

Independent auditor's report To the members of ZPG Plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of ZPG plc (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company cash flow statement; and
- the related notes 1 to 29 to the group financial statements and notes 1 to 16 to the company financial statements.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.



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

Summary of our audit approach

Key audit matters

The key audit matters that we identified in the current year were:

- Accounting for acquisitions;
- Valuation of accrued income in the comparison segment;
- Revenue recognition in the property segment; and
- Valuation of goodwill and intangible assets.

Within this report, any new key audit matters are identified with  and any key audit matters which are the same as the prior year identified with .

Materiality

The materiality that we used in the current year was £2.3 million which was determined on the basis of 4.8% of profit before tax.

Scoping

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Entities subject to full scope audit procedures represented 90% of the group's revenue, 93% of the group's profit before tax and 99% of the group's net assets.

Significant changes in our approach

Hometrack Data Systems Limited ("HDS") and Websky Limited ("Expert Agent") were acquired during the year and full scope audit procedures were performed on these two entities. The acquisition accounting for these two entities has been identified as a key audit matter. There have been no other significant changes in our approach for the year ended 30 September 2017.

Conclusions relating to principal risks, going concern and viability statement

We have reviewed the directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 1 to the financial statements and the directors' statement on the longer-term viability of the group contained within the strategic report on page 35.

We are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 32 to 35 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 35 that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement in note 1.4 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- the directors' explanation on page 35 as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions; or
- whether the directors' statements relating to going concern and the prospects of the company required in accordance with Listing Rule 9.8.6R(3) are materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to add or draw attention to in respect of these matters.

We agreed with the directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Independent auditor's report continued

To the members of ZPG Plc

Key audit matters

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

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

Accounting for acquisitions

Key audit matter description



This is a new key audit matter for 2017 following the acquisitions of Hometrack (Hometrack Australia and HDS) and Expert Agent in the period. These acquisitions were completed in January 2017 and March 2017 respectively.

The Purchase Price Allocation ("PPA") in respect of acquisitions is inherently judgemental. There is a risk that if management use inappropriate methodologies or assumptions within the PPA exercise, that the intangible assets will be understated or overstated.

We have included the key audit matter in our audit report due to the quantum of the balance, its highly judgemental nature, and the fact that it had a substantial impact on our overall audit strategy.

Hometrack

Hometrack was acquired for £109.2 million in cash and debt with a further £13.0 million of deferred and contingent consideration expected to be paid.

The key judgement is the calculation of contingent consideration payable to selling shareholders. Management conducted a multi-scenario model, utilising eight separate scenarios of equal probability, which resulted in £11.8 million of a potential maximum £25.0 million being recognised as consideration (and hence goodwill) as well as the corresponding liability. The excess of consideration over the fair value of net assets acquired has been recognised as intangible assets comprised of customer relationship of £25.2 million, brands of £2.1 million, intellectual property of £18.5 million and goodwill of £86.3 million.

Expert Agent

Expert Agent was acquired for £20.14 million in cash and £14.74 million of deferred and deferred election consideration expected to be paid.

The excess of consideration over the fair value of net assets acquired has been recognised as intangible assets comprised of customer relationships of £12.7 million, software of £1.4 million, brands of £0.7 million and goodwill of £23.1 million.

Refer to the Audit Committee report (page 60), notes 1, 1.21 and 13 for the description of the key audit matter, group accounting policy, management's consideration of critical accounting judgements and disclosure note respectively.

How the scope of our audit responded to the risk



Our procedures involved:

- assessing the design and implementation of the key controls over acquisition accounting;
- using internal experts to review the methodology and assumptions employed by management in calculating the fair value of the intangibles and considering the completeness of intangibles identified;
- obtaining the underlying cash flow forecasts and discussing them with management, challenging the reasonableness and consistency of the underlying forecasts;
- auditing the deferred and contingent consideration through modelling and recalculation of the inputs used; and
- reviewing the associated disclosures to ensure that they are in accordance with IFRS 3.

In addition to the above, during the measurement period, we considered whether the group retrospectively adjusted the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and challenged the appropriateness of any change to goodwill or the income statement.

Key observations



We concurred that the acquisitions have been appropriately accounted for under IFRS 3 and that the assumptions and methodology used in valuing the intangibles is reasonable.

We considered that the accounting for deferred and contingent consideration has been performed correctly and that management has appropriately disclosed the key sensitivities that exist.

Valuation of accrued income in comparison segment

Key audit matter description



Comparison segment revenue is recognised based upon the number of switches provided to suppliers, net of an estimated drop-out. At the period end there is an element of this revenue that has not been confirmed by the third party provider and judgement is required to estimate the unbilled or accrued income of £16.4 million at the period end. Therefore we also considered this key audit matter as a fraud risk.

We have included the key audit matter in our audit report due to the quantum of the balance and the fact that it had a substantial impact on our overall audit strategy.

Refer to the Audit Committee report (page 60), notes 1, 1.21 and 2 for the description of the key audit matter, group accounting policy, management's consideration of key sources of estimation uncertainty and disclosure note respectively.

How the scope of our audit responded to the key audit matter



Our procedures involved:

- assessing the design and implementation of the key controls over revenue recognition;
- analysing revenue streams on a month by month basis to understand the drivers of fluctuations and obtain support for any unusual movements;
- for a statistical sample of suppliers for which there is accrued income at year end, we sought post year-end confirmation of the balance from the relevant third party including invoices and cash receipts to assess the accuracy of the estimate of accrued income; and
- using data analytic specialists to perform a reconciliation of the switches that occurred in the period by assessing the data integrity from switch creation to reported gross product numbers on which revenue is accrued.

Key observations



Based on our work we are satisfied the accounting for accrued income in the comparison segment is in line with accounting standards and is materially appropriate.

Independent auditor's report continued

To the members of ZPG Plc

Revenue recognition in the property segment >>

Key audit matter description



Agency revenue primarily consists of recurring subscription payments with agent and developer members in return for property listings. Revenue recognition is limited in complexity; however given the large volume of agreements there is a risk that customer subscription agreements may not be appropriately captured and accounted for, and hence the agency revenue population may not be complete. The number of partners has consistently increased over the year.

Property software services are provided to customers whereby software licenses and support are sold under the same contractual arrangement. The fair value accounting for these bundled contracts can be complex as the fair value may not be ascribed to each deliverable in accordance with IAS 18.

Therefore we also considered this key audit matter as a fraud risk.

Refer to the Audit Committee report (page 60), notes 1 and 2 for the description of the key audit matter, group accounting policy and disclosure note respectively.

How the scope of our audit responded to the key audit matter



For Agency revenue our procedures involved:

- assessing the design and implementation of the key controls over revenue recognition;
- analysing revenue streams on a month by month basis using data analytics to understand the drivers of fluctuations including monthly partner numbers and the average revenue per partner trend, and obtained support for any unusual movements;
- selecting a sample of estate agents, ascertaining whether they are a ZPG customer or not, and if so, obtaining the underlying contract to ensure that the information within the CRM system is accurate and agreeing the agents back to the ZPG website; and
- corroborating information for a sample of customer contracts (or equivalent agreement) selected from the CRM system to subscription details, and then in turn back to the ledger to ensure that revenue has been appropriately recognised.

For property software services our procedures involved:

- assessing the design and implementation of the key controls over revenue recognition;
 - obtaining management's assessment of revenue recognition and critically assessing the rationale applied by assessing whether the impact of fair valuing each element of the contract would lead to a materially different revenue recognition profile and testing the inputs applied;
 - for a sample of customer contracts, we evaluated the contractual terms, identifying the distinct obligations and establishing their respective fair values, in order to form an expectation of the revenue that should be recognised in the period; and
 - tracing this value to the ledger to evaluate whether revenue has been stated accurately.
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Key observations



Based on our work we are satisfied the accounting for revenue recognition in the property segment is materially appropriate.

Valuation of goodwill and intangible assets >>

Key audit matter description



There is a risk that the carrying value of goodwill and intangible assets may not be supported by the recoverable amount of the underlying business.

The total of goodwill and acquired intangible assets balance has increased significantly to £491.0 million over the past three years as a result of acquisitions made.

The assessment of the recoverable amount requires significant management judgement specifically in modelling the future cash flow forecasts. Therefore we also considered this key audit matter as a fraud risk. Key assumptions in the impairment model include a detailed cash flow forecast derived from the 2018 budget and associated two year projections and a long term growth rate. In addition, the group has identified five cash generating units ("CGU") following the acquisitions made in the period. The CGUs are dependent on both short and long term growth assumptions and discount rates.

Refer to the Audit Committee report (page 61), notes 1, 1.21 and 14 for the description of the key audit matter, group accounting policy, management's consideration of key sources of estimation uncertainty and disclosure note respectively.

How the scope of our audit responded to the key audit matter



Our procedures entailed:

- assessing the design and implementation of the key controls over the impairment model;
- consideration of the Cash Generating Unit ("CGU") identification within the group;
- checking the mechanical accuracy of the underlying impairment review model;
- consideration of the appropriateness of the underlying forecasts, corroborating that the assumptions used are reasonable based upon knowledge of the business and the industry, and that the forecasts are consistent with those used in other aspects of the financial statements;
- engaging internal specialists to independently calculate a Weighted Average Cost of Capital ("WACC") and audit of any further risk premium added, to assess whether discount rates used are appropriate;
- comparing the assumptions used in the impairment review calculations including the discount rates and terminal growth rate to benchmark data and industry specific comparatives to ensure they are reasonable; and
- reviewing the associated disclosures to ensure that they are in accordance with IAS 36.

Key observations



Based on our work we are satisfied that the valuation of goodwill and intangible assets presented in the financial statements is appropriate and we concluded that the assumptions applied in the impairment models, taken in aggregate are within our acceptable range.

We concurred with management that the disclosures in note 14 are appropriate and the sensitivities disclosure presents the outcome of reasonably possible changes in projected revenue growth in the Property Software Group CGU.

Our application of materiality

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

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

Group materiality £2,300,000 (2016: £2,100,000).

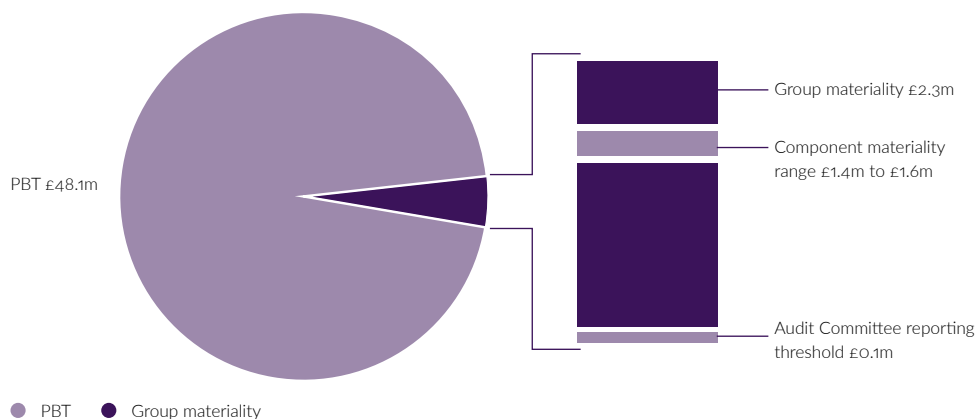
Basis for determining materiality Materiality represents 4.8% (2016: 4.5%) of profit before tax, which is consistent with the prior period.

Rationale for the benchmark applied We consider that profit before tax is the most appropriate statutory measure for a listed business and this is also a key measure used by investors.

Independent auditor's report continued

To the members of ZPG Plc

Our application of materiality continued



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £115,000 (2016: £100,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

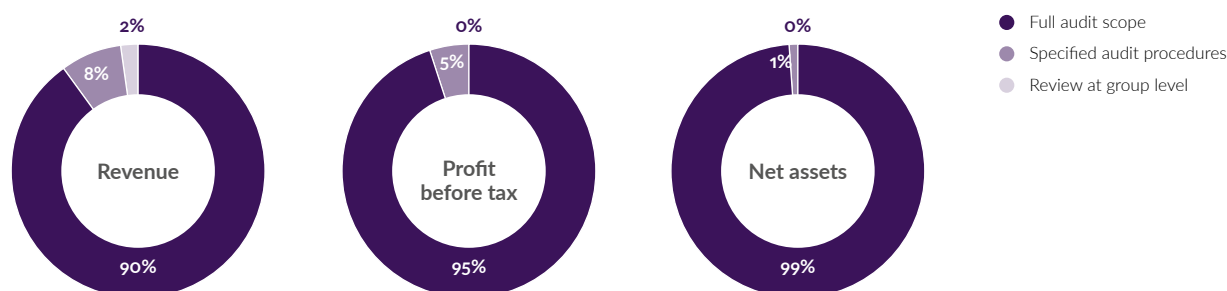
An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

We focused our group audit scope primarily on the audit work in respect of ZPG Plc, Zoopla Limited and uSwitch Limited, which were subject to a full scope audit, which is consistent with the prior year. Property software services was subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the group's operations at that location. HDS and Expert Agent were acquired in the period and were audited to statutory materiality during the group audit, which is lower than component materiality.

ZPG Plc, Zoopla Limited and uSwitch Limited's operations together represent 85% of the group's revenue (2016: 96%), 83% (2016: 97%) of the group's profit before tax and 96% of the group's net assets (2016: 98%). Our audit work for these components was executed at levels of materiality applicable to each individual entity which were lower than group materiality and ranged from £1.38 million to £1.61 million (2016: £1.2 million to £1.5 million).

There were no component audit teams, with the entire audit including the testing of the consolidation being conducted in ZPG's London head office by one central audit team.



Other information

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

We have nothing to report in respect of these matters.

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

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

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

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- Fair, balanced and understandable – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Independent auditor's report continued To the members of ZPG Plc

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.


Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by the Board of Directors in 2012 to audit the financial statements for the year ending 30 September 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 6 years, covering the years ending 30 September 2012 to 30 September 2017.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Kate J Houldsworth FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London

28 November 2017

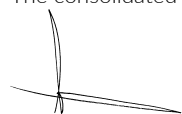
Consolidated statement of comprehensive income
For the year ended 30 September 2017 from continuing operations

	Notes	2017 £000	2016 £000
Revenue		244,538	197,728
Administrative expenses		(190,834)	(148,053)
Adjusted EBITDA	3	96,410	77,110
Share-based payments	24	(7,647)	(4,852)
Depreciation and amortisation		(18,348)	(11,179)
Exceptional items	3	(16,711)	(11,404)
Operating profit	4	53,704	49,675
Finance income		47	51
Finance costs		(5,664)	(3,564)
Profit before tax		48,087	46,162
Income tax expense	9	(10,678)	(9,484)
Profit for the year		37,409	36,678
Attributable to			
Owners of the parent		37,409	36,678
Other comprehensive income			
Fair value movements – available for sale financial assets	16	1,139	–
Total comprehensive income for the period		38,548	36,678
Earnings per share			
Basic (pence)	11	8.8	8.9
Diluted (pence)	11	8.6	8.8

Consolidated statement of financial position
As at 30 September 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Intangible assets	14	491,020	322,621
Property, plant and equipment	15	6,560	6,413
Available for sale financial assets	16	4,461	724
Trade and other receivables	17	–	3,262
		502,041	333,020
Current assets			
Trade and other receivables	17	38,531	36,615
Cash and cash equivalents		75,368	3,367
		113,899	39,982
Total assets		615,940	373,002
Liabilities			
Current liabilities			
Trade and other payables	18	51,379	32,522
Current tax liabilities		2,948	6,146
Deferred and contingent consideration	19	16,799	28,143
Provisions	20	259	1,304
		71,385	68,115
Non-current liabilities			
Loans and borrowings	21	266,865	149,696
Deferred and contingent consideration	19	21,622	2,533
Provisions	20	1,440	1,410
Deferred tax liabilities	22	14,687	9,021
		304,614	162,660
Total liabilities		375,999	230,775
Net assets		239,941	142,227
Equity attributable to owners of the parent			
Share capital	23	439	418
Share premium reserve		74,304	50
Other reserves	23	85,603	86,007
Retained earnings		79,595	55,752
Total equity		239,941	142,227

The consolidated financial statements of ZPG Plc were approved by the Board of Directors and were signed on its behalf by:



A Chesterman
Director
28 November 2017



A Botha
Director
28 November 2017

Consolidated statement of cash flows
For the year ended 30 September 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before tax	48,087	46,162
Adjustments for:		
Depreciation of property, plant and equipment	1,154	1,709
Amortisation of intangible assets	17,194	9,470
Finance income	(47)	(51)
Finance costs	5,664	3,564
Share-based payments	7,647	4,852
Gain on barter transaction	(1,540)	–
Movement in contingent and deferred consideration	11,334	7,075
Operating cash flow before changes in working capital	89,493	72,781
Increase in trade and other receivables	(1,563)	(4,991)
Increase in trade and other payables	9,152	3,862
(Decrease)/increase in provisions	(1,015)	505
Cash generated from operating activities	96,067	72,157
Income tax paid	(15,083)	(11,290)
Net cash flows from operating activities	80,984	60,867
Cash flows (used in)/from investing activities		
Acquisition of subsidiaries, net of cash acquired	(136,884)	(47,125)
Settlement of deferred and contingent consideration	(32,722)	(37,042)
Amounts paid from/(into) escrow in relation to deferred and contingent consideration	6,341	(2,448)
Acquisition of available for sale financial assets	(1,058)	(979)
Disposal of available for sale financial assets	–	255
Interest received	47	51
Acquisition of property, plant and equipment	(1,215)	(3,980)
Acquisition and development of intangible assets	(5,885)	(2,561)
Net cash flows used in investing activities	(171,376)	(93,829)
Cash flows from/(used in) financing activities		
Proceeds on issue of shares, net of issue costs	74,275	–
Proceeds on issue of debt, net of issue costs	215,000	89,358
Repayment of debt	(97,500)	(52,500)
Interest paid	(5,899)	(2,942)
Treasury shares purchased	–	(414)
Shares purchased by trusts	(112)	–
Shares released from trusts	238	182
Dividends paid	(23,609)	(16,554)
Net cash flows from financing activities	162,393	17,130
Net increase/(decrease) in cash and cash equivalents	72,001	(15,832)
Cash and cash equivalents at beginning of period	3,367	19,199
Cash and cash equivalents at end of period	75,368	3,367

Consolidated statement of changes in equity For the year ended 30 September 2017

	Notes	Share capital £000	Share premium reserve £000	Other reserves			Retained earnings £000	Total equity £000
				Shares in trust £000	Merger reserve £000	Treasury shares £000		
At 1 October 2016		418	50	(768)	87,133	(358)	55,752	142,227
Profit for the period		—	—	—	—	—	37,409	37,409
Other comprehensive Income:								
Fair value movements		—	—	—	—	—	1,139	1,139
Transactions with owners recorded directly in equity:								
Shares issued		21	74,254	—	—	—	—	74,275
Share-based payments	24	—	—	—	—	—	6,055	6,055
Treasury shares released	23	—	—	—	—	60	(60)	—
Current tax on share-based payments	9	—	—	—	—	—	309	309
Deferred tax on share-based payments	9	—	—	—	—	—	2,049	2,049
Shares purchased by trusts		—	—	(112)	—	—	—	(112)
Shares released from trusts		—	—	304	—	—	(66)	238
Other		—	—	—	—	—	(39)	(39)
Transfer between reserves ¹		—	—	—	(656)	—	656	—
Dividends paid	10	—	—	—	—	—	(23,609)	(23,609)
At 30 September 2017		439	74,304	(576)	86,477	(298)	79,595	239,941

¹ The transfer from merger reserve to retained earnings in 2017 and 2016 represents an equalisation adjustment in respect of the amortisation charge on intangibles which arose on acquisition of The Digital Property Group Limited on 31 May 2012. The intangible assets are now fully amortised.

	Notes	Share capital £000	Share premium reserve £000	Other reserves			Retained earnings £000	Total equity £000
				Shares in trust £000	Merger reserve £000	Treasury shares £000		
At 1 October 2015		418	50	(1,017)	88,118	—	29,671	117,240
Profit and total comprehensive income for the period		—	—	—	—	—	36,678	36,678
Transactions with owners recorded directly in equity:								
Share-based payments	24	—	—	—	—	—	3,990	3,990
Treasury shares purchased	23	—	—	—	—	(414)	—	(414)
Treasury shares released	23	—	—	—	—	56	(56)	—
Current tax on share-based payments	9	—	—	—	—	—	217	217
Deferred tax on share-based payments	9	—	—	—	—	—	888	888
Shares released from trust		—	—	249	—	—	(67)	182
Transfer between reserves ¹		—	—	—	(985)	—	985	—
Dividends paid	10	—	—	—	—	—	(16,554)	(16,554)
At 30 September 2016		418	50	(768)	87,133	(358)	55,752	142,227

¹ The transfer from merger reserve to retained earnings in 2017 and 2016 represents an equalisation adjustment in respect of the amortisation charge on intangibles which arose on acquisition of The Digital Property Group Limited on 31 May 2012.

Notes to the consolidated financial statements

1. Accounting policies

ZPG Plc is a company domiciled and incorporated in the United Kingdom. The address of the registered office is The Cooperage, 5 Copper Row, London SE1 2LH.

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below for the years ended 30 September 2017 and 30 September 2016. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The consolidated statement of cash flows has been represented in the prior year to move transaction costs on acquisitions of £1.3 million to operating cash flows. The impact was to reduce net cash flows from operating activities by £1.3 million to £60.9 million and to reduce the net cash flows used in investing activities to £93.8 million.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and IFRIC Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRS"). They are prepared on the historical cost basis.

The preparation of consolidated financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise judgement in applying the Group's accounting policies. Note 1.20 and 1.21 give further details relating to the Group's critical accounting estimates and judgements.

The presentational currency of the financial statements is Pound Sterling (£). Amounts included in the consolidated financial statements are shown in round thousands unless otherwise indicated.

At the date of approval, the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but are only effective for financial years beginning on or after 1 January 2017:

- Amendments to IAS 7 'Disclosure Initiative' (effective 1 January 2017)*
- Amendments to IAS 12 'Recognition of Deferred Tax Assets for Unrealised Losses' (effective 1 January 2017)*
- IFRS 9 'Financial Instruments' (effective 1 January 2018)
- IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018)
- Amendments to IFRS 2 'Share-based Payments' (effective 1 January 2018)*
- IFRIC 22 'Foreign Currency Transactions and Advanced Consideration' (effective 1 January 2018)*
- Amendments to IFRS 4 'Insurance contracts' (effective 1 January 2018)*
- Amendments to IAS 40 'Investment Properties' (effective 1 January 2018)*
- IFRS 16 'Leases' (effective 1 January 2019)*
- IFRS 17 'Insurance Contracts' (effective 1 January 2021)*

* Not yet endorsed for use in the EU.

IFRS 9 – Financial Instruments is effective for the first time for the financial year commencing 1 October 2018. The implementation of IFRS 9 will require the reclassification of the Group's Available for sale financial assets. From 1 October 2018 these assets will be measured as Fair value through other comprehensive income in accordance with IFRS 9. As this treatment mirrors the Group's current policy, there is not expected to be any material impact on the Group's reported results; however, Management notes that any gain or loss arising on the sale of these assets may no longer be able to be recognised in the Consolidated income statement but will remain within Other Comprehensive Income.

IFRS 15 – Revenue from Contracts with Customers is effective for the first time for the financial year commencing 1 October 2018. An initial impact assessment was performed during 2017 by Management to identify potential implications for the business on its existing contracts and the recognition of revenue. Management has identified a number of contract types which could result in a change in the profile of revenue recognition as currently drafted, including but not limited to: contracts for the provision of desktop software and contracts for advertising services. Management also notes that the current recognition of sales commission across the Group will also change and will lead to these costs being spread over the expected life of the contract. As the Group is still in the process of assessing the full impact of IFRS 15 it is not currently practicable to quantify the impact of this standard and therefore the standard could have a material impact on the future results of the Group, in particular revenue, administrative expenses and accrued and deferred revenue. Management intend to provide an indication of the expected impact of IFRS 15 in the interim announcement for the period to 31 March 2018.

The impact of IFRS 16 – Leases will require the Group to record its current property leases and fleet of motor vehicles on the statement of financial position. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase future depreciation charges and lead to a reduction in operating expenses. Future commitments under current operating leases are outlined in Note 27 which gives some indication of the impact on the Group going forward, however, as IFRS 16 is effective for the first time for the financial year commencing 1 October 2019 a full assessment of the standard has not yet been made and therefore the standard could have a material impact on the future results of the Group.

All other standards identified above are not expected to have a material impact on the consolidated financial statements.

Notes to the consolidated financial statements continued

1. Accounting policies continued

1.2 Adoption of new and revised standards

These consolidated financial statements have been prepared in accordance with the policies set out in the Group's Annual Report for the year ended 30 September 2016. No new or revised accounting standards were adopted in the period.

1.3 Basis of consolidation

The consolidated financial statements incorporate the accounts of ZPG Plc ("the Company") and entities controlled by the Company ("its subsidiaries") (together "the Group"). Control exists when the Group has existing rights to give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. The results of subsidiaries are included in the consolidated financial statements from the date control commences until the date when control ceases.

Throughout the year the Group acquired a number of entities and their subsidiaries. The results of each acquisition have been consolidated from the date of acquisition as set out in Note 13. The consolidated results for 2017 are therefore not a like for like comparison for 2016. Full details of the acquisitions are set out in Note 13.

Full details of acquisitions made in 2016 are set out in the Group's Annual Report 2016 and are summarised in Note 13.

The Company has one trading subsidiary that uses a functional currency which is different to the presentational currency of the Group. Hometrack Australia Limited's functional currency is the Australian Dollar as it is the currency of the primary economic environment in which it operates.

Assets and liabilities for Hometrack Australia are translated into Pound Sterling using the exchange rate at the statement of financial position date and the consolidated statement of comprehensive income translated using the average exchange rate for the year. Exchange differences on translation into the presentational currency are recognised within other comprehensive income. The principal exchange rates for the Australian Dollar against Pound Sterling used in these consolidated financial statements are: average: 1.66, closing: 1.71.

1.4 Going concern

The consolidated financial position shows a positive net asset position and the Group continues to generate net cash flows from operating activities and maintain its current dividend policy. The Group also has access to a £325 million debt facility of which £269 million was drawn down at 30 September 2017. The facility includes required covenant ratios of Net Debt: EBITDA and interest cover. The Group are comfortably within these limits. As a consequence, the Directors believe that the Group is well placed to manage its business and financial risks successfully.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the historical financial information.

1.5 Revenue

Revenue represents amounts due for services provided during the period, net of value added tax. The Group recognises revenue under two categories – Property and Comparison.

Revenue from Property derives principally from subscription to the Group's property websites and from the provision of property software to UK domestic, overseas and commercial estate agents ("UK Agency revenue"), home developers ("New Homes revenue") and overseas and commercial estate agents along with the provision of property data to financial and other institutions ("Other property revenue"). Subscription revenue, including fees for listing on the Group's property websites or the ongoing provision of property data, is recognised over the period of the subscription. Software revenue includes subscription to Software as a Service (SaaS), desktop software licensing, support and installation fees. Installation fees are recorded at fair value when the installation is complete. Ongoing SaaS revenue, support and licensing fees are recognised over the service period. Revenue from other property services is recognised in the month in which the service is provided.

The main sources of Comparison revenue are fees received for the comparison of gas and electricity services ("Energy revenue") and mobile, broadband, pay TV and home phone services ("Communications revenue"). Revenue is recognised at the point at which a lead is generated to an energy or communications provider, based on the historical conversion of such leads into completed switches. Revenue from other comparison services ("Other Comparison revenue") is recognised in the month in which the service is provided.

1.6 Leases

During 2016 the Group entered into a new 15 year lease agreement for its head office at The Cooperage, London. During 2017 the Group's previous offices were sublet to a third party.

All of the Group's current lease and sub-lease arrangements are recognised as operating leases as the material risks and rewards incidental to ownership remain with the lessor.

Operating lease expenses are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Rent-free periods, lease arrangement fees and other direct costs are amortised through the consolidated statement of comprehensive income over the term of the lease.

Operating lease income is recorded in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease and is classified as other income. Any rent-free or reduced rent periods are amortised through the consolidated statement of comprehensive income over the term of the lease.

1. Accounting policies continued

1.7 Finance income and costs

Finance income represents interest receivable on cash and deposit balances and gains recognised on foreign currency transactions. Interest receivable is recognised as it accrues using the effective interest method.

