnTheMarket took several measures to support our staff, to assist our agent customers and to safeguard our business. Whilst the property market has started to reopen, we are continuously monitoring the situation to be able to respond to any changing circumstances.

I am proud of the commitment, professionalism and support that my colleagues have shown in what have been extraordinarily difficult circumstances.

I would again like to thank all of them, as well as our shareholders, customers and suppliers for their continued hard work and support.

Christopher Bell - **Non-Executive Chairman**

Acting Chief Executive Officer's Report

It has been difficult to review the past year when life has changed so quickly and so fundamentally due to COVID-19. Nevertheless, the year to 31 January 2020 was another year of operational progress by OnTheMarket, in what were challenging market conditions. I report on these matters below before returning to the current crisis and its implications.

We have met or exceeded our expectations on operational KPIs for listing property advertisers, consumer traffic and leads to our customers. It is particularly pleasing that we have achieved this with lower-than-planned cash burn. January 2020 saw the year ending very well, with record numbers for all three metrics.

However, as we announced in September 2019, due to market conditions, conversions of agents from short-term introductory free trial arrangements to long-term full-tariff paying contracts have been at a slower rate than originally planned. Further details are provided later in this report.

OnTheMarket.com is now firmly established as a market-leading portal. At 31 May 2020, we had 13,605 estate and letting agent branches and new homes developments listed at OnTheMarket.com. However, there remains significant potential for market share growth. We will look to capitalise on that opportunity through our majority agent ownership and commitment to sustainably low listing fees, aligned to first-class service to customers and consumers, which provides a differentiated proposition.

Leveraging our unique agent-ownership business model

Agents are the lifeblood of all property portals, providing not only most of their income but also their essential and most valuable content - the property listings. As a portal founded as a mutual by and for agents, alignment with agents' objectives remains at the centre of our proposition.

OnTheMarket provides a unique opportunity for agents to participate in the equity value of their own portal. At 31 May 2020, the Company remained c. 65% agent-owned, with over 3,000 estate and lettings agent shareholders operating c.6,000 offices.

The Group also has authority remaining to issue a further 32 million shares to recruit new property advertisers on paying contracts.

Shares issued to agents are typically subject to lock-in arrangements to ensure that new shareholders' interests are closely aligned with those of all other agent and financial investors and with the long-term success of the Group.

Traffic, leads and consumer engagement

During the year, the Group continued to deploy significant funds to multi-channel marketing. In addition to paid search and other digital marketing, we ran national TV, radio and poster advertising. An increasing number of visits and leads are generated by "free" activity, such as email marketing and organic search activity.

A key theme of our advertising is the "New & exclusive" properties which many of our agents choose to list at OnTheMarket.com in advance of listing them on Rightmove or Zoopla. This proposition holds a significant appeal to active property-seeking consumers, who are our priority target audience, as they in turn provide our customers with the highest quality leads.

Traffic for the year to 31 January 2020 was up 49% to 237m web and mobile visits (FY19: 159m), including a record month of over 30m in January 2020.

This achievement helped deliver a record number of leads to our agent and new homes developer customers. Average monthly leads per advertiser were up 75% to 96 in the year (FY19: 55). Total leads in January 2020 were up 52% on January 2019, with average leads per advertiser at 126.

We have also invested in continuously improving the quality of the user experience on the portal and consumer engagement has continued to grow. As an indicator of property-seeker engagement, in January 2020 OnTheMarket sent over 140 million instant property alert emails to its registered users.

In June 2018, 4 months after our Admission to AIM, a YouGov survey of all adults recorded our prompted brand awareness at 19%. Amongst active property-seekers (those surveyed who had moved within the prior 5 months or who were actively looking to move), our prompted brand awareness was 27%. Following our marketing activities, in January 2020 our prompted brand awareness had jumped to 40% for all adults and to 49% for active "in market" property-seekers.

Since 2018, OnTheMarket has had a listing agreement with Facebook Marketplace whereby all our customers can have their sales and rental properties promoted on Facebook Marketplace at no additional cost. Along with our Country Life partnership, this integration is another way in which we are increasing the exposure of our customers' properties and generating enquiries from "in market" property-seekers.

Conversions and paying agents

Continued growth in paying agent branches on OnTheMarket.com remains a priority and is key to our future strategy and success.

A specific priority in 2019/2020 was to convert agents who had been on free or discounted short-term introductory contracts to full-tariff and share-based contracts.

During the year, agents and consumers alike faced many well-documented headwinds, not least concerns over Brexit, the economy and the political landscape. This uncertainty made it much more challenging than anticipated to convert agents onto full-tariff contracts and we introduced a number of initiatives to support agents, including a pricing pledge not to increase full-tariff fees in 2020 and a new range of shorter-term, lower cost contracts.

At 31 January 2020, 12,470 branches were listed at OnTheMarket.com. Over 8,000 branches were signed under paying contracts (including a minority on contracts with an initial free period before payment commences). This had increased further to over 9,000 at 31 May 2020.

New homes and non-property advertisers

A key element of the Company's stated growth strategy has been to address the wider property market, focusing initially on the new homes developer segment. We have built a dedicated sales team and have made strong and encouraging progress.

In September 2019, we announced that we had signed a portal listing and additional advertising products agreement with Barratt Developments PLC, Britain's largest housebuilder. During the year, further agreements were signed with other housebuilders, including Persimmon Plc and Countryside Properties PLC.

At 31 January 2020, 894 developments were being displayed at OnTheMarket. This had increased to 1,258 by 31 May 2020.

We have also introduced to non-property advertisers the opportunity to promote themselves and their products and services to our very large and growing audience of active and engaged property-seekers. The first sales to such advertisers took place late in the year, although this is not as yet a material contributor to Group revenues.

Product development

In March 2019 we launched the first release of our "Market Appraisal Guide" to support agents with intelligence and branded materials for appraisal meetings with clients. Accessible via OnTheMarket Expert, the service has been well received by our customers.