Finance costs represent interest charges and certain fees charged on the Group's revolving credit facility as well as losses recognised on foreign currency transactions. Finance costs are recognised as they accrue using the effective interest method.

Foreign exchange gains and losses are recognised monthly based on the translation of assets and liabilities held in foreign currencies to Pound Sterling and realised gains and losses on transactions recorded in the period. The Group's principal exposure is to the Australian dollar, through its Australian subsidiary, and the US Dollar, through agreements with a number of suppliers based in the United States. The Directors are comfortable that any sensitivity to fluctuations in exchange rates would not have a material impact on the results of the Group.

1.8 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. This cost includes the purchase price, directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions. Items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and are not revalued.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful economic lives, using the straight-line method, as follows:

Fixtures and fittings	- over 2 to 5 years
Computer equipment	- over 2 to 5 years
Leasehold improvements	- over the lease term
Freehold property	- over 50 years

The Directors review the residual values and useful economic lives of assets on an annual basis.

1.9 Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method in accordance with IFRS 3. The consideration for each acquisition is measured at the aggregate of fair values of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, net of cash acquired. Acquisition related costs, other than those associated with the issue of debt or equity securities, are recognised in the consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value with the exception of deferred tax assets and liabilities, which are measured in accordance with IAS 12 – Income Taxes. Identifiable net assets include the recognition of any separately identifiable intangible assets. Further detail of the identifiable assets and liabilities recognised during the year on acquisitions are provided in Note 13.

Deferred and contingent consideration are measured at fair value at the date of acquisition. Where the amounts payable are classified as a financial liability any subsequent change in the fair value is charged/credited to the Group's consolidated statement of comprehensive income. Amounts classified as equity are not subsequently remeasured. Where consideration to Management shareholders is contingent on their continued employment the amount is recognised as a remuneration expense in the statement of comprehensive income over the deferral period when it coincides with the period of continued employment.

1.10 Goodwill

Goodwill arising on a business combination represents the difference between the fair value of the consideration paid and the fair value of assets and liabilities acquired and is recorded as an intangible asset. Goodwill is not subsequently subject to amortisation but is tested for impairment annually and whenever the Directors have an indication that it may be impaired. For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the combination. Any impairment in carrying value is charged to the consolidated statement of comprehensive income.

1.11 Intangible assets

Purchased intangible assets with finite lives are initially recorded at cost. Intangibles arising on acquisition are recorded at fair value. All intangibles are subsequently stated at initial value less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of the intangible assets as follows:

Brand	- 5–10 years
Domain names	- 5 years
Database	- 3–10 years
Customer relationships	- 5–10 years
Website development and computer software	- 3–8 years

1. Accounting policies continued

1.12 Impairment of tangible and intangible assets

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. Any impairment loss is recognised immediately in the consolidated statement of comprehensive income.

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 to the extent that this increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of comprehensive income.

1.13 Research and development

The Group incurs expenditure on research and development in order to develop new products and enhance the existing websites. Research expenditure is expensed in the period in which it is incurred. Development costs are expensed when incurred unless they meet certain criteria for capitalisation. Development costs whereby research findings are applied to creating a substantially enhanced website or new product are only capitalised once the technical feasibility and the commercial viability of the project has been demonstrated and they can be reliably measured. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

Once the new website enhancement or product is available for use, subsequent expenditure to maintain the website or product, or on small enhancements to the website or product, is recognised as an expense when it is incurred.

Research and Development tax credit claims made in the UK are recognised as a credit to administrative expenses in the financial year relevant to the claim. Research and Development tax credits in Australia are recognised as a deduction to the tax expense.

1.14 Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Full details of financial instruments are included in Note 26.

Investments in unlisted securities not meeting the definition of associates, joint ventures or subsidiaries are classified as available for sale financial assets and are initially recorded at fair value plus transaction costs. The investments are then remeasured at each subsequent reporting date to fair value. Changes in the fair value of the unlisted securities are recognised in other comprehensive income, with the exception of impairment losses. On disposal of the asset any gains and losses recorded within other comprehensive income are realised and are reclassified to the consolidated statement of comprehensive income.

Trade and other receivables are designated as loans and receivables. They are recognised at amortised cost, which is net of any allowance for impairment in relation to irrecoverable amounts. This is deemed to be a reasonable approximation of their fair value. The provision is reviewed regularly in conjunction with a detailed analysis of historical payment profiles and past default experience. When a trade receivable is deemed uncollectable, it is written off against the allowance account. The Group receives interest income on certain amounts held in escrow.

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

Trade and other payables are not interest bearing and are designated as other financial liabilities. They are recognised at their carrying amount, which is deemed to be a reasonable approximation of their fair value.

Loans and borrowings are measured at amortised cost, net of direct costs. Direct costs are released through the consolidated statement of comprehensive income under the effective interest method, along with interest charged, over the life of the instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The Company's Ordinary Shares are classified as equity instruments and are recognised at the proceeds received, net of any direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial instruments are not used for speculative purposes.

The Group's cash and cash equivalents represent amounts held in the Group's current accounts and overnight deposits that are immediately available.

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities that are measured subsequent to initial recognition at fair value:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Details of the type of fair value input used is included within the relevant note.

1. Accounting policies continued

1.15 Net Debt

The Group defines Net Debt as loans and borrowings less cash and cash equivalents, both as per the statement of financial position. The Group does not currently hold any financial derivatives, have any leases recorded as finance leases or operate a defined benefit pension plan and therefore these costs are not currently considered. These, and any other financing costs, will be considered as they become applicable to the results of the Group. The calculation of net debt is presented in Note 21.

1.16 Current tax

Current income tax comprises UK income tax and is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Current tax is recognised in the consolidated statement of comprehensive income except to the extent that it is required to be recognised directly in equity.

1.17 Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. Deferred tax is recognised in the consolidated statement of comprehensive income except to the extent that it is required to be recognised directly in equity.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax assets are recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle balances on a net basis.

1.18 Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at Management's best estimate of the expenditure required to settle the obligation at the statement of financial position date and are discounted to present value where the impact is material. The unwinding of any discount is recognised in finance costs.

Dilapidation provisions are recognised based on Management's best estimate of costs to make good the Group's leasehold properties at the end of the lease term.

Onerous lease provisions relate to contracts whereby the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received under it.

Restructuring provisions are recognised when a full restructuring plan has been developed and communicated. The restructuring provisions represent expected costs incurred of completing the restructure including redundancy costs.

1.19 Employee benefits: defined contribution benefit scheme

The Group operates a defined contribution pension scheme which is a post-employment benefit plan under which the Group pays fixed contributions into a fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions payable to the fund are charged to the statement of comprehensive income in the period to which they relate.

Notes to the consolidated financial statements continued

1. Accounting policies continued

1.20 Share-based payments

The Group provides equity-settled share-based incentive plans whereby ZPG Plc grants shares or nil-cost options over its shares to employees of its subsidiaries for their employment services. The Group also issues warrants over shares in ZPG Plc to a number of the Group's estate agent partners, allowing them to acquire shares in exchange for making their property listings available for inclusion on the Group's property websites.

Equity-settled share-based payments to employees and partners are measured at the fair value of the equity instruments at the grant date. The fair value is measured using a suitable valuation model, including the Black-Scholes and Monte-Carlo valuation models where appropriate, and is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to meet a market vesting condition. Details regarding the determination of the fair value of equity-settled share-based payment transactions are set out in Note 24.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is charged to the income statement over the remaining vesting period.

Within the company accounts of ZPG Plc equity-settled share options granted directly to employees or estate agent partners of a subsidiary are treated as a capital contribution to the subsidiary. The capital contribution is measured by reference to the fair value of the share-based payments charge for the period and is recognised as an increase in the cost of investment with a corresponding credit to equity.

A number of shares are held in trust in order to settle future exercises of the Group's share incentive schemes. Details of the trusts are included in Note 24. Shares held in trust are treated as a deduction from equity.

Employer's National Insurance Contributions are accrued, where applicable, at a rate of 13.8%. The amount accrued is based on the market value of the shares at 30 September 2017 after deducting the exercise price of the share option.

1.21 Sources of estimation uncertainty

Comparison revenue and accrued income

Revenue generated by the Comparison division is recognised at the point at which a transaction or interaction on the Group's website is completed and a lead is generated. A Management estimate is required in calculating a revenue accrual to estimate the number of successful switches based upon leads provided for each partner in the period between the last date of billing and the latest partner data being made available. The accrued income is estimated by considering the volume of leads that have passed from the Group's website to the partner, the historical conversion of such leads into completed switches and contracted revenue per switch.

Recognition of acquired intangibles on acquisition

During the period the Group completed its acquisition of Hometrack, ExpertAgent, TechnicWeb and Ravensworth. The process of determining the fair value of intangible assets acquired in each acquisition requires an estimation of future cash flows arising from acquired intangibles and there is a risk that inaccurate estimation could lead to the valuation of acquired intangibles and goodwill being misstated. The details of assets and liabilities recognised upon acquisition is set out in note 13.

The Group engaged third party valuation experts for Hometrack and ExpertAgent to mitigate the risk associated with the valuation of assets and liabilities upon acquisition; however, estimation uncertainty still exists in the preparation of forecasts that underpin the valuation models. Intangibles recognised are subsequently amortised over their useful economic lives; as such, no future revaluation of the assets recognised will be made except for the purposes of impairment reviews.

Recognition of earn-out agreements

In consideration for the acquisition of Hometrack an earn-out agreement was entered which is contingent upon the future performance of a ten-year licence agreement also entered into at the point of acquisition. The earn-out is measured at fair value at the point of acquisition using discounted future cashflows under a range of weighted scenarios requiring an estimation of the future performance of the currently nascent licence agreement.

Deferred and contingent consideration on the acquisition of Hometrack was recognised at £13 million. At each reporting period the earn-out will be measured at fair value with any revaluation being recognised in the statement of comprehensive income. The initial fair value recognised upon acquisition was assessed to represent fair value as at 30 September 2017.

Impairment of goodwill and intangibles

The Group holds goodwill and intangibles on the statement of financial position in respect of business acquisitions made. Acquired intangibles include acquired goodwill, brands, customer relationships, databases, websites and software of which £491.0 million has been recognised as at 30 September 2017 (2016: £322.6 million). The Group is required to review these assets annually for impairment. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable value of the relevant cash-generating unit, which represents the higher of fair value and value in use. The value in use calculation requires an estimation of future cash flows expected to arise from the cash-generating unit, discounted using a suitable discount rate to determine if any impairment has occurred.

The impairment review has concluded that the carrying value of the Group's intangible assets is supported by the value in use of the respective cash-generating units. Details of the impairment analysis are included in Note 14.

1. Accounting policies continued

1.22 Key accounting judgements

PropertyFinder Group barter transaction

PropertyFinder Group is a Dubai-based business with leading property portals across the Middle East and North Africa. During the period the propertyfinder.com domain name was transferred in exchange for 1% of the issued share capital of PropertyFinder International Limited, the PropertyFinder Group parent entity.

A key accounting judgement was made in recognising the fair value of the acquired asset as required by IAS 38. Property Finder International Limited is a private company registered in the British Virgin Islands and as such is required to make only limited public financial disclosure. Determining the fair value of the investment is therefore subject to inherent uncertainty. Management used various sources of publicly available information, including the audited value of an investment in PropertyFinder Group disclosed by a listed investment company to determine the fair value at acquisition.

The investment in PropertyFinder is held as an available for sale financial asset and therefore is subsequently measured at fair value at each reporting date. As at 30 September 2017 the asset is valued at £1.7 million on the statement of financial position.

1.23 Alternative performance measures

In the analysis of the Group's financial performance certain information disclosed in the consolidated financial statements may be prepared on a non-GAAP basis or has been derived from amounts calculated in accordance with IFRS but is not itself an expressly permitted GAAP measure. These measures are reported in line with how financial information is analysed by Management. When reviewing performance, the Directors use a combination of both statutory and adjusted performance measures. The adjusted performance measures, including Adjusted EBITDA and Adjusted basic EPS, provide additional information to help assess the underlying performance of the business as they strip out deal related costs and give a closer approximation to ZPG's cash flows. The non-GAAP measures are designed to increase comparability of the Group's financial performance year on year. However, these measures may not be comparable with non-GAAP measures adopted by other companies. The key non-GAAP measures presented by the Group are:

- Adjusted EBITDA – which is defined as operating profit after adding back depreciation and amortisation, share-based payments and exceptional items (Note 3); and
- Adjusted basic EPS – which is defined as profit for the year, excluding exceptional items and amortisation of intangible assets arising on acquisitions, adjusted for tax (adjusted profit for the year) and divided by the weighted average number of shares in issue for the year (Note 11).

Both of these measures are used in determining the remuneration of the Executive Directors and Management and are used by the Company's external debt providers to assess performance against covenants and determine the interest charge.

2. Business segments

The Board of Directors has been identified as the Group's chief operating decision maker. The monthly reporting pack provided to the Board to enable assessment of the performance of the business has been used as the basis for determining the Group's operating segments.

Whilst the chief operating decision maker monitors the performance of the business at a revenue and Adjusted EBITDA level, depreciation and amortisation, share-based payments, exceptional items, finance income and costs and income tax are all monitored on a consolidated basis.

Assets and liabilities are also managed on a centralised basis and are not reported to the chief operating decision maker in a disaggregated format.

The chief operating decision maker monitors six individual revenue streams as set out below. The six revenue streams are grouped under two headings: Property and Comparison. Adjusted EBITDA is monitored on an aggregated basis under these two headings. Revenue and costs shown under the Agency heading include trading for 10 months of TechnicWeb, seven months of ExpertAgent and one month of Ravensworth, being the results of each entity from the date of acquisition. Other property revenue includes eight months trading of Hometrack. The consolidated results for 2017 are therefore not a like for like comparative for 2016.

Property

- Agency revenue, which represents property advertising services and the provision of property software, websites and other marketing materials to estate agents and lettings agents;
- New Homes revenue, which represents property advertising services provided to new home developers; and
- Other property revenue, which predominantly represents the provision of property data to large financial institutions and other third parties as well as display advertising and other data services.

Comparison

- Energy revenue, which represents gas and electricity switching services;
- Communications revenue, which represents mobile, broadband, pay TV and home phone switching services; and
- Other Comparison revenue, which predominantly represents financial services switching, boiler cover, business energy and data insight services.