Our Market Appraisal Guide was followed in September 2019 by the launch of our new sales and lettings market intelligence suite, Market Intel, also available within OnTheMarket Expert at no additional cost. The new and enhanced dashboard calculates competitor rankings, displays market share performance by "patch" (location), property type or value and makes it easy for our customers to see how their properties are performing, as well as checking phone and email leads.

OnTheMarket also started to sell new value-adding products to enable customers to boost the visibility of their brand and their listings. These products, including enhanced "Spotlight property" presentation and local area banners on our portal and property alerts, are bought separately from the contractual listing fee.

As previously stated, the Group has continued to evaluate opportunities to acquire or partner with businesses, particularly in the area of property technology, which can offer solutions to current business problems faced by its customers.

In December 2019 we announced that OnTheMarket had made a strategic investment for a 20% share in Glanty Ltd ("Glanty"), the owner and developer of 'teclet', an automated portal for the lettings industry, designed to reduce overheads and maximise efficiencies for lettings agents. OnTheMarket also agreed an option to acquire the remaining 80% of Glanty. OnTheMarket intends to work with Glanty with a view to offering 'teclet' and potentially further technology solutions to its customers.

Litigation update

Following the judgement in the Group's favour issued by the Competition Appeal Tribunal at the Court of Appeal in January 2019, the Group received payment in July 2019 of a further £1.1m in respect of cost recoveries relating to the litigation between Agents' Mutual and Gascoigne Halman and Connells Limited.

I am pleased to report that in March 2020 we announced that an out of court settlement had been concluded between Agents' Mutual and Gascoigne Halman and Connells Limited. The agreement, the terms of which are confidential, ends all litigation proceedings between the parties.

Post period end developments

The UK agency market was under considerable pressure during much of the year to 31 January 2020 from the uncertainty caused by a number of economic and political factors.

However, the housing market responded positively with a so-called "Boris Bounce" to the result of UK general election in December 2019 and to the removal of some of the Brexit uncertainty with the UK's exit from the EU on 31 January 2020.

Trading in February and the first half of March was in line with the Group's expectations. However, the COVID-19 pandemic and the government's self-isolation and social distancing restrictions had an immediate and substantial impact on the ability of estate and lettings agents to run their business. During the lockdown, transactions in the property market were largely suspended.

To mitigate the impact, the Company announced a series of measures to provide value and support to agents, to safeguard jobs within the Group and to conserve cash. These measures included:

- a 33% discount of fees to agents for 3 months from April 2020. This reduces the cash flow pressure facing agents and is being given to all OnTheMarket agent customers on full-tariff listing agreements;
- selective furloughing of staff under the Coronavirus Job Retention Scheme, whilst maintaining the Company's core operational service levels, sales and IT capacity;
- a voluntary waiver of 20% of remuneration for 3 months by the Board, the executive management and the majority of other employees who continued to work remotely;
- a reduction in temporary and sub-contracted IT workers;
- the curtailment of discretionary marketing; and
- agreements with trade creditors and with HMRC to defer payments due.

The measures the Group took were designed to allow revenues to cover ongoing costs, whilst rescheduling certain creditor payments to conserve cash in the short-term so as to enable the Group to provide its agent support measures.

In the short-term, revenues will be reduced by the discount the Group offered to its paying, full-tariff customers. In addition, the impact of the crisis on our customers and potential customers has understandably curtailed customer recruitment and slowed the ongoing conversion of customers onto paying contracts.

The objective of the mitigating actions was to conserve cash, through managing future expenditure commitments to be lower than anticipated revenues, until there was greater clarity on the full impact of COVID-19. These actions seek to position the Group to be able to invest once more in business growth once underlying property markets recover.

Cash position

As at 31 May 2020, the Group had cash of £8.8m and, excluding deferred creditor payments of £2.3m, no borrowings. The Directors have prepared and reviewed cash forecasts and projections for the Group for the next 12 months in light of the potential ramifications for Group revenues due to the COVID-19 crisis, among other factors. They have also conducted sensitivity analyses and considered scenarios where the impact on future revenues is more significant and more sustained than currently experienced or anticipated, together with the mitigating actions they may take in such circumstances.

Based upon these analyses, the Directors have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future.

Outlook

The impact of COVID-19 has given rise to a challenging operating environment for our customers and for ourselves. We acted quickly and decisively to ensure the safety and wellbeing of our colleagues. We have also taken measures we believe are necessary to weather the immediate crisis and to position us to come through ready to deliver a market-leading, fairly priced portal for the benefit of our customers and shareholders.

As a result of the ongoing uncertainty, it remains too early to give guidance on the full potential impact of COVID-19 on the Group. Whilst the government has relaxed restrictions to allow property transactions to complete, it is too early to assess the full impact of changes in consumer behaviour. Our financial guidance therefore remains suspended until greater clarity exists.

For property portals, agents provide the core content required for success. Notwithstanding the current uncertainties, we believe the property market will recover, as demand for houses continues to outstrip supply. As it does, with our differentiated proposition through majority agent ownership, and with the continued support of agents, we believe we are well placed to enjoy growth and to deliver long-term value to all our shareholders, agents and financial investors.

One constant during the current crisis has been the dedication, professionalism and commitment of my colleagues. I am especially grateful to them for the support they have given to the Company and to me during these times of unprecedented challenges. It is a privilege to make this report on their behalf and their talent and attitude bode extremely well for the future of the Group.

Clive Beattie - **Acting Chief Executive Officer**

Financial Review and Key Performance Indicators

During the year ended 31 January 2020 the Group's primary focus was on converting to paying contracts those agents who joined initially under free, short-term introductory trial offers. In the second half, the Group also began listing the properties and development sites of housebuilders, a key customer target market.

As a result, we saw an increase in revenues and an increase in advertisers listing at OnTheMarket.com.

The Group delivered revenue of £18.8m in the year ended 31 January 2020, a 32% increase (2019: £14.2m), and an adjusted operating loss of £9.2m (2019: £13.6m).