All material revenues in 2017 are generated in the UK and Australia (UK: £240.1 million, Australia: £4.4 million). In 2016 all material revenues were generated in the UK.

Notes to the consolidated financial statements continued

2. Business segments continued

The following table analyses the Company's consolidated revenue streams as described above:

2017	Property £000	Comparison £000	Total £000
Revenue			
Agency	87,130	—	87,130
New Homes	13,123	—	13,123
Other Property	22,135	—	22,135
Energy	—	60,086	60,086
Communications	—	43,970	43,970
Other Comparison	—	18,094	18,094
Total revenue	122,388	122,150	244,538
Underlying costs ¹	(66,879)	(81,249)	(148,128)
Adjusted EBITDA	55,509	40,901	96,410
Share-based payments			(7,647)
Depreciation and amortisation			(18,348)
Exceptional items			(16,711)
Operating profit			53,704
Finance income			47
Finance costs			(5,664)
Profit before tax			48,087
Income tax expense			(10,678)
Profit for the year			37,409
2016	Property £000	Comparison £000	Total £000
Revenue			
Agency	66,498	—	66,498
New Homes	11,736	—	11,736
Other Property	8,516	—	8,516
Energy	—	52,659	52,659
Communications	—	44,137	44,137
Other Comparison	—	14,182	14,182
Total revenue	86,750	110,978	197,728
Underlying costs ¹	(48,202)	(72,416)	(120,618)
Adjusted EBITDA	38,548	38,562	77,110
Share-based payments			(4,852)
Depreciation and amortisation			(11,179)
Exceptional items			(11,404)
Operating profit			49,675
Finance income			51
Finance costs			(3,564)
Profit before tax			46,162
Income tax expense			(9,484)
Profit for the year			36,678

¹ Underlying costs represent administrative expenses before depreciation and amortisation, share-based payments and exceptional items.

3. Adjusted EBITDA

The performance measure Adjusted EBITDA provides additional information to help assess the underlying performance of the business as it strips out deal related costs and gives a closer approximation to ZPG's cash flows. Adjusted EBITDA is used by Management to run the business, in determining the remuneration of the Executive Directors and Management and is used by the Company's external debt provider to assess performance against covenants and to determine the interest charge.

The Group defines Adjusted EBITDA as operating profit after adding back depreciation and amortisation, share-based payments and exceptional items. Exceptional items include costs and income which Management believes to be exceptional in nature by virtue of their size or incidence. Such items would include costs associated with business combinations, one-off gains and losses on disposal, and similar items of a non-recurring nature together with reorganisation costs and similar charges. In 2017 the majority of exceptional items relate to the acquisition of subsidiaries set out in Note 13.

This is adjusted for share-based payment expenses which are comprised of charges relating to: (i) warrants issued to certain of the Group's partners; and (ii) employee incentive plans which are aimed at retaining staff and aligning employee objectives with those of the Group. The Directors consider that excluding share-based payments and other non-cash charges such as depreciation and amortisation in arriving at Adjusted EBITDA gives an alternative measure of the consolidated underlying financial performance and a closer approximation to the consolidated operating cash flows.

The table below presents a reconciliation of profit for the period to Adjusted EBITDA for the periods shown:

	2017 £000	2016 £000
Operating profit	53,704	49,675
Depreciation of property, plant and equipment	1,154	1,709
Amortisation of intangible assets arising on acquisitions	14,618	7,481
Amortisation of other intangible assets	2,576	1,989
Share-based payments (Note 24)	7,647	4,852
Exceptional items	16,711	11,404
Adjusted EBITDA	96,410	77,110

Exceptional items comprise:

	2017 £000	2016 £000
Transaction costs incurred on acquisitions	3,788	1,256
Gain on disposal of domain name	(1,540)	–
Release of dilapidations provision	(519)	–
Management deferred consideration conditional on continued employment	10,542	4,412
Management earn-out consideration conditional on continued employment	792	2,663
Management deal related performance bonuses	3,334	3,073
Other	314	–
Exceptional items	16,711	11,404

The gain on disposal represents the fair value of the Propertyfinder.com domain name which was sold during the period in return for 1% of the issued share capital of Property Finder International Limited.

The dilapidations provision was released on the successful arrangement of a sub-lease for the Company's previous office space at the Harlequin Building, London.

Other principally represents a charge in the period in respect of restructuring provisions in relation to internal restructuring.

Notes to the consolidated financial statements continued

4. Operating profit

	2017 £000	2016 £000
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	1,154	1,709
Amortisation of intangible assets arising on acquisitions	14,618	7,481
Amortisation of other intangible assets	2,576	1,989
Research and Development tax credits	(559)	(472)
Operating lease rentals:		
– Land and buildings	2,794	1,671
– Other	262	339
Operating lease income	(421)	–
Share-based payments (Note 24)	7,647	4,852

The total gross value of research and development expenditure in the period was £5.1 million. Research and development expenditure relates to staff costs incurred in the development of new products and features.

5. Auditor's remuneration

	2017 £000	2016 £000
Fees payable to the Group's auditor and its associates:		
– for the audit of ZPG Plc and the consolidated financial statements	180	85
– for the audit of subsidiaries of ZPG Plc	165	125
Total audit fees	345	210
Fees payable to the Group's auditor and its associates for other services to the Group:		
– Audit related assurance services	40	28
Total non-audit fees	40	28

Audit related assurance services represent fees incurred in respect of the review of the Group's half-year results.

6. Employee costs

	2017 £000	2016 £000
Staff costs (including Directors) comprise:		
Wages and salaries	43,777	30,454
Social security costs	6,817	4,839
Defined contribution pension costs	1,011	770
Share-based payments (Note 24)	5,537	3,584
	57,142	39,647

7. Remuneration of Key Management Personnel

	2017 £000	2016 £000
Salary, benefits and bonus	2,840	2,550
Defined contribution pension cost	159	146
Share-based payments	2,045	1,772
	5,044	4,468

Key Management Personnel comprises the Chairman, the Directors and the Managing Directors of Property, Comparison and Data.

Further information about the remuneration of the Directors is provided in the audited part of the Directors' Remuneration Report on pages 84 to 91.

All of the Key Management Personnel excluding the Chairman and the Non-Executive Directors are members of the Group's defined contribution pension plans (2016: all).

8. Director and employee numbers

The average monthly number of Directors and employees in administration and Management during the Period was:

	2017 Number	2016 Number
Administration	830	580
Management	20	19
	850	599

9. Income tax expense

	2017 £000	2016 £000
Current tax		
Current period	16,141	14,076
Adjustments in respect of pre-acquisition periods for acquired entities	(889)	—
Adjustment in respect of prior periods	(279)	(625)
Total current tax	14,973	13,451
Deferred tax		
Origination and reversal of temporary differences	(4,229)	(3,282)
Adjustment in respect of prior periods	(66)	215
Effect of change in UK corporation tax rate	—	(900)
Total deferred tax	(4,295)	(3,967)
Total income tax expense	10,678	9,484

Corporation tax is calculated at 19.5% (2016: 20%) of the taxable profit for the year.

On 15 September 2016 the Finance act 2016 confirmed a reduction in the rate of corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. The Finance Bill was substantively enacted at the prior year end date and therefore the one-off impact of remeasuring the UK deferred tax assets and liabilities for the rate change was recognised at 30 September 2016.

Notes to the consolidated financial statements continued

9. Income tax expense continued

The charge for the year can be reconciled to the profit in the statement of comprehensive income as follows:

	2017 £000	2016 £000
Profit before tax	48,087	46,162
Current corporation tax rate of 19.5% (2016: 20%)	9,377	9,232
Non-deductible expenses	2,612	1,562
Adjustments in respect of pre-acquisition periods for acquired entities	(889)	–
Adjustments in respect of prior periods	(345)	(410)
Enhanced relief for R&D expenditure – Australia	(77)	–
Effect of change in UK corporation tax rate	–	(900)
Total income tax expense	10,678	9,484

In addition to the amount charged to profit and loss, the following amounts relating to tax have been recognised directly in equity:

	2017 £000	2016 £000
Current tax		
Credit for current tax on share-based payments	(309)	(217)
Deferred tax		
Credit for deferred tax on share-based payments	(2,049)	(888)
Total income tax recognised directly in equity	(2,358)	(1,105)

The Group's effective tax rate for the year ended 30 September 2017 is 22.2% (2016: 20.5%). The effective tax is higher than the statutory rate due to non-deductible transaction costs and management deferred and contingent consideration incurred on acquisitions. In 2016 the impact of non-deductible expenses was offset by the revaluation of deferred tax assets and liabilities as a result of the reduction in the corporation tax rate to 19% from 1 April 2017 and 17% from 1 April 2020.

10. Dividends

	2017 £000	2016 £000
Interim dividend for 2017 of 1.9 pence per Ordinary Share paid on 2 June 2017	8,279	–
Final dividend for 2016 of 3.7 pence per Ordinary Share paid on 9 February 2017	15,330	–
Interim dividend for 2016 of 1.5 pence per Ordinary Share paid on 24 June 2016	–	6,210
Final dividend for 2015 of 2.5 pence per Ordinary Share paid on 3 March 2016	–	10,344
Total dividends paid in the year	23,609	16,554

During the year the Group paid £23.6 million in dividends to shareholders. Additionally, the Directors propose a final dividend for 2017 of 3.8 pence per share (2016: 3.7 pence per share) resulting in a final proposed dividend of £16.6 million (2016: £15.3 million). The dividend is subject to approval at the Company's AGM on 30 January 2018. The final dividend proposed has not been included as a liability at the statement of financial position date.

11. Earnings per share

	2017 £000	2016 £000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year	37,409	36,678
Exceptional items (Note 3)	16,711	11,404
Amortisation of intangible assets arising on the acquisition of subsidiaries	14,618	7,481
Adjustment for tax	(3,769)	(3,170)
Adjusted earnings for the year	64,969	52,393
Number of shares		
Weighted average number of Ordinary Shares	426,813,751	413,262,135
Dilutive effect of share options and warrants	7,884,622	5,305,776
Dilutive effect of potentially issuable shares	2,397,839	–
Dilutive earnings per share denominator	437,096,212	418,567,911
Basic and diluted earnings per share		
Basic earnings per share (pence)	8.8	8.9
Diluted earnings per share (pence)	8.6	8.8
Adjusted earnings per share		
Adjusted basic earnings per share (pence)	15.2	12.7
Adjusted diluted earnings per share (pence)	14.9	12.5

Adjusted Earnings per share figures exclude exceptional items and the amortisation of intangible assets arising on acquisitions which arise only on consolidation. Management believes that excluding the amortisation of these intangibles better reflects the underlying performance of the Group and increases comparability of performance year on year.

The dilutive effect of share options and warrants arises from the various share schemes operated by the Company as set out in Note 24. The 2.4 million potentially issuable shares relate to the Company's option to settle up to 50% of the deferred payment for the acquisition of ExpertAgent in shares.

12. Investment in subsidiaries and joint ventures

Details of the Company's direct and indirect subsidiaries and joint ventures at 30 September 2017 are shown below. All of the entities listed are consolidated in the consolidated accounts of ZPG Plc, the ultimate parent company of the Group.

The percentage of Ordinary Share capital of each subsidiary listed is owned entirely by the direct parent indicated other than in respect of Websky Limited where 75% of Ordinary Share capital is owned by W New Holdings Limited with Zoopla Limited owning the remaining 25%.

Zoopla Limited, uSwitch Limited, ZPG Property Services Limited, Property Software Holdings Limited and Hometrack.co.uk Limited are the only direct subsidiaries of ZPG Plc. ZPG Comparison Services Limited was incorporated in September 2017, the company does not trade and is intended to be used as a holding company.

Ulysses Enterprises Limited, uSwitch Digital Limited and uSwitch Communications Limited are in the process of being struck off the register as all trading activity under the uSwitch brand is now conducted by uSwitch Limited.

All subsidiaries incorporated in the UK are registered at The Cooperage, 5 Copper Row, London SE1 2LH. Subsidiaries incorporated in Australia are registered at Suite 501, 92 Pitt Street, Sydney NSW, 2000.

HLIX Limited did not trade in the period.

Notes to the consolidated financial statements continued

12. Investment in subsidiaries and joint ventures continued

Name	Direct parent	Country of incorporation	Ownership of Ordinary Shares and voting interest at 30 September 2017
Active			
Zoopla Limited	ZPG Plc	United Kingdom	100%
Ravensworth Printing Services Limited*	Zoopla Limited	United Kingdom	100%
W New Holdings Limited*	Zoopla Limited	United Kingdom	100%
Websky Limited	W New Holdings Limited/Zoopla Limited	United Kingdom	100%
TechnicWeb Limited*	Zoopla Limited	United Kingdom	100%
uSwitch Limited	ZPG Plc	United Kingdom	100%
ZPG Comparison Services Limited*	ZPG Plc	United Kingdom	100%
Property Software Holdings Limited*	ZPG Plc	United Kingdom	100%
Jupix Limited*	Property Software Holdings Limited	United Kingdom	100%
MoveIT Network Limited*	Jupix Limited	United Kingdom	100%
Property Software Limited*	Property Software Holdings Limited	United Kingdom	100%
Core Estates Limited*	Property Software Limited	United Kingdom	100%
CFP Software Limited*	Property Software Limited	United Kingdom	100%
Vebra Investments Limited*	Property Software Limited	United Kingdom	100%
Vebra Limited*	Vebra Investments Limited	United Kingdom	100%
Vebra Solutions Limited*	Vebra Limited	United Kingdom	100%
Hometrack.co.uk Limited*	ZPG Plc	United Kingdom	100%
Hometrack Data Systems Limited	Hometrack.co.uk Limited	United Kingdom	100%
Hometrack Australia Pty Limited	Hometrack Data Systems Limited	Australia	100%
Hometrack Nominees Pty Limited	Hometrack Australia Pty Limited	Australia	100%
Active - proposal to strike off			
Ulysses Enterprises Limited	ZPG Plc	United Kingdom	100%
uSwitch Digital Limited	Ulysses Enterprises Limited	United Kingdom	100%
uSwitch Communications Limited	uSwitch Digital Limited	United Kingdom	100%
Dormant			
PSG Web Services Limited*	Vebra Limited	United Kingdom	100%
Real Estate Technology Limited*	Vebra Limited	United Kingdom	100%
SIA Limited*	Hometrack Data Systems Limited	United Kingdom	100%
Joint ventures			
HLIX Limited	Hometrack Data Systems Limited	United Kingdom	25%

* The Company will sign a statement of guarantee in respect of these subsidiary companies under section 479C of the Companies Act 2006. As a result, these subsidiaries are exempt from the requirements of the UK Companies Act 2006 in relation to the audit of individual accounts by virtue of section 479A of that Act.