At 31 January 2020, the Group had net cash of £8.7m (2019: £15.7m). It had £8.8m of net cash at 31 May 2020 and, excluding deferred creditor payments of £2.3m, no borrowings.

The reported operating loss of the Group was £11.7m (2019: £14.5m) and is further analysed as follows:

	2020	2019
	£'000	£'000
Reconciliation of operating loss to adjusted operating loss:		
Operating loss	(11,688)	(14,544)
Adjustments for:		
Share-based management incentives (note 11)	355	(257)
Professional fees (note 5)	1,233	597
Share-based agent recruitment charges (note 5)	921	565
Adjusted operating loss	(9,179)	(13,639)

The loss per share in the year was 17.99p (2019: 24.02p).

Group operational KPIs were as follows:

- average monthly ARPA £122 (2019: £130);
- average branches listing during the year 12,497 (2019: 9,460);
- total visits 237.0m (2019: 158.9m); and
- total advertisers (estate and letting agent branches and new homes developments) at 31 January 2020 were 13,364 (12,470 and 894 respectively) (2019: 11,946 and nil respectively)

The Group's financial performance is presented in the Consolidated Income Statement below. The loss for the year attributable to the owners of the Group was £11.5m (2019: £14.5m).

Administrative expenses in 2020 were £28.0m (2019: £27.8m), consisting primarily of staff costs and marketing expenditure. Marketing expenditure was £12.0m (2019: £14.9m), whilst staff costs (including temporary workers and consultants) increased to £11.9m (2019: £8.8m).

Professional fees of £1.3m (net of costs of £1.1m awarded) were incurred in the year (2019: £0.6m net of costs of £0.2m awarded), predominantly in relation to the litigation with Gascoigne Halman Limited (see note 5).

An agent recruitment charge of £0.9m (2019: £0.6m) was incurred in relation to share-based charges arising on the issue of shares to certain new and existing agents following them having earlier signed new long-term listing agreements to advertise all of their UK residential sales and letting properties at OnTheMarket.com.

During the year there arose a non-cash charge of £0.4m in relation to share option awards made to employees (2019: non-cash credit of £0.3m). Further details on options awarded, exercised and forfeited are set out in note 11.

Receivables increased to £6.1m as at 31 January 2020 (2019: £3.3m), mainly as a result of prepayments recognised for agent shares issued. Details on the accounting treatment are set out in note 2.8.

Trade and other payables as at the year-end increased to £6.8m (2019: £4.7m) mainly as a result of an increase in listing fees billed in advance, an increase in trade payables, including payables resulting from work related to the now settled litigation, and the deferred consideration due following the Company's investment in Glanty Limited.

In December 2019, the Group made an investment of £1.0m (including capitalised costs of acquisition) for a 20% share in Glanty Limited, the owner and developer of an automated portal for the lettings industry called "teclet". This has been recognised as an investment in an associate (see note 10). The arrangements also give the Group a call option to acquire the remaining 80% which expires on 23 March 2021, as well as a put option to sell the 20% to an existing shareholder in Glanty Limited for £0.8m.

Alongside the investment, the Group raised £3.4m gross by way of a placing of new ordinary shares to investors.

Intangible assets increased to £4.7m (2019: £3.9m), due to the capitalisation of staff and consultant costs incurred in the ongoing development of OnTheMarket.com.

Following the implementation of IFRS 16, the Group recognised a right-of-use asset of £0.4m (2019: £nil) in relation to its leased motor vehicles. A depreciation charge of £0.2m (2019: £nil) was recognised in the income statement for FY20 (see notes 2.4 and 8).

At the end of the year, the Statement of Financial Position showed total assets of £21.0m (2019: £23.0m) and total equity of £13.0m (2019: £17.3m).

During the year the Group had a number of customers who continued not to pay their contractually committed listing fees, the majority under contracts that expired on 25 January 2020. The majority of these had chosen to breach the One Other Portal rule in their listing agreements and their properties were removed from the portal some time ago. Under IFRS 15 these amounts are not recognised as revenues. The Company continues to engage with these customers and to seek either payment of fees outstanding or to reach a compromise position such that historic debts are held in abeyance and potentially waived in the future in return for entering, and honouring, a new long-term listing agreement with the Company. As at 31 January 2020, net unrecovered cash amounted to approximately £5.2m (2019: £6.8m).

Consolidated Income Statement: year ended 31 January 2020

	Notes	2020	2019

		£'000	**£'000**
Revenue		18,810	14,172
Administrative expenses	**4**	(27,989)	(27,811)
Operating loss before specific professional fees, share-based payments and non-recurring items		(9,179)	(13,639)
Specific professional fees, share-based payments and non-recurring items:			
Share-based management incentive	**11**	(355)	257
Professional fees net of compensation received	**5**	(1,233)	(597)
Share-based agent recruitment charges	**5**	(921)	(565)
Operating loss		(11,688)	(14,544)
Finance income		45	85
Finance expense		(16)	(35)
Loss before income tax		(11,659)	(14,494)
Income tax		192	(6)
Loss and total comprehensive income for the year attributable to owners of the parent		(11,467)	(14,500)

Loss per share from continuing operations		**Pence**	**Pence**
Basic and diluted	**7**	(17.99)	(24.02)

The operating loss arises from the Group's continuing operations.

There is no recognised income or expense for the year other than the loss shown above and therefore no separate statement of other comprehensive income has been presented.