13. Acquisitions

During 2017 ZPG acquired four new entities, the details of which are set out in Notes 13a-d. The acquisitions contributed revenue of £16.9 million and adjusted EBITDA of £7.4 million for the 2017 financial year. If all acquisitions had occurred on 1 October 2016 Group revenue and adjusted EBITDA would have been £257.9 million and £101.7 million an increase of £13.4 million and £5.3 million respectively. The total impact of the acquisitions made in the period on the Group's consolidated statement of financial position is set out below:

	2017 £000
Goodwill	116,552
Intangible assets	63,156
Deferred tax liability	(12,001)
Other net liabilities	(1,452)
Total net assets acquired	166,255
Satisfied by:	
Cash consideration, net of cash acquired	120,811
Debt assumed and discharged	16,073
Deferred and contingent consideration	29,371
Total consideration	166,255

The following table provides a reconciliation of amounts included in the consolidated statement of cash flows.

	2017 £000
Cash consideration, net of cash acquired on acquisition	120,811
Debt assumed and discharged	16,073
Acquisition of subsidiaries, net of cash acquired	136,884
Cash expenses incurred on acquisitions made in the period	3,135
Cash expenses incurred on the acquisition of Money	229
Total cash outflow on acquisition of subsidiaries	140,248

Goodwill

The acquisitions set out below provide a number of benefits to the Group. None of the goodwill is tax deductible (2016: none). The goodwill recognised on acquisition represents the value arising from intangible assets that are not separately identifiable under IAS 38 including the skills and knowledge of the workforce. Specific details on goodwill for each acquisition are included in the detail below.

13a. Hometrack

On 31 January 2017 ZPG Plc completed its acquisition of Hometrack through the purchase of 100% of the issued share capital of Hometrack.co.uk Limited for total consideration of £122.2 million as measured in accordance with IFRS 3. The primary reason for the acquisition is to increase the scale of the Group's current data business.

Hometrack was consolidated into the Group as of 31 January 2017. In the period, Hometrack contributed revenue of £13.0 million and adjusted EBITDA of £6.2 million to the consolidated results of the Group.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has also recognised a number of separately identifiable intangibles as part of the acquisition, details of which are set out in the table below. The Hometrack acquisition accounting has been finalised and updated compared to the preliminary figures presented in the 2017 ZPG Plc half-year results.

Notes to the consolidated financial statements continued

13. Acquisitions continued

13a. Hometrack continued

The fair values of the assets and liabilities acquired are as follows:

	Fair value £000
Property, plant and equipment	42
Software	9
Trade and other receivables	3,553
Deferred tax asset	217
Corporation tax asset	2,268
Trade and other payables	(6,835)
Total net liabilities acquired	(746)
Intangible assets recognised on acquisition:	
– Brand	2,122
– Customer relationships	25,224
– Software	18,522
Deferred tax liability arising on intangible assets	(9,171)
Goodwill on acquisition	86,274
	122,225
Satisfied by:	
Cash consideration, net of cash acquired	93,189
Debt assumed and discharged	16,005
Deferred and contingent consideration	13,031
Total consideration	122,225

13a.1 Intangible assets recognised on consolidation

Brand

£2.1 million has been recognised in respect of the Hometrack brand. Hometrack is the UK's leading provider of residential property market insights and analytics and has a strong position in the Australian market. The brand is considered to be highly recognisable in both these markets.

The brand has been valued using a relief from royalty approach. A brand royalty rate of 1.4% and a post-tax discount rate 12.85% of have been used to determine the net present value of cash flows. The useful economic life of the brand has been assessed at 10 years in line with current ZPG policy.

Customer relationships

£25.2 million has been recognised in respect of Hometrack's Customer relationships. Hometrack provides residential property market insights, analytics valuations and data services to over 400 partners including mortgage lenders, new home developers, investors, housing associations and local authorities. At the time of acquisition customers include 15 of the top 20 mortgage lenders in UK as well as all four leading Australian mortgage lenders. Over 70% of Hometrack's revenues are subscription based and underpinned by long-term relationships.

The customer relationships have been valued using a multi-period excess earnings approach. A post-tax discount rate of 13.0% has been applied to forecast cash flows relating to existing customers. The useful economic life of the customer relationships are assessed as 7–10 years reflecting the average life of the contracts and/or relationships.

13. Acquisitions continued

13a. Hometrack continued

13a.2 Goodwill

Software

£18.5 million has been recognised in respect of Hometrack's software intellectual property. Hometrack's Automated Valuation Model ("AVM") technology underpins the market insights, analytics valuations and data services it provides to its customers. The technology is recognised by all the major ratings agencies in the UK.

The IP has been valued using a relief from royalty approach. A royalty rate of 13% and a post-tax discount rate 12.85% of have been used to determine the net present value of cash flows. The useful economic life of the IP has been assessed at eight years.

In addition to the skilled workforce acquired, goodwill of £86.3 million represents the significant value of combining Hometrack's property data and expertise with the existing property database of the Group and the benefit of incorporating Hometrack's products and data into the Group's existing product offering for UK estate agents. Management believes there are significant benefits for both its consumers and partners of incorporating Hometrack into the Group to further improve the quality and depth of insight and analysis that it can provide into the UK property market, which in turn provides additional value for the Group.

13a.3 Debt assumed and discharged

Immediately prior to acquisition Hometrack had £16.0 million of outstanding debt due to third parties. This debt was assumed and discharged by ZPG Plc on acquisition.

13a.4 Deferred and contingent consideration

On acquisition the Group recognised deferred and contingent consideration of £13.0 million of which £11.8 million represents the fair value of a commercial earn-out agreement with the sellers. The settlement of the commercial earn-out will be in the range of £nil to £25.0 million payable up to 10 years' post-acquisition. The recognised fair value was determined using unobservable inputs (Level 3) within a weighted average scenario analysis. The inputs included a range of potential revenues generated by the underlying contract, which are unobservable, discounted at a discount rate of 13%. At each reporting period the earn-out liability will be considered in light of any additional information available with any adjustment being recognised in the consolidated statement of comprehensive income. The fair value is equal to the carrying value.

A further £10.2 million is payable to Management shareholders and is not contingent on performance but is conditional on the continued employment of Management up to and including the date of payment. In accordance with IFRS 3, this consideration will be recognised as a remuneration expense in the Group's consolidated statement of comprehensive income over the deferral period of between 12 months and 24 months from the date of acquisition. The Group is accruing the full £10.2 million over the deferral period, adjusted by an estimation of the number of leavers.

The following table sets out the amounts included in the consolidated statement of cash flows:

	2017 £000
Cash consideration, net of cash acquired on acquisition	93,189
Debt assumed and discharged	16,005
Acquisition of subsidiary, net of cash acquired	109,194
Cash expenses incurred on acquisition	1,790
Total cash outflow on acquisition of subsidiary	110,984

Notes to the consolidated financial statements continued

13. Acquisitions continued

13b. ExpertAgent

On 1 March 2017 Zoopla Limited, a subsidiary of ZPG Plc, completed its acquisition of ExpertAgent through the purchase of 100% of the issued share capital of Websky Limited for total consideration of £34.9 million as measured in accordance with IFRS 3. The primary reason for the acquisition is to increase the Group's current product offering for UK estate agents.

ExpertAgent was consolidated into the Group as of 1 March 2017. In the period ExpertAgent contributed revenue of £2.5 million and adjusted EBITDA of £1.4 million to the consolidated results of the Group.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has also recognised a number of separately identifiable intangibles as part of the acquisition, details of which are set out in the table below.

The fair values of the assets and liabilities acquired are as follows:

	Fair value £000
Intangible assets	56
Property, plant and equipment	24
Trade and other receivables	92
Trade and other payables	(484)
Corporation tax payable	(74)
Net liabilities acquired	(386)
Intangible assets recognised on acquisition:	
– Brand	712
– Customer relationships	12,672
– Software	1,442
Deferred tax liability arising on intangible assets	(2,612)
Goodwill on acquisition	23,055
	34,883
Satisfied by:	
Cash consideration net of cash acquired	20,143
Deferred and contingent consideration	14,740
Total consideration	34,883

13. Acquisitions continued

13b. ExpertAgent continued

13b.1 Intangible assets recognised on consolidation

Brand

£0.7 million has been recognised in respect of the ExpertAgent brand. The ExpertAgent brand has an established history within the property industry of over 13 years and Management believes that the brand continues to generate both value and brand loyalty.

The brand has been valued using a relief from royalty approach. A brand royalty rate of 2.25% and a post-tax discount rate 13.5% of have been used to determine the net present value of cash flows. The useful economic life of the brand has been assessed at 10 years in line with current ZPG policy.

Customer relationships

£12.7 million has been recognised in respect of customer relationships. There is an inherent value deriving from the future cash flows of ExpertAgent's existing customer contracts as a result of the subscription nature of the service. Furthermore, ExpertAgent has historically seen a significantly high customer retention rate, a trend that is expected to continue and further increases the value of the existing contracts.

The customer relationships have been valued using a multi-period excess earnings approach. A post-tax discount rate of 13.5% has been applied to forecast cash flows relating to existing customers. The useful economic life of the customer relationships are assessed as 10 years reflecting ExpertAgent's high customer retention rate.

Software

£1.4 million has been recognised as an uplift to the value of the ExpertAgent product. The software was valued using a relief from royalty approach with a royalty rate of 7.0% and a post-tax discount rate of 13.5%. The software is amortised over a useful economic life of five years.

13b.2 Goodwill

Goodwill represents the opportunity of the Group to integrate the ExpertAgent product into its existing suite of property software services, as well as the revenue synergies available from the cross-sell of estate agency software products to the Group's existing portal customers and vice versa, allowing the Group to offer an enhanced bundle of services to estate agents across the UK. Cross-sell opportunities also exist with the Group's Comparison division and the potential integration of products such as Moveit, which allow consumers to select from a large list of suppliers across home services, communications, surveyors and other property professionals during the home buying process, generating revenue for both the Group and, via Moveit, commissions for estate agents.

13b.3 Deferred and contingent consideration

On acquisition the Group recognised deferred consideration of £14.7 million due to sellers over a period of 12 to 36 months post-acquisition.

The following table sets out the amounts included in the consolidated statement of cash flows:

	2017 £000
Cash consideration, net of cash acquired on acquisition	20,143
Acquisition of subsidiary, net of cash acquired	20,143
Cash expenses incurred on acquisition	1,260
Total cash outflow on acquisition of subsidiary	21,403

Notes to the consolidated financial statements continued

13. Acquisitions continued

13c. Ravensworth

On 1 September 2017 Zoopla Limited, a subsidiary of ZPG Plc, completed its acquisition of Ravensworth through the purchase of 100% of the issued share capital of Ravensworth Printing Services Limited for total consideration of £7.0 million as measured in accordance with IFRS 3. The primary reason for the acquisition is to increase the Group's current product offering for UK estate agents.

Ravensworth was consolidated into the Group as of 1 September 2017. In the period, Ravensworth contributed revenue of £0.6 million and adjusted EBITDA of £0.1 million to the consolidated results of the Group.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has also recognised a number of separately identifiable intangibles as part of the acquisition, details of which are set out in the table below.

The preliminary fair values of the assets and liabilities acquired are as follows:

	Fair value £000
Property, plant and equipment	14
Trade and other payables	(14)
Total net liabilities acquired	–
Intangible assets recognised on acquisition:	
– Brand	1,397
Deferred tax liability arising on intangibles	(251)
Goodwill on acquisition	5,840
	6,986
Satisfied by:	
Cash consideration, net of cash acquired	5,986
Deferred and contingent consideration	1,000
Total consideration	6,986

13c.1 Intangible assets recognised on consolidation

Brand

£1.4 million has been recognised in respect of the Ravensworth brand. The brand is known and recognised throughout the property industry and its value is supported by the significant number of repeat customers. The useful economic life of the brand has been assessed at 5 years in line with current ZPG policy.

13c.2 Goodwill

Goodwill represents the skills of the acquired workforce and the revenue synergies available from the cross-sell of Ravensworth's products to the Group's existing customer base and from the integration of Ravensworth's products into ZPG's combined offering.

13c.3 Deferred and contingent consideration

A total of £1.0 million has been recognised in respect of deferred consideration of £250,000 payable on each anniversary of the acquisition over the next four years.

The following table sets out the amounts included in the consolidated statement of cash flows:

	2017 £000
Cash consideration, net of cash acquired on acquisition	5,986
Acquisition of subsidiary, net of cash acquired	5,986
Cash expenses incurred on acquisition	76
Total cash outflow on acquisition of subsidiary	6,062

13. Acquisitions continued

13d. TechnicWeb

On 30 November 2016 Zoopla Limited, a subsidiary of ZPG Plc, completed its acquisition of TechnicWeb through the purchase of 100% of the issued share capital of TechnicWeb Limited for total consideration of £2.2 million as measured in accordance with IFRS 3. The primary reason for the acquisition is to increase the Group's current product offering for UK estate agents.

TechnicWeb was consolidated into the Group as of 30 November 2016. In the period, TechnicWeb contributed revenue of £0.8 million and adjusted EBITDA of £(0.3) million to the consolidated results of the Group.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. In calculating the goodwill arising on acquisition the fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The Group has also recognised a number of separately identifiable intangibles as part of the acquisition, details of which are set out in the table below.

The fair values of the assets and liabilities acquired are as follows:

	Fair value £000
Property, plant and equipment	6
Trade and other receivables	25
Corporation tax asset	26
Trade and other payables	(95)
Total net liabilities acquired	(38)
Intangible assets recognised on acquisition:	
– Software	1,000
Deferred tax liability arising on intangibles	(184)
Goodwill on acquisition	1,383
	2,161
Satisfied by:	
Cash consideration, net of cash acquired	1,493
Debt assumed and discharged	68
Deferred and contingent consideration	600
Total consideration	2,161

13d.1 Intangible assets recognised on consolidation

Software

TechnicWeb specialises in designing custom-built, fully responsive websites for the property sector. TechnicWeb owns and develops software to streamline the process of producing a bespoke fully responsive website for its estate agent partners.