Consolidated Statement of Financial Position: at 31 January 2020

	Notes	**2020**	**2019**
		£'000	**£'000**
ASSETS			
Non-current assets			
Property, plant and equipment		127	130
Right-of-use assets	**8**	373	-
Intangible assets	**9**	4,697	3,948
Investments in associates	**10**	985	-
		6,182	4,078
Current assets			
Trade and other receivables		6,113	3,286
Cash and cash equivalents		8,685	15,673
		14,798	18,959
TOTAL ASSETS		20,980	23,037
LIABILITIES			
Current liabilities			
Trade and other payables		(6,814)	(4,730)
Lease liabilities	**8**	(200)	-
Provisions		(707)	(776)
Current tax		(7)	(6)
		(7,728)	(5,512)
Non-current liabilities			

	Note		
Lease liabilities	**8**	(110)	-
Provisions		(101)	(233)
		(211)	(233)
TOTAL LIABILITIES		(7,939)	(5,745)
NET ASSETS		13,041	17,292
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	**12**	140	123
Share premium		46,814	40,698
Merger reserve		(71)	(71)
Other reserve		701	111
Retained earnings		(34,543)	(23,569)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		13,041	17,292

Consolidated Statement of Changes in Equity: year ended 31 January 2020

	Share capital £'000	**Share premium £'000**	**Share-based payment £'000**	**Other reserves £'000**	**Merger reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
At 1 February 2018	71	-	**-**	(252)	(71)	(9,413)	(9,665)
Loss for the financial period	-	-	-	-	-	(14,500)	(14,500)
Total comprehensive expense for the period	-	-	-	-	-	(14,500)	(14,500)
Transactions with owners:							
Shares issued for placing	36	29,964	-	-	-	-	30,000
Shares issued for agent recruitment shares	2	1,895	-	-	-	-	1,897
Shares issued to extinguish loan notes	14	10,905	-	-	-	-	10,919
Legal and professional fees on placing shares issued	-	(1,814)	-	-	-	-	(1,814)
Transfer to share premium	-	(252)	-	252	-	-	-
Agent recruitment share-based payment	-	-	-	111	-	-	111
Share-based payment charge on employee options	-	-	344	-	-	-	344
Transfer to retained earnings	-	-	(344)	-	-	344	-
At 31 January 2019	123	40,698	-	111	(71)	(23,569)	17,292
At 1 February 2019	123	40,698	-	111	(71)	(23,569)	17,292
Loss for the financial period	-	-	-	-	-	(11,467)	(11,467)
Total comprehensive expense for the period	-	-	-	-	-	(11,467)	(11,467)
Transactions with owners:							
Shares issued for placing	10	3,390	-	-	-	-	3,400
Shares issued for agent recruitment shares	6	2,912	-	590	-	-	3,508
Shares issued for employee share options	1	-	-	-	-	-	1
Legal and professional fees on placing shares issued		(186)	-	-	-	-	(186)
Share-based payment charge on employee options	-	-	493	-	-	-	493

Transfer to retained earnings	-	-	(493)	-	-	493	-
At 31 January 2020	140	46,814	-	701	(71)	(34,543)	13,041

Share capital
Share capital represents the par value of ordinary shares issued by the Company.

Share premium
Share premium represents the difference between the issue price and the par value of ordinary shares issued by the Company.

Share-based payment reserve
Share-based payment reserve represents the cumulative share-based payment expense for the Group's share option schemes.

Other reserves
Other reserves represent costs incurred for shares issued in the placing on Admission and the issue of agent recruitment shares.

Retained earnings
Retained earnings represent the cumulative profit and loss net of distributions to owners.

Merger reserve
Merger reserve represents the difference between the cost of the investment in a subsidiary undertaking and the equity of that subsidiary acquired, on consolidation.

Consolidated Statement of Cash Flows: year ended 31 January 2020

	2020	**2019**
	£'000	**£'000**
Cash flows from operating activities		
Loss for the year after income tax	(11,467)	(14,500)
Adjustments for:		
Income tax	(192)	6
Finance income	(45)	(85)
Finance expense	16	35
Amortisation	1,856	1,856
Depreciation	273	33
Agent recruitment expense	921	342
(Profit)/loss on disposal of FA	-	(9)
Share-based payment	493	344
Operating cash flows before movements in working capital	(8,145)	(11,978)
Decrease in trade and other receivables	(343)	(1,224)
Increase in trade and other payables	1,517	1,591
Decrease in provisions	(201)	(601)
Tax (received)/paid	193	(22)
Net cash used in operating activities	(6,979)	(12,234)
Cash flows from investing activities		
Finance income received	45	85
Acquisition of intangible assets	(2,605)	(2,150)
Acquisition of tangible assets	(37)	(155)
Acquisition of associate	(418)	-
Disposal of property, plant & equipment	-	19
Net cash used in investing activities	(3,015)	(2,201)
Cash flows from financing activities		
Finance expense paid	(8)	(35)
Proceeds from issue of shares	3,400	30,000
Repayment of lease liabilities	(200)	-
Repayment of borrowings	-	(1,217)
Expenses incurred for share listing	(186)	(1,814)
Net cash generated from financing activities	3,006	26,934
Net movement in cash and cash equivalents	(6,988)	12,499
Cash and cash equivalents at the beginning of the year	15,673	3,174
Cash and cash equivalents at the end of the year	8,685	15,673

Cash and cash equivalents
For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand. This is consistent with the presentation in the Statement of Financial Position.

Selected notes to the Consolidated Financial Statements: year ended 31 January 2020

1. General information

The principal activity of the Company is that of a holding company. The principal activity for the Group continued to be that of providing online property portal services to businesses in the estate and lettings agency industry under the trading name of OnTheMarket.com.

The Company is a public company limited by shares and it is incorporated and domiciled in the UK. The address of its registered office is PO Box 450, 155-157 High Street, Aldershot, GU11 9FZ.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. They have, unless otherwise stated, been applied consistently to all periods presented.

2.1. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 January 2020, but is derived from those accounts. Statutory accounts for 31 January 2019 have been delivered to the Registrar of Companies and those for 31 January 2020 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

While the financial information included in this results announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"s), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in June 2019.

Measurement bases
The consolidated financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and management judgements in applying the accounting policies. The significant estimates and judgements that have been made and their effects are disclosed in note 3.

2.2. Basis of consolidation

The consolidated financial statements incorporate those of OnTheMarket plc and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). These are adjusted, where appropriate, to conform to Group accounting policies.