13d.2 Goodwill

As with Ravensworth, goodwill represents the inherent value in the workforce acquired and the revenue synergies available from the cross-sell of TechnicWeb's products to the Group's existing customer base and from the integration of TechnicWeb's products into ZPG's combined offering.

13d.3 Deferred and contingent consideration

On acquisition the Group recognised £0.6 million of deferred consideration which represents the fair value of a commercial earn-out agreement with the sellers.

The following table sets out the amounts included in the consolidated statement of cash flows:

	2017 £000
Cash consideration, net of cash acquired on acquisition	1,493
Debt assumed and discharged	68
Acquisition of subsidiary, net of cash acquired	1,561
Cash expenses incurred on acquisition	9
Total cash outflow on acquisition of subsidiary	1,570

Notes to the consolidated financial statements continued

13. Acquisitions continued

13e. Property Software Group

On 28 April 2016 ZPG Plc completed its acquisition of Property Software Group through the purchase of 100% of the issued share capital of Property Software Holdings Limited for total consideration of £69.6 million as measured in accordance with IFRS 3. Full details of the acquisition are included in the Annual Report 2016.

The fair values of the assets and liabilities acquired are as follows:

	Fair value £000
Property, plant and equipment	463
Intangible assets – software	5,904
Trade receivables	1,543
Prepayments and other receivables	669
Corporation tax asset	66
Trade payables	(188)
Accruals and other payables	(1,707)
Deferred income	(2,385)
Provisions	(35)
Total net assets acquired	4,330
Intangible assets recognised on acquisition:	
– Brand	2,222
– Customer relationships	20,484
Deferred tax liability arising on intangibles	(4,646)
Goodwill on acquisition	47,246
	69,636
Satisfied by:	
Cash consideration, net of cash acquired	22,263
Debt assumed and discharged	24,862
Deferred and contingent consideration	22,511
Total consideration	69,636

The following table provides a reconciliation of the amounts included in the consolidated statement of cash flows:

	2017 £000
Cash consideration, net of cash acquired on acquisition	22,263
Debt assumed and discharged	24,862
Acquisition of subsidiary, net of cash acquired	47,125
Cash expenses incurred on acquisition	1,256
Cash outflow on acquisition of subsidiaries	48,381

14. Intangible assets

	Goodwill £000	Brand £000	Customer relationships £000	Domain names £000	Websites and software £000	Database £000	Total £000
Cost							
At 1 October 2016	246,821	50,992	26,575	1,451	12,312	1,129	339,280
On acquisition (Note 13)	116,552	4,231	37,896	–	21,029	–	179,708
Additions	–	–	–	26	5,859	–	5,885
At 30 September 2017	363,373	55,223	64,471	1,477	39,200	1,129	524,873
At 1 October 2015	199,575	48,770	6,091	1,451	3,847	1,129	260,863
On acquisition (Note 13)	47,246	2,222	20,484	–	5,904	–	75,856
Additions	–	–	–	–	2,561	–	2,561
At 30 September 2016	246,821	50,992	26,575	1,451	12,312	1,129	339,280
Amortisation							
At 1 October 2016	–	6,605	5,908	1,296	2,225	625	16,659
Charge for the year	–	5,345	6,380	131	5,035	303	17,194
At 30 September 2017	–	11,950	12,288	1,427	7,260	928	33,853
At 1 October 2015	–	1,626	3,696	1,109	440	318	7,189
Charge for the year	–	4,979	2,212	187	1,785	307	9,470
At 30 September 2016	–	6,605	5,908	1,296	2,225	625	16,659
Net book value							
At 30 September 2017	363,373	43,273	52,183	50	31,940	201	491,020
At 30 September 2016	246,821	44,387	20,667	155	10,087	504	322,621

Goodwill and intangibles are tested for impairment by comparing the carrying amount of the cash-generating unit (CGU) with its recoverable amount, which represents the higher of its estimated fair value and value in use. An impairment loss is recognised when the carrying value of the asset exceeds its recoverable amount.

The intangible assets relate to five separate CGUs: Comparison – uSwitch, Property marketing (which includes Zoopla, TechnicWeb and Ravensworth), Hometrack, Property Software Group and ExpertAgent. Intangible assets include £5.2 million (2016 : £1.3 million) of internally generated assets. Goodwill and intangibles are allocated to each CGU per the table below.

	Goodwill £000	Other Intangibles £000	Total £000
Comparison – uSwitch	128,780	38,756	167,536
Property marketing	78,017	6,582	84,599
Hometrack	86,274	42,051	128,325
Property Software Group	47,247	26,317	73,564
ExpertAgent	23,055	13,941	36,996
At 30 September 2017	363,373	127,647	491,020

Notes to the consolidated financial statements continued

14. Intangible assets continued

The recoverable amounts of intangible assets and goodwill are based on their value in use, which is determined using cash flow projections derived from financial plans approved by the Board covering a three year period. They reflect Management's expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows for ExpertAgent and Hometrack after the three year period are based on forecasts used for the recent fair value exercise at acquisition, tending down towards the perpetuity growth rate. Cash flows for other CGUs, beyond the three year period have been extrapolated using a perpetuity growth rate.

A growth rate of 2% has been applied to extrapolate the cash flows into perpetuity. Growth has been capped at 2% across all CGUs so as not to exceed the long-term expected growth rate of the industry and country the Group operates in, in accordance with IAS 36. The pre-tax discount rate used for each CGU was in the range of 13.2% to 15.5%.

The analysis performed calculates that the recoverable amount of each CGU's assets exceeds their carrying value, as such no impairment was identified. Amending the analysis such that a growth rate into perpetuity of negative 1%, or a reasonable increase in discount rate, is applied across all CGUs whilst holding all other variables constant would not give rise to an impairment.

The Directors note that the three year forecast for the Property Software Group CGU includes revenue and margin growth resulting from new and recently launched products. Failure to achieve the forecasted cash flows could indicate an impairment. Headroom currently stands at £20.0 million for this CGU. 2020 cash flows would need to fall by 26% from current forecasts to eliminate this headroom.

Indicators of impairment for all CGUs, including Property Software Group, will continue to be assessed throughout the 2018 financial year.

15. Property, plant and equipment

	Fixtures and fittings £000	Freehold property £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost					
At 1 October 2016	944	209	1,962	5,640	8,755
Acquired on acquisitions	28	—	48	10	86
Additions	313	5	711	186	1,215
At 30 September 2017	1,285	214	2,721	5,836	10,056
At 1 October 2015	340	—	983	1,240	2,563
Acquired on acquisitions	34	209	150	70	463
Additions	570	—	829	4,330	5,729
At 30 September 2016	944	209	1,962	5,640	8,755
Accumulated depreciation					
At 1 October 2016	373	2	721	1,246	2,342
Charge for the year	214	6	592	342	1,154
At 30 September 2017	587	8	1,313	1,588	3,496
At 1 October 2015	120	—	310	203	633
Charge for the year	253	2	411	1,043	1,709
At 30 September 2016	373	2	721	1,246	2,342
Net book value					
At 30 September 2017	698	206	1,408	4,248	6,560
At 30 September 2016	571	207	1,241	4,394	6,413

16. Available for sale financial assets

	2017 £000	2016 £000
At 1 October 2016	724	—
Additions	2,598	979
Fair value movements	1,139	—
Disposals	—	(255)
At 30 September 2017	4,461	724

Available for sale financial assets represent the Group's strategic partnerships with a number of UK PropTech and Fintech companies and other equity investments which do not give the Group significant influence over that entity. Key judgements that have been used in determining fair value of available for sale financial assets are set out in Note 1.22.

17. Trade and other receivables

	2017 £000	2016 £000
Trade receivables	15,000	8,896
Accrued income	16,355	17,228
Prepayments	2,962	3,160
Amounts held in escrow	3,543	9,884
Other receivables	671	709
	38,531	39,877
Non-current	—	3,262
Current	38,531	36,615
	38,531	39,877

The Directors consider that the carrying value of trade and other receivables is approximate to their fair value. The carrying value also represents the maximum credit exposure.

Amounts held in escrow has decreased from £9.9 million to £3.5 million through the settlement of uSwitch deferred consideration in June 2017 as detailed in Note 19.

Details of the Group's exposure to credit risk are given in Note 26.

18. Trade and other payables

	2017 £000	2016 £000
Trade payables	10,425	7,618
Accruals	24,137	16,955
Other taxation and social security payments	11,715	5,865
Deferred income	3,981	1,813
Other payables	1,121	271
	51,379	32,522

The Directors consider that the carrying value of trade and other payables is approximate to their fair value. Details of the Group's exposure to liquidity risk are given in Note 26. All trade and other payables are considered current liabilities.

Notes to the consolidated financial statements continued

19. Deferred and contingent consideration

The Group recognised a total of £29.4 million in respect of deferred payments due on acquisitions made in the period, as set out below and detailed in Note 13.

A further £11.3 million was recognised through the income statement in relation to payments to continuing Management shareholders. £2.8 million was recognised in respect of uSwitch, £5.3 million of Hometrack, £3.0 million for Property Software Group and £0.2 million for TechnicWeb.

During the year the Group also settled £33.0 million due in respect of uSwitch, Property Software Group and Hometrack. Amounts paid and due to be paid to Management shareholders of uSwitch are held in escrow. Of the £32.7 million recorded on the statement of cash flows, £9.7 million of deferred and contingent consideration settled during the year was conditional on the continued employment of Management (2016: £2.9 million).

There have been no changes to the expected outcome of ongoing contingent consideration requirements made during the period outside of the finalisation of the acquisition accounting for entities acquired in the year as set out in Note 13. The fair value of deferred and contingent consideration is therefore considered equal to its carrying value. The Group's liabilities in respect of deferred and contingent consideration arising on acquisitions are set out below:

	Deferred consideration £000	Contingent consideration – earn-out £000	Total £000
At 1 October 2016	28,859	1,817	30,676
Recognised on acquisition of TechnicWeb	–	600	600
Recognised on acquisition of Hometrack	1,218	11,813	13,031
Recognised on acquisition of ExpertAgent	14,740	–	14,740
Recognised on acquisition of Ravensworth	1,000	–	1,000
Charge in the period for amounts conditional on the continued employment of Management	10,542	792	11,334
uSwitch settlement	(4,710)	(1,870)	(6,580)
Property Software Group settlement	(25,097)	–	(25,097)
Hometrack settlement	(1,283)	–	(1,283)
At 30 September 2017	25,269	13,152	38,421
Current	15,624	1,175	16,799
Non-current	9,645	11,977	21,622
At 1 October 2015	11,976	26,156	38,132
Recognised on acquisition of Property Software Group	22,511	–	22,511
Charge in the period for amounts conditional on the continued employment of Management	4,412	2,663	7,075
uSwitch settlement	(10,040)	(27,002)	(37,042)
At 30 September 2016	28,859	1,817	30,676
Current	26,813	1,330	28,143
Non-current	2,046	487	2,533

20. Provisions

The movement in provisions can be analysed as follows:

	Dilapidation provisions £000	Onerous lease £000	Restructuring provisions £000	Total £000
At 1 October 2016	1,985	729	–	2,714
Recognised in the period	30	130	259	419
Utilised in the period	(56)	(486)	(130)	(672)
Released in the period	(519)	(243)	–	(762)
At 30 September 2017	1,440	130	129	1,699
Current	–	130	129	259
Non-current	1,440	–	–	1,440
At 1 October 2015	799	–	–	799
Acquired on acquisition of Property Software Group	35	–	–	35
Recognised in the period	1,375	729	–	2,104
Utilised in the period	(224)	–	–	(224)
At 30 September 2016	1,985	729	–	2,714
Current	575	729	–	1,304
Non-current	1,410	–	–	1,410

The dilapidation provisions relate to Management's best estimate of costs to make good the Group's leasehold properties at the end of the lease term. The release in the period represents the completion of a sub-lease on the Company's previous head office location which transferred the Company's exit obligations. £0.1 million of the provision was utilised prior to the sub-lease.

The utilisation and release of onerous lease provisions in the period relates to the successful sub-lease of the Company's previous head office as mentioned above, which had previously been provided for. The onerous lease provision recognised during the year and held at 30 September 2017 relates to Management's best estimate of the fair value of future lease payments falling due prior to the expiry of a legacy lease agreement on computer servers relating to one to the Group's acquired entities. This onerous lease provision will be fully utilised in the 2018 financial year.

Restructuring provisions are recognised in respect of redundancy and other costs in relation to internal restructuring.

21. Loans and borrowings

On 30 April 2015 the Group entered into an agreement for the provision of a five year, £150 million revolving credit facility. On 18 April 2016 a £50 million extension to the revolving credit facility was agreed to finance the acquisition of Property Software Group, this was increased by a term loan of £75 million in January 2017 to finance the acquisition of Hometrack and ExpertAgent and a further term loan of £50 million in September 2017 to fund the acquisition of Money. The Group's total facility at 30 September 2017 is therefore £325 million. The drawn portion of the facility incurs interest at UK Libor plus a margin. The margin is variable based on the Group's net debt to Adjusted EBITDA ratio. The effective interest rate for the period is set out in Note 26.

	2017 £000	2016 £000
Opening gross borrowings	151,500	114,000
Repayment of borrowings	(97,500)	(46,500)
Drawdown of borrowings	215,000	84,000
Gross borrowings	269,000	151,500
Capitalised arrangement fees	(2,135)	(1,804)
Total loans and borrowings	266,865	149,696

The Group has no other loans or borrowings. Further detail on borrowings is provided in Note 26.

The Company defines Net Debt as Loans and borrowings less cash and cash equivalents as reconciled below, see also Note 1.15:

	2017 £000	2016 £000
Loans and borrowings	266,865	149,696
Cash and cash equivalents	(75,368)	(3,367)
Net Debt	191,497	146,329

Notes to the consolidated financial statements continued

22. Deferred tax

	Property, plant and equipment and computer software £000	Intangible assets £000	Share-based payments £000	Other £000	Total £000
Deferred tax asset/(liability) at 1 October 2016	26	(12,475)	2,532	896	(9,021)
On acquisitions	–	(12,217)	–	216	(12,001)
(Charge)/credit to profit or loss	(575)	3,046	1,206	552	4,229
Credit to equity	–	–	2,049	–	2,049
Foreign translation loss	–	–	–	(9)	(9)
Prior year adjustment	–	92	–	(26)	66
Deferred tax (liability)/asset at 30 September 2017	(549)	(21,554)	5,787	1,629	(14,687)
Deferred tax asset/(liability) at 1 October 2015	136	(10,623)	866	436	(9,185)
On acquisition of Property Software Group	(45)	(4,646)	–	–	(4,691)
(Charge)/credit to profit or loss	(103)	2,794	778	713	4,182
Credit to equity	–	–	888	–	888
Prior year adjustment	38	–	–	(253)	(215)
Deferred tax asset/(liability) at 30 September 2016	26	(12,475)	2,532	896	(9,021)

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. Deferred tax assets have been recognised in respect of all temporary differences giving rise to income tax assets because it is probable that these assets will be recoverable.

The following is an analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £000	2016 £000
Deferred tax liabilities	(22,103)	(12,475)
Deferred tax assets	7,416	3,454
	(14,687)	(9,021)

23. Equity

Share capital

	2017 £000	2016 £000
Shares classified as capital		
Authorised		
439,014,156 (2016: 418,116,472) shares of £0.001 (2016: £0.001) each	439	418
Called-up share capital – allotted and fully paid		
439,014,156 (2016: 418,116,472) Ordinary Shares of £0.001 (2016: £0.001) each	439	418

Ordinary Shares

The Ordinary Shares carry one vote per share and rights to dividends, except when they are held as Treasury shares by the Company.

On 31 January 2017 the Company placed a total of 20,897,684 new ordinary shares in the Company raising gross total proceeds of £76.3 million. The new shares are credited as fully paid and rank pari passu in all respects with the existing ordinary shares of 0.1 pence each in the capital of the Company, including in respect of the right to receive all dividends and other distributions declared, made or paid after the date of issue.

Other reserves – Merger reserve

The merger reserve was created in May 2012 from the premium on shares issued for the acquisition of The Digital Property Group Limited. In 2014 the merger reserve increased as a result of the Group's reorganisation prior to the initial public offering. The intangible assets are now fully amortised.

23. Equity continued

Other reserves – shares in trust

Shares in trust represents shares in issue that are held by the Employee Benefit Trust and the Share Incentive Plan Trust for the purpose of settling the Group's obligations under the Group's employee share plans, set out in Note 24.

Other reserves – Treasury shares

Between 11 February 2016 and 17 February 2016 the Group acquired 188,340 of its own shares at a weighted average price of 220.0 pence in order to settle the exercise of outstanding warrants. As at 30 September 2017 53,023 of the shares had been released from treasury to satisfy warrant exercises (2016: 25,551) leaving 135,317 shares in treasury (2016: 162,789) with a weighted average price of 220.0 pence and a total cost of £298,000 as at 30 September 2017. The fair value of shares in treasury as at 30 September 2017 is £489,000.

24. Share-based payments

The Group operates a number of share-based incentive schemes for both its employees and certain estate agent partners. The Group recognised a total share-based payments charge of £7.6 million for 2017 (2016: £4.9 million) as set out below:

	2017 £000	2016 £000
Employee Share Option Scheme (i)	572	486
Long Term Incentive Plan (ii)	1,826	881
Share Incentive Plan (iii)	323	276
Deferred Bonus Plan (iv)	692	427
Value Creation Plan (v)	1,156	1,156
Management deal related performance bonus (vi)	592	358
Big Goals (vii)	376	–
Warrant charges (viii)	518	406
National Insurance Contributions payable in respect of eligible share-based payment schemes (ix)	1,592	862
	7,647	4,852

i) Employee Share Option Scheme

The Company operates an equity-settled share-based incentive scheme which was in place prior to the Company's listing on the London Stock Exchange for all employees under an approved plan up to 31 May 2012 and an unapproved plan thereafter. The options vest in instalments over four years. Options are forfeited if the employee leaves employment before the options vest. The Group recognised a charge of £0.6 million (2016: £0.5 million) in respect of options under this scheme.

The Employee Share Option Scheme will continue to operate until all shares vest or lapse, or the scheme is otherwise cancelled. There will be no future grants under this scheme.

Details of options under the scheme outstanding at 30 September 2017 are set out below:

	2017		2016	
	Number '000	Weighted average exercise price £	Number '000	Weighted average exercise price £
Outstanding options at the beginning of the year	2,889	0.27	3,739	0.27
Exercised during the year	(1,135)	0.22	(653)	0.28
Forfeited during the year	(28)	0.35	(197)	0.34
Outstanding options at the end of the year	1,726	0.29	2,889	0.27

The options outstanding at 30 September 2017 had a weighted average exercise price of £0.29 (2016: £0.27) and a weighted average remaining contractual life of 5.5 years (2016: 6.7 years). The range of exercise prices for outstanding options is £0.06 to £0.35 (2016: £0.06 to £0.35).

The number of options exercisable as at 30 September 2017 was 1,532,000 (2016: 2,100,000).

Notes to the consolidated financial statements continued

24. Share-based payments continued

ii) Long Term Incentive Plan

The Company operates an equity-settled Long Term Incentive Plan that grants nil-cost options to eligible employees which vest at the end of a three year vesting period. The vesting of the options is subject to both Adjusted Earnings Per Share (EPS) and Total Shareholder Return (TSR) performance criteria. The Group recognised a charge of £1.8 million (2016: £0.9 million) in respect of this scheme.

A total of 1,291,686 options have been granted in respect of the 2017 financial year. None of the options granted are exercisable as at 30 September 2017. The following information is relevant in the determination of the fair value of the LTIP options granted on 6 December 2016. There were no other material grants in 2017. The total outstanding number of LTIP options granted to date is 3,210,159 (2016: 2,866,354).

	6 December 2016 grant
Valuation method – TSR	Monte-Carlo
Valuation method – EPS	Black-Scholes
Share price at grant date	£3.14
Exercise price	£nil
Expected volatility	36.8%
Expected life	3 years
Expected dividend yield	n/a
Risk-free interest rate	0.21%
Fair value per share – TSR	£1.93
Fair value per share – EPS	£3.14

The volatility assumption, measured at the standard deviation of expected share price returns, has been calculated using historical daily data of six comparator companies over a term commensurate with the expected life of each option. Dividend equivalent payments will be made in respect of vested options in the form of additional shares.

Following the announcement of these results the LTIP award which was granted in August 2014 will vest subject to fulfilment of the performance criteria.

iii) Share Incentive Plan (SIP)

The SIP is an all-employee share ownership plan which has been designed to meet the requirements of Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003 so that shares can be provided to UK employees under the SIP in a tax-efficient manner. Under the scheme employees may be awarded Free Shares and/or offered the opportunity to purchase Partnership Shares with one Free Matching Share for each Partnership Share purchased. During the period the Company granted a total of 90,841 (2016: 92,581) Matching Shares all of which are still subject to forfeiture should the employee leave within 12 months of the grant date. The Group recognised a charge of £0.3 million (2016: £0.3 million) in respect of shares under this scheme.

iv) Deferred Bonus Plan

The Company operates a Deferred Bonus Plan (DBP) which defers a proportion of eligible employees' annual bonuses into nil-cost options. The options vest over a period of between one and three years from the end of the performance period. The performance period for the 2017 DBP runs from 1 October 2016 until 30 September 2017. The Group recognised a charge of £0.7 million (2016: £0.4 million) in respect of this scheme.

	2017 Number '000	2016 Number '000
Outstanding options at the beginning of the year	313	–
Granted during the year	301	317
Exercised during the year	(13)	–
Lapsed during the year	(4)	(4)
Outstanding options at the end of the year	597	313

In December 2016 a total of 301,395 options were granted in respect of the 2016 financial year. As at 30 September 2017 22,965 of the vested options remain unexercised (2016: nil).

24. Share-based payments continued

v) Value Creation Plan

On 1 October 2015 the Company launched the VCP. The VCP grants nil-cost options to the Company's CEO based on Total Shareholder Return over a three and four year period. The fair value of the scheme is £4.3 million spread over the four year period. A charge of £1.2 million (2016: £1.2 million) was recognised in the 2017 financial year.

On 3 January 2017 3,233,127 nil-cost options were granted under the Value Creation Plan. The nil-cost options are subject to the rules of the Value Creation Plan and will vest depending on performance against Total Shareholder Return targets.

vi) Management deal related performance bonus

On 1 May 2016 an amendment was made to the uSwitch deal related management performance bonus such that the employee can elect to receive the bonus in the form of shares in ZPG Plc instead of a fixed cash element. The Group recognised a charge of £0.6 million (2016: 0.4 million) in respect of this scheme. As at 30 September 2017 2,533,646 options remain outstanding with settlement expected, in either cash or ZPG shares, on 1 June 2018.

vii) Big Goals

On 28 February 2017 an amendment was made to the Group's Big Goal Incentive Plan. The scheme grants nil-cost options to all employees on achievement of Group-wide targets. The scheme was previously settled in cash. The Group has recognised a charge of £0.4 million (2016: £nil) in respect of this scheme in the 2017 financial year.

viii) Warrants

Zoopla Limited has entered into agreements with a number of estate agent partners whereby the partners agree to pay annual fees for advertising on ZPG's property websites over a five year period in exchange for a fixed number of warrants over Ordinary Shares. The warrants are issued annually over the five year term of the agreements at an exercise price equal to the nominal value of each share (£0.001). Some or all of the warrants are forfeited if service agreements are terminated before the end of the term.

The Group holds shares in treasury to settle future warrant exercises. At 30 September 2017 135,317 shares were held in treasury (2016: 162,789).

The total charge recognised for the year ended 30 September 2017 in respect of warrants was £0.5 million (2016: £0.4 million).

	2017		2016	
	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding warrants at the beginning of the year	231,319	0.001	114,009	0.001
Issued during the year	334,677	0.001	142,861	0.001
Exercised during the year	(27,472)	0.001	(25,551)	0.001
Outstanding warrants at the end of the year	538,524	0.001	231,319	0.001

The number of warrants outstanding at 30 September 2017 was 538,524 (2016: 231,319). The warrants had a weighted average exercise price of £0.001 and a weighted average remaining contractual life of 4.5 years (2016: 3.9 years).

The number of warrants issuable over shares in ZPG Plc under existing partner contracts is 721,000 (2016: 1,055,000). The warrants will be issued with an exercise price of £0.001 over the lives of the contracts.

ix) National Insurance Contributions (NIC)

National Insurance Contributions are payable in respect of certain share-based payment schemes. These contributions are treated as cash-settled transactions and are accrued at a rate of 13.8%. The total NIC charge relating to share-based payment schemes was £1.6 million (2016: £0.9 million).

x) The Employee Benefit Trust and Share Incentive Plan Trust

Employee Benefit Trust (EBT)

The Group has established an Employee Benefit Trust which is constituted by a trust deed entered into between the Company and Equiniti Trust (Jersey) Limited. The Trust held 2,690,159 Ordinary Shares in ZPG Plc at 30 September 2017 (2016: 3,838,636). These shares are held to satisfy future exercises under the Group's share-based payment schemes. Shares are allocated by the Trust when the awards are exercised. The Trust waives its right to any dividends. The market value of the shares held in the Trust at 30 September 2017 was £9.7 million (2016: £14.6 million). The cost of the shares has been deducted from equity.

Share Incentive Plan Trust (SIP Trust)

The Group has established a Share Incentive Plan Trust which is constituted by a trust deed which was entered into between the Company and Equiniti Share Plan Trustees Limited. The Trust held 625,853 Ordinary Shares in ZPG Plc at 30 September 2017 (2016: 602,817). These shares are held to satisfy future Free Share and Partnership and Matching Share exercises. Shares are allocated by the Trust when the awards are exercised. Dividends paid on shares held in the Trust are passed to the employees when the shares are allocated. The market value of the shares held in the Trust at 30 September 2017 was £2.3 million (2016: £2.0 million). The cost of the shares has been deducted from equity.

25. Related party transactions

a) Key Management personnel

The Chairman and the Directors are considered to be the Key Management Personnel of the Group along with the Managing Directors of Property and Comparison. Details of remuneration for Key Management Personnel are shown in Note 7.

No share options were exercised by key Management personnel in the period.

Further information on the remuneration of the Chairman and the Directors can be found in the Directors' remuneration report on pages 66 to 91.

b) Other Group companies

Details of transactions with subsidiaries are outlined in the Company's financial statements. Transactions with other Group companies have been eliminated on consolidation.

c) Other related parties

At 30 September 2017 Daily Mail & General Trust Plc owned 29.8% of the share capital of ZPG Plc through its subsidiary DMGZ Limited (2016: 31.3%).

There are no other material related party transactions.

26. Financial instruments

Carrying amount and fair value of financial assets and liabilities

The Group has shareholdings and commercial arrangements with a number of other entities. Where these holdings do not give the Group significant influence over the entity the holdings are classified as Available for sale financial assets. Details for available for sale financial assets are included in Note 16. The valuation of all available for sale financial assets are based on level 2 inputs. The Group uses publicly available financial information to determine the fair value of its shareholding and any warrants held. The fair value of these assets is equal to their carrying value.

All other financial assets, including cash and cash equivalents, are designated as "Loans and receivables" and are held at amortised cost. All financial liabilities are classified as "Other liabilities" and are measured at amortised cost. The Directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements are approximate to their fair values.

Financial risk management

The Group is exposed to the following risks from financial instruments:

- credit risk;
- market risk; and
- liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or bank ("counterparty") fails to meet its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk at the end of each period was equal to the carrying amount of financial assets recorded in the consolidated financial statements. The exposure to credit risk is influenced by the individual characteristics of each counterparty.

The potential for customer default varies between the Group's two divisions. The customer base of the Property division is large, so there is no significant concentration of credit risk. The Comparison division operates in a market with a small number of customers, which creates a concentration of debtor balances, and from time to time the amounts due from one or a number of suppliers may be material. However, customers within this market are often large energy and telecommunications organisations with high credit ratings and access to significant funds. The Group's largest customer contributed to 10% (2016: 18%) of the Group's trade receivables balance.

The Group manages counterparty risk on its trade receivables through strict credit control quality measures and regular aged debt monitoring procedures. The Group reserves the right to charge interest on overdue receivables, although it does not hold collateral over any trade receivable balances. Overdue amounts are regularly reviewed and impairment provisions are created where necessary. This provision is reviewed regularly in conjunction with a detailed analysis of ageing profile, historical payment profiles and past default experience. The Group has long-standing relationships with its key customers and extremely low historical levels of customer credit defaults.