All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.3. Going concern

The Group made a loss after tax for the year of £11.5m (2019: £14.5m) and as at 31 January 2020 the Group had a net cash balance of £8.7m (2019: £15.7m). At 31 May 2020, the Group had a net cash balance of £8.8m and, excluding deferred creditor payments of £2.3m, no borrowings.

In March 2020, the Group took actions to reduce costs and conserve cash in light of the actual and anticipated impact of the coronavirus crisis. Short-term revenues were reduced by a discount the Group offered to its paying, full-tariff customers. Further details on this and the corresponding actions taken to reduce costs are set out in the Acting Chief Executive Officer's Report. The objective of those actions was to conserve cash through managing future expenditure commitments to be lower than anticipated revenues, until there was greater clarity on the full impact of COVID-19. Cash management has to date met internal expectations.

The Directors have prepared and reviewed cash forecasts and projections for the Group for the next 12 months in light of the potential ramifications for Group revenues due to the COVID-19 crisis, among other factors. They have also conducted sensitivity analyses and considered scenarios where the impact on future revenues is more significant and more sustained than currently experienced or anticipated, together with the mitigating actions they may take in such circumstances, such as a reduction in budgeted discretionary expenditure, a significant proportion of which relates to advertising and marketing cost that can be reduced materially at short notice.

Based upon these projections and analyses the Directors have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future and to be able to meet its debts as and when they fall due.

In the light of this, the Directors consider the going concern basis to be appropriate to the preparation of these financial statements.

2.4. Adoption of new and revised standards and interpretations

Application of new and amended standards

For the preparation of these consolidated financial statements, the following new or amended standards are mandatory for the first time for the financial year beginning 1 February 2019.

- Annual Improvements to IFRS standards 2015-2017 cycle was issued on 12 December 2017 and addresses the following amendments:
    - IFRS 3 "Business combinations" clarifies that an acquirer is to remeasure the fair value of previously held interests at acquisition date. The amendment is effective for annual periods beginning on or after 1 January 2019.
    - IFRS 11 "Joint arrangements" states that when a party subsequently obtains joint control, it must not remeasure its previously held interest. The amendment is effective for annual periods beginning on or after 1 January 2019.
    - IAS 12 "Income taxes" applies to income tax consequences of dividends recognised on or after the beginning of the earliest comparative period presented.
    - IAS 23 "Borrowing costs" clarifies that once a qualifying asset funded through specific borrowings becomes ready for its intended use or sale, the rate applied on those borrowings is included in the determination of the capitalisation rate applied to general borrowings.

  The amendments are effective for annual periods beginning on or after 1 January 2019. No changes have been made in respect of these amendments as they do not apply to the Group.

- IFRS 16, "Leases", is mandatory for annual reporting periods beginning on or after 1 January 2019. The Group has initially adopted IFRS 16, "Leases" from 1 February 2019, replacing the prior lease guidance including IAS 17.

  At inception, the Group assesses whether a contract contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset. Previously all of the Group's leases were accounted for as operating leases (see note 24 of the annual report and consolidated financial statements for the year ended 31 January 2019). Under IFRS 16 leases are accounted for on the right-of-use model. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments and discounted using a weighted average incremental borrowing rate of 2.5%.

  The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group has adopted the standard using the modified retrospective approach, with the right-of-use asset being equal to the lease liability at the point of original recognition, adjusted for prepaid or accrued lease payments immediately before the date of initial application. Therefore, the cumulative impact of the adoption is recognised in retained earnings as of 1 February 2019 and the comparatives are not restated. In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

    - the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
    - reliance on previous assessments on whether leases are onerous; and
    - the accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.

  IFRS 16 permits lessees to elect not to apply the recognition requirements to short-term leases and leases for which the underlying asset is of low value. The Group has elected not to recognise short-term leases of less than one year at inception and low value leases which will continue to be reflected in the income statement. This will be the ongoing policy adopted by the Group. There are no right-of-use assets or lease liabilities recognised for these leases and the expense is recognised in the income statement on a straight line basis. The following reconciliation to the opening balance for IFRS 16 lease liabilities as at 1 February 2019 is based upon the operating lease obligations at 31 January 2019:

Lease liabilities

	£'000
Operating lease obligations at 31 January 2019	1,010
Relief option for short-term leases	(532)
	478
Discounted using the incremental borrowing rate at 1 February 2019	(10)
Lease liabilities recognised at 1 February 2019	468

The cumulative financial impact of adopting the modified retrospective approach on the opening balances as at 1 February 2019 is as follows:

	At 1 February 2019 (under IAS 17) £'000	**IFRS 16 adjustment £'000**	**At 1 February 2019 (adjusted) £'000**
Non-current assets			
Right-of-use assets	-	573	573
Current assets			
Trade and other receivables	3,286	(105)	3,181
Current liabilities			

Lease liability	-	(186)	(186)
Non-current liabilities			
Lease liability	-	(282)	(282)

A depreciation charge under IFRS 16 of £233k was recognised in the income statement for the year to 31 January 2020, along with deemed interest of £8k. Depreciation on right-of-use assets is charged to the income statement over the period of the lease term.

Short-term leases of less than twelve months at inception and low value leases are charged to the income statement evenly over the life of the lease. In the year to 31 January 2020, charges of £719k relating to short period and low value leases were included in operating expenses.

2.5. Leases

Right-of-use assets
A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the group.

Payments for the right to use an underlying asset are payments for a lease, regardless of the timing of those payments which may be before the underlying asset is available for use by the lessee.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Lease vehicles - Straight line 3 years

Lease liabilities
On commencement of a contract (or part of a contract) which gives the group the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases - Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets - Leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial measurement of the lease liability
The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

Lease payments include fixed payments, less any lease incentives receivable, variable lease payments dependant on an index or a rate (such as those linked to LIBOR) and any residual value guarantees. Variable lease payments are initially measured using the index or rate when the leased asset is available for use.

Subsequent measurement of the lease liability
The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss.

Variable lease payments not included in the measurement of the lease liability as they are not dependent on an index or rate, are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

2.6. Intangible assets

In accordance with IAS 38, "Intangible Assets", expenditure incurred on research and development is distinguished as relating to a research phase or to a development phase.

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 development and enhancement of the online platform, OnTheMarket.com, and associated applications is recognised when the development has been deemed technically feasible, the Group has the intention to complete the development, probable future economic benefits will occur, the Group has the required funds to complete the development and when the Group has the ability to measure the expenditure on the development reliably.

The amount initially recognised for internally generated intangible assets is the sum of the directly attributable expenditure incurred from the date when the intangible asset first meets the recognition criteria defined above.

Capitalisation ceases when the asset is brought into use. Where no internally generated asset can be recognised, development expenditure is recognised in the income statement in the period in which it is incurred.

Subsequent to initial recognition, internally generated assets are reported at cost less accumulated amortisation and impairment losses. Amortisation is charged on a straight-line basis over 4 years from when the asset is first brought into use. The current intangible assets will be fully amortised in the next 1-4 years.

2.7. Investments in associates in the consolidated financial statements

Associates are entities over which the consolidated entity has significant influence but not control or joint control.

Investments in associates are accounted for using the equity method.

Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2.8. Share-based payments

Employee share schemes
The Group operates equity-settled share-based remuneration plans for its employees. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding increase to equity. If vesting periods or other vesting conditions apply, 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. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any adjustment to cumulative share-based compensation resulting from a revision is recognised in the current period.

The number of vested options ultimately exercised by holders does not impact the expense recorded in any period. Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal (or par) value of the shares issued with any excess being recorded as share premium.

The social security contributions payable in connection with the grant of the share options are considered an integral part of the grant itself and the charge will be treated as a cash-settled transaction.

Agent recruitment shares
The Group issues shares to key agents who commit to long-term listing agreements, in line with its strategy to grow the agent shareholder base. Shares are issued in return for payment of the nominal share value in cash and, in some cases, in return for share premium in non-cash consideration relating to the long-term listing agreements signed.

Upon contract commencement an agent recruitment share reserve is credited (shown within other reserves in the financial statements) and a prepayment created, based on the value of the shares, which is then amortised over the life of the contract. Upon the issue of shares to the agents, which predominantly takes place on a quarterly basis, the relevant amount of the balance recorded in other reserves is transferred to share capital and share premium, based on the market share price at the date of issue. The prepayment is adjusted to reflect any increase arising due to a higher share price at issue compared with contract commencement.

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions concerning the future which impact the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

Critical accounting judgements

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

Revenue recognition

A material number of customers have for some time been defaulting on the payment terms of their contracts. Management have made judgements as to whether there is any current intention to pay by these customers and, where there is judged not to be, the contract is deemed not to meet the contract recognition criteria under IFRS 15 and hence the amounts due are not included within revenues.

Investment in associate

The Group acquired 20% of the shares in Glanty Limited during the year. The terms and conditions of the arrangement include a call option for the Group to acquire the remaining 80% of shares in Glanty Limited. The Group therefore must consider whether the potential voting rights are substantive so that the Group has control of, and not just significant influence over, Glanty Limited. This will impact whether Glanty Limited is treated as a subsidiary or an associate.

In order to determine whether it has power over Glanty Limited, the Directors are required to consider potential voting rights that the Company holds and whether these rights are substantive, as these could give the Group and Company the current ability to direct the relevant activities of Glanty Limited.

The Directors consider that, despite the Group holding an option over the remaining 80% of the shares in Glanty Limited, these potential voting rights are not substantive and therefore the Directors do not consider that control has been achieved. This is because the time period for delivery of the remaining shares means that the Company cannot immediately direct the activities of Glanty Limited upon exercise of the option. On this basis, the investment in Glanty Limited has been classified as an investment in an associate.

Key sources of estimation uncertainty

Impairment of development costs

Development costs are recognised in respect of the online property portal. These costs are not considered to be impaired due to the ongoing economic benefit obtained from the portal. In determining that ongoing economic benefit and determining an estimate of net realisable value, management is required to make judgements about the ability to generate revenues and profits from the portal under existing contracts, many of which are long-term, as well as judgements about the growth of future revenues and profits from new paying agent customers.

4. Expenses by nature

Expenses are comprised of:

	2020 £'000	2019 £'000
Depreciation	273	33
Amortisation	1,856	1,856
Staff costs (note 6)	8,901	6,136
Operating lease expense - property	-	664
Operating lease expense - other	-	177
Short-term lease expenses	719	-
Advertising expenditure	11,985	14,905
Other administrative expenses	4,255	4,040
	27,989	27,811

5. Specific professional fees, share-based payments and non-recurring items

	2020 £'000	2019 £'000
Professional fees	2,290	797
Compensation	(1,057)	(200)
Agent recruitment charges	921	565
	2,154	1,162

Professional fees incurred were predominantly in relation to ongoing litigation. The costs relate to one off events that are not expected to be recurring and they have therefore been classified separately. Compensation received was in respect of ongoing litigation.

Agent recruitment charges relate to share-based charges arising on the issue of shares to agents in return for committing to long-term listing agreements, in line with the Group's strategy to grow the agent shareholder base.

6. Employees and Directors

Group	2020 £'000	2019 £'000
Staff costs (including Directors) comprise:		
Wages and salaries	9,076	6,727
Social security costs	1,148	824
Pension	132	63
	10,355	7,614

The amounts above include £1,454k (2019: £1,478k) of staff costs that have been capitalised to intangible assets.

	2020	2019
The average monthly number of persons employed by the Group during the year was:	Number	Number
Non-Executive Directors	2	2
Marketing, sales and administration	111	75
IT	33	31
	146	108

7. Earnings per share

Numerators: Earnings attributable to equity

	2020 £'000	2019 £'000
Loss for the year from continuing operations attributable to owners of the Company	(11,467)	(14,500)
Total basic earnings and diluted earnings	(11,467)	(14,500)

	No.	No.
Denominators: Weighted average number of equity shares		
Basic and diluted	63,742,852	60,371,132

As the Group made a loss for the year there is no dilutive effect. Instruments that would dilute earnings per share have not been included as these are anti-dilutive. See share options disclosed in note 11 for details of instruments.

8. Right-of-use assets and lease liabilities

The Group has lease contracts for motor vehicles.

IFRS 16, "Leases", is effective for annual periods beginning on or after 1 January 2019 and as such has been adopted by the Group this financial year.

The amounts presented in the financial statements are as follows:

Right-of-Use Assets

	Motor Vehicles £'000
At 1 February 2019	573
Additions	33
Depreciation charge	(233)
At 31 January 2020	**373**

Lease Liabilities

	Motor Vehicles £'000
At 1 February 2019	468
Lease additions	34
Interest expense	8
Lease payments	(200)
At 31 January 2020	**310**

Non-current lease liabilities amount to £110k and are all due between 1-5 years.

At year end, the Group had future short-term minimum lease payments under non-cancellable operating leases in respect of land and buildings amounting to £800k within one year and £136k between one and five years. In the year ended 31 January 2020, a charge of £719k was recognised in respect of short-term leases.

At 31 January 2020, the Group had £104k commitments within one year and £62k commitments between one and five years for leases that had not commenced at that date.

Note 2.4 shows the reconciliation of the opening balance for IFRS 16 lease liabilities as at 1 February 2019.

9. Intangible assets

Group	**Development costs £'000**
Cost:	
At 1 February 2018	6,600
Additions - internally developed	2,150
At 31 January 2019	8,750
Amortisation:	
At 1 February 2018	2,946
Charge for the year	1,856
At 31 January 2019	4,802
Net book value:	
At 31 January 2019	**3,948**
Cost:	
At 1 February 2019	8,750
Additions - internally developed	2,605
At 31 January 2020	11,355
Amortisation:	
At 1 February 2019	4,802
Charge for the year	1,856
At 31 January 2020	6,658
Net book value:	
At 31 January 2020	**4,697**

Amortisation is included within administrative expenses in the income statement.

The development costs relate to those costs incurred in relation to the development of the Group's online property portal, OnTheMarket.com. The development costs capitalised above are amortised over a period of 4 years which represents the period over which the Directors expect the Group to consume the asset's future economic benefits. The development costs are amortised from the point at which the asset is ready for use within the business.

10. Investments in associates

	£'000
Group and Company	
At 31 January 2019	-
Additions	985
At 31 January 2020	985

The Group and Company have the following investments in associated undertakings:

	Class of shares held	**Nature of business**	**Proportion of ownership interest**
Glanty Limited	Ordinary shares[1]	Property services	20%

[1]The Group and Company also hold an option to acquire the remaining 80%.

Glanty Limited is incorporated in the United Kingdom and its registered address is 4 Prince Albert Road, London, NW1 7SN.

No share of profit or loss from associate has been recognised on the basis the associate was not acquired until 21 December 2019 and the profit or loss from this date to 31 January 2020 is not material to the Group financial statements. At 31 December 2019, the date to which Glanty Limited's last accounts were drawn up, Glanty Limited had total assets of £3,107k and total liabilities of £2,150k.

Total consideration amounted to £797k, of which £230k formed the initial consideration and had been paid to 31 January 2020. £567k relates to deferred consideration and has been recognised in other payables. The total amount capitalised of £985k includes directly attributable legal costs of £188k.

As part of the agreement, OnTheMarket was granted a call option, under which it has the right, but not the obligation, to enter into a share purchase agreement to acquire the remaining shares in Glanty for an initial consideration of approximately £1,500k (payable in cash or shares at OnTheMarket's option), plus a revenue and EBITDA based earnout arrangement, alongside the repayment of approximately £1,400k of loans.

The call option is exercisable for a period of 15 months from 23 December 2019, ending on 23 March 2021. Should the call option lapse, OnTheMarket has a put option to sell its shares to an existing shareholder of Glanty for £797k. The same Glanty shareholder also has a call option to acquire OnTheMarket's shares for £797k in the event that the Company's call option lapses.

The Directors have not recognised the fair value of the call and put option in the balance sheet at 31 January 2020 on the basis the value ascribed to these is immaterial.

The associate's principal activity is that of property services, and its initial product "teclet" is designed to automate the lettings process and bring efficiency gains to agents, landlords and tenants. The acquisition is considered to be strategic to the Group's activities, because the associate's principal activities are the provision of value-added services to customers of the Group.

11. Share-based payments

Agent recruitment shares

The Group issued agent recruitment shares during the year. 3,258,567 ordinary shares were granted. Fair value was determined in accordance with the accounting policy set out in note 2.8. The weighted average fair value of shares granted was £1.05.

Management and employee share schemes

The Group operates management and employee equity settled share schemes. No options over its shares were awarded in the year to 31 January 2020.

The Company has granted share options under its Management Incentive Plan, its employee share scheme and its Company Share Option Plan. The unexercised options at the end of the year are stated below:

Grant date of option	Expiry	Option exercise per share £	Fair value £	2020 Number	2019 Number
Granted 15 September 2017	2027	nil	1.48	7,467,525	7,940,842
Granted 19 September 2017	2027	nil	1.48	491,137	512,953
Granted 10 October 2017	2027	nil	1.48	14,544	39,998
Granted 20 November 2018	2028	1.65	0.69	639,864	742,913
Granted 4 December 2018	2028	nil	1.13	42,424	42,424
Outstanding at 31 January				8,655,494	9,279,130

The value of employee services provided of £493k (2019: £344k) has been charged to the income statement.

Management Incentive Plan

Further details of the management incentive share option plan are as follows:

	2020 Number	Weighted average exercise price £
Opening at 1 February	7,789,327	-
Granted	-	-
Exercised	(473,317)	-
Outstanding at 31 January	7,316,010	-
Exercisable at 31 January	5,756,143	-

These share options expire 10 years after the date of grant and have a nil exercise price. 173,317 are exercisable on the second anniversary of admission of the Company to AIM (9 February 2020) and 1,386,549 are exercisable on the fifth anniversary (9 February 2023). The remaining 5,756,143 options are exercisable immediately, however any shares arising from exercise are subject to a restriction on sale such that shares deriving from up to 10% of the options are available to be sold after the first anniversary of admission of the

Company to AIM (9 February 2019), a further 10% after the second anniversary (9 February 2020) and the remainder after the fifth anniversary (9 February 2023). The fair value of all these options was charged to the profit and loss account in full in the year to 31 January 2018.

During the year 473,317 options were exercised. The weighted average share price at exercise was £0.995p.

Employee share scheme

Further details of the employee share option plan are as follows:

	2020 Number	Weighted average exercise price £
Opening at 1 February	746,890	
Forfeited in the period	(47,270)	-
Outstanding at 31 January	699,620	-
Exercisable at 31 January	-	-

These share options expire 10 years after the date of grant. Share options granted under this scheme have a nil exercise price and vest 3 years after the date of grant. The fair value of these share options is charged to the profit and loss account over the vesting period. The share options are forfeited should the employee leave.

Company Share Option Plan

Further details of the company share option plan are as follows:

	2020 Number	Weighted average exercise price £
Outstanding at 31 January	742,913	1.65
Forfeited in the period	(103,049)	1.65
Outstanding at 31 January	639,864	1.65
Exercisable at 31 January	-	-

These share options expire 10 years after the date of grant. Share options granted under this scheme have an exercise price of £1.65 and vest 3 years after the date of grant. The fair value of these share options is charged to the profit and loss account over the vesting period. The share options are forfeited should the employee leave.

National Insurance Contributions

National insurance contributions are payable by the Group in respect of all share-based payment schemes except the Company Share Option Plan. A provision has been recognised at 13.8%.

The following have been expensed (2019: recognised as income) in the consolidated income statement:

	2020 £'000	2019 £'000
Share-based payment charge	493	344
Employer's social security on share options	(138)	(601)
	355	(257)

12. Share capital

Share capital issued and fully paid	2020 No.	2019 No.
Opening Ordinary shares of £0.002 each	61,493,611	35,530,263
Issued in the year	8,589,027	25,963,348
Closing Ordinary shares of £0.002 each	70,082,638	61,493,611

	2020 £'000	2019 £'000
Ordinary shares of £0.002 each	140	123

All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per ordinary share at general meetings of the Company.

On incorporation, the Company issued 2 ordinary shares of £0.002 each at par.

By a resolution dated 22 December 2017 the Directors are authorised to issue up to 40,000,000 shares to estate agents in connection with such agents signing listing agreements with the Company or its subsidiaries. The Directors confirmed that at most they will issue 36,363,636 under this authority, which expires on 22 December 2022. As at 31 January 2020, 4,218,860 shares had been issued under this authority (2019: 960,293) leaving 32,144,776 shares authorised but unissued (2019: 35,403,343).

The Company issued 220,319 ordinary shares on 28 March 2019, 528,122 ordinary shares on 25 April 2019, 1,031,544 ordinary shares on 31 July 2019, 1,071,035 ordinary shares on 31 October 2019 and 407,547 ordinary shares on 31 January 2020 to certain new and existing agents following them having earlier signed new long-term listing agreements to advertise all of their UK residential sales and letting properties on OnTheMarket.com. These shares were granted for cash at nominal value and for additional non-cash consideration. The shares are accounted for as set out in note 2.8.

The Company issued 173,317 ordinary shares on 8 February 2019, 150,000 ordinary shares on 15 February 2019 and a further 150,000 ordinary shares on 28 March 2019, in each case following the exercise of options by employees.

The Company issued 4,857,143 ordinary shares on 30 December 2019 as part of a placing to fund its investment in its associate, Glanty Limited (note 10).

Share option scheme
At the year end, there were a total of 8,655,494 (2019: 9,279,130) share options under the Company's share option plans (note 11), which on exercise can be settled either by the issue of ordinary shares or by market purchases of existing shares.

13. Controlling parties

The Directors do not consider there to be a single immediate or ultimate controlling party.

14. Post balance sheet events

Board and management changes
On 27 February 2020 Rupert Sebag-Montefiore joined as an independent Non-Executive Director and Chairman of the Remuneration Committee.

On 9 March 2020, the Group announced the termination of employment of Ian Springett, Chief Executive Officer, with immediate effect. The Board believed a new CEO would be better able to oversee the next stage in the development of the Group and its commitment to becoming a strong, agent-backed, profitable and technology-enabled business.

Chief Financial Officer Clive Beattie agreed to take on the additional role of Acting Chief Executive Officer while the Board conducted a formal process to appoint a permanent Chief Executive Officer.

Litigation
In March 2020 the Group announced that an out of court settlement had been concluded between Agents' Mutual and Gascoigne Halman and Connells Limited. The agreement, the terms of which are confidential, ends all litigation proceedings between the parties.

COVID-19
The emergence of the COVID-19 crisis and the restrictions on movements imposed by the UK government in March 2020 had a substantial impact on the ability of the Group's customers to run their businesses.

In light of this, the Group announced a series of measures to provide value and support to agents, safeguard jobs within the Group and conserve cash. Further details can be found within the Post period end developments and Outlook sections of the Acting Chief Executive Officer's report.

Whilst the effects of the COVID-19 crisis had no impact on the assets and liabilities of the Group or Company at 31 January 2020, as a result of the ongoing uncertainty it is too early to give guidance on the potential impact of COVID-19 on the Group and Company in the current financial year.

Share issues
Since year end a further 174,879 ordinary shares have been issued to agents alongside listing agreements and 923,071 ordinary shares have been issued following the exercise of options by employees.

There have been no other post balance sheet events.

END

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