26. Financial instruments continued

Credit risk continued

The ageing of trade receivables at the Period end is as follows:

	2017		2016	
	Gross £000	Provision £000	Gross £000	Provision £000
0-30 days	12,926	—	4,634	—
31-60 days	1,760	(37)	3,154	(104)
61-90 days	805	(519)	721	(151)
91+ days	419	(354)	767	(125)
Total	15,910	(910)	9,276	(380)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was granted up to the period end date.

Receivables written off during the year to 30 September 2017 was £415,000 (2016: £470,000). As at 30 September 2017 receivables of £1,447,000 were past due but not impaired (2016: £1,386,000).

The credit risk associated with bank and deposit balances is mitigated by the use of banks with good credit ratings.

Market risk

Market risk is the risk that changes in foreign exchange and interest rates will affect the income and financial management of the Group. The Group is not exposed to any significant currency risk and there is a minimal interest rate risk on cash and bank balances. However, the Group has borrowings subject to an interest rate calculated with reference to Libor. Changes in interest rates therefore impact the financial results of the Group. The Directors actively monitor interest rate risk and note that interest rates remain at a historical low. The Directors believe that any reasonable increase in the Libor rate would not significantly impact the Group. Therefore, the Group does not hedge its interest rate risk at this time. At 30 September 2017 borrowings of £269 million were subject to floating interest rates (2016: £151.5 million).

At 30 September 2017 if Libor were to have increased by 1% throughout the year with all other variables held constant profit before tax would decrease by £2.0 million (2016: £1.2 million) as a result of additional interest incurred. Therefore, the Directors are comfortable that any sensitivity to fluctuations in interest or exchange rates would not have a material impact on the results of the Group.

Liquidity risk

Liquidity risk refers to the ability of the Group to meet the obligations associated with its financial liabilities that are settled in cash as they fall due. Management regularly reviews performance against budgets and forecasts to ensure sufficient cash funds are available to meet its contractual obligations.

The Group's activities are highly cash generative allowing it to effectively service working capital requirements. At 30 September 2017 the Group held total cash and cash equivalents of £75.4 million (2016: £3.4 million) and net debt of £191.5 million (2016: £146.3 million).

The Group has access to a £200.0 million revolving credit facility (RCF), of which £144 million was drawn down at 30 September 2017. The remaining £56 million undrawn facility allows the Group to secure additional external financing should it be required. The total facility requires the Group to meet certain covenants based on the Group's interest cover and net debt to Adjusted EBITDA ratio. Exceeding the covenants would result in the Group being in breach of the facility, which may lead to the facility being withdrawn. Management regularly monitors and models covenant compliance and prepares detailed forecasts to ensure that sufficient headroom is available. The Directors are satisfied that there is reasonable headroom on each of the Group's debt covenant ratios.

In addition to the £200 million RCF the Company increased its total facility in the period by £125 million with the draw down of two term loans of £75 million and £50 million to fund the acquisitions of Hometrack and Money respectively. The £75 million is subject to two bullet payments of £10 million in March 2018 and March 2019 with the remaining balance falling due on April 2020 at the end of the term facility.

Notes to the consolidated financial statements continued

26. Financial instruments continued

Liquidity risk continued

The following tables detail the Group's remaining contractual maturities for undiscounted financial liabilities, including interest. The contractual maturity is based on the earliest date on which the Group may be required to settle. Where interest rates are variable the undiscounted amount is derived from interest rate curves at 30 September 2017.

	Effective interest rate	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	More than 5 years £000	Total contractual amount £000
At 30 September 2017						
<i>Revolving Credit Facility</i>						
Trade payables		10,425	—	—	—	10,425
Borrowings ¹	3.00%	4,023	4,375	146,653	—	155,051
<i>Term Debt Facility</i>						
Borrowings ²	2.74%	13,164	13,469	107,121	—	133,754
Total		27,612	17,844	253,774	—	299,230
At 30 September 2016						
<i>Revolving Credit Facility</i>						
Trade payables		7,618	—	—	—	7,618
Borrowings ¹	2.90%	4,096	4,535	158,927	—	167,558
Total		11,714	4,535	158,927	—	175,176

¹ Interest on the revolving credit facility assumes that the Group makes no further capital repayments until maturity in 2020.

² Term repayments of £10 million are due in 2018 and 2019 with no further repayments due until maturity of the term facility in 2020.

Treasury and capital risk management

The Group's policy is to actively manage its cash and capital structure to ensure that it complies with its current debt covenant ratios, maintains its current dividend policy and minimises the Group's interest payments by paying down its debt where possible. The Group is not subject to any externally imposed capital requirements.

Management will consider the use of excess cash, including the payment of special dividends to shareholders and M&A activity, based on the risks and opportunities of the Group at that time.

The Directors can manage the Group's capital structure through the issue or redemption of either debt or equity instruments and by adjustment of the Group's dividend paid to equity holders. The Directors believe that the current debt to equity ratio remains appropriate but continue to monitor the efficiency of the capital structure on an ongoing basis.

27. Operating lease commitments

At the statement of financial position date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £000	2016 £000
Within one year	4,094	3,267
In the second to fifth year inclusive	13,420	13,067
After five years	23,791	27,214
	41,305	43,548

All operating lease commitments are in respect of property leases held by the Group.

28. Subsequent events

On 1 October 2017 ZPG completed its acquisition of 100% of the issued share capital of Dot Zinc Holdings Limited ("Money") for initial consideration of £80 million and earn-out consideration of up to a maximum of £60 million based on performance targets for the 12-month periods ending 31 October 2017 and 30 September 2018.

For the year ended 31 October 2016 Dot Zinc Holdings Limited generated revenue and consolidated profit for the year of £24.7 million and £5.3 million respectively and had gross assets of £14.1 million.

As of the date of this report Management has not completed its purchase price allocation exercise. Full details of the fair value of assets and liabilities acquired will be provided in the Group's interim results for the period to 31 March 2018.

As at the date of this report the Company is well advanced in its acquisition of automated property valuations and statistical market analysis provider Calcasa B.V ("Calcasa") for initial consideration of €30 million and earn-out consideration of up to €50 million. The acquisition is expected to complete on 1 December 2017 and will be financed through a combination of cash resources and an extension to the Company's existing credit facilities.

For the year ended 31 December 2016 Calcasa generated profit for the year of €4.2 million and had gross assets of €6.2 million.

There have been no other reportable subsequent events between 30 September 2017 and the date of signing of this report.

29. Ultimate controlling party

The Directors are of the opinion that there was no ultimate controlling party in either period presented.

Company statement of financial position
As at 30 September 2017

	Notes	2017 £000	2016 £000
Assets			
Non-current assets			
Investment in subsidiaries	4	421,089	250,790
Intangible assets		335	128
Property, plant and equipment	5	5,738	5,315
Trade and other receivables	6	28,245	74,698
Deferred tax assets	11	1,168	600
		456,575	331,531
Current assets			
Trade and other receivables	6	5,084	9,092
Cash and cash equivalents		62,405	414
		67,489	9,506
Total assets		524,064	341,037
Liabilities			
Current liabilities			
Trade and other payables	7	17,605	27,732
Deferred and contingent consideration	8	8,601	28,143
		26,206	55,875
Non-current liabilities			
Loans and borrowings	9	266,865	149,696
Deferred and contingent consideration	8	13,268	2,533
Provisions	10	1,375	1,375
Total liabilities		307,714	209,479
Net assets		216,350	131,558
Equity			
Share capital	12	439	418
Share premium reserve		74,304	50
Other reserves	12	90,151	90,137
Retained earnings		51,456	40,953
Total equity		216,350	131,558

The financial statements of ZPG Plc (company number 09005884) were approved and authorised for issue by the Board of Directors and were signed on its behalf by:



A Chesterman
Director
28 November 2017



A Botha
Director
28 November 2017

Company statement of cash flows
For the year ended 30 September 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit before tax	27,615	33,649
Adjustments for:		
Depreciation of property, plant and equipment	587	—
Amortisation of intangible assets	89	—
Finance income	(1,501)	(1,615)
Finance costs	5,576	3,559
Dividend income received	(49,000)	(47,000)
Movement in contingent and deferred consideration	11,122	7,075
Operating cash flow before changes in working capital	(5,512)	(4,332)
Decrease in trade and other receivables	3,020	21,093
(Decrease)/increase in trade and other payables	(10,223)	4,984
Net cash flows from operating activities	(12,715)	21,745
Cash flows (used in)/from investing activities		
Acquisition of subsidiaries, net of cash acquired	(110,351)	(48,636)
Settlement of deferred and contingent consideration	(32,722)	(37,042)
Amounts paid into escrow in relation to deferred and contingent consideration	6,341	(2,448)
Purchase of property, plant and equipment	(1,010)	(3,441)
Purchase and development of intangible assets	(296)	—
Interest income received	1,501	1,615
Dividend income received	49,000	47,000
Net cash flows used in investing activities	(87,537)	(42,952)
Cash flows from/(used in) financing activities		
Proceeds on issue of shares, net of issue costs	74,275	—
Proceeds on issue of debt, net of issue costs	215,000	89,358
Repayment of debt	(97,500)	(52,500)
Interest paid	(5,811)	(2,937)
Shares purchased by trusts	(112)	—
Treasury shares purchased	—	(414)
Dividends paid	(23,609)	(16,554)
Net cash flows from financing activities	162,243	16,953
Net increase/(decrease) in cash and cash equivalents	61,991	(4,254)
Cash and cash equivalents at beginning of period	414	4,668
Cash and cash equivalents at end of period	62,405	414

Company statement of changes in equity For the year ended 30 September 2017

	Share capital £000	Share premium reserve £000	Other Reserves			Retained earnings £000	Total equity £000
			Treasury shares £000	Shares in trust £000	Merger reserve £000		
At 1 October 2016	418	50	(358)	—	90,495	40,953	131,558
Profit and total comprehensive income for the Period	—	—	—	—	—	28,183	28,183
Transactions with owners recorded directly in equity:							
Share issuance	21	74,254	—	—	—	—	74,275
Share-based payments	—	—	—	—	—	6,055	6,055
Treasury shares released	—	—	60	—	—	(60)	—
Shares purchased by trusts	—	—	—	(112)	—	—	(112)
Shares released from trusts	—	—	—	66	—	(66)	—
Dividends paid	—	—	—	—	—	(23,609)	(23,609)
At 30 September 2017	439	74,304	(298)	(46)	90,495	51,456	216,350

	Share capital £000	Share premium reserve £000	Other Reserves			Retained earnings £000	Total equity £000
			Treasury shares £000	Shares in trust £000	Merger reserve £000		
At 1 October 2015	418	50	—	—	90,495	19,507	110,470
Profit and total comprehensive income for the Period	—	—	—	—	—	34,066	34,066
Transactions with owners recorded directly in equity:							
Share-based payments	—	—	—	—	—	3,990	3,990
Treasury shares purchased	—	—	(414)	—	—	—	(414)
Treasury shares released	—	—	56	—	—	(56)	—
Dividends paid	—	—	—	—	—	(16,554)	(16,554)
At 30 September 2016	418	50	(358)	—	90,495	40,953	131,558

Notes to the Company financial statements

1. Accounting policies and basis of accounting

The Directors have applied International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies and the financial risk management policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in Notes 1 to 29 of the consolidated financial statements.

The statement of cash flows has been represented in the prior year to move transaction costs on acquisitions of £1.3 million to operating cash flows. The impact was to reduce net cash flows from operating activities and the net cash flows used in investing activities by £1.3 million.

Statement of comprehensive income

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented a statement of comprehensive income. The profit for the period ended 30 September 2017 was £28.2 million (2016: £34.1 million).

2. Auditor's remuneration

The Company incurred a cost of £140,000 (2016: £65,000) for statutory audit services for the period ended 30 September 2017.

The Company incurred a cost of £40,000 (2016: £28,000) in relation to non-audit fees provided by the statutory auditor.

3. Employee costs and Directors' remuneration

The Company has no employees other than the Directors of the Company. Remuneration paid to the Directors was accounted for and paid by the Company's subsidiary, Zoopla Limited. Details of Directors' remuneration are set out in the Directors' Remuneration Report on pages 66 to 91.

4. Investments in subsidiaries

Investments in subsidiaries are valued at cost less any provision for impairment. The investment in subsidiaries balance of £421.1 million represents the Company's 100% shareholding in Zoopla Limited, uSwitch Limited, Property Software Holdings Limited and Hometrack.co.uk Limited as set out in Note 12 to the consolidated financial statements. Property Software Holdings Limited was acquired on 28 April 2016 as detailed in Note 12 to the consolidated financial statements.

During the year ZPG Plc successfully completed a restructuring of the uSwitch entities within the Group. All uSwitch trade and assets were transferred into the entity uSwitch Limited at nil gain or loss. The entire share capital of uSwitch Limited was then sold by uSwitch Digital Limited to ZPG Plc at the carrying value of assets and liabilities acquired. Subsequent to the transaction, Ulysses Enterprises Limited and its subsidiaries are dormant with strike off applications in progress. Intercompany loans including these due to the Company from subsidiaries were settled prior to the restructuring or were capitalised through the issuance of ordinary share capital. The restructuring led to a net increase in the investment of £9.4 million due to the capitalisation of existing intercompany loans.

During the year the Company recognised an increase in the investment in Zoopla Limited, uSwitch Limited and Hometrack.co.uk Limited in respect of the Group's employee share schemes. Consistent with the Group accounting policies outlined in Note 1.20 to the consolidated financial statements, equity-settled share options granted directly to a subsidiary's employees are treated as a capital contribution to the subsidiary. The capital contribution is measured by reference to the consolidated share-based payments charge and is recognised as an increase in the cost of investment with a corresponding credit to retained earnings.

	Zoopla Limited £000	uSwitch Limited £000	Ulysses Enterprises Limited £000	Hometrack.co.uk Limited £000	Property Software Holdings Limited £000	Total £000
At 1 October 2016	96,683	—	107,783	—	46,324	250,790
Acquisition of Hometrack	—	—	—	116,269	—	116,269
Investment in uSwitch Limited	—	9,432	—	—	—	9,432
Share issue in Ulysses Enterprises Limited	—	—	38,543	—	—	38,543
Transfer of investment in uSwitch Group	—	146,326	(146,326)	—	—	—
Share-based payment – Capital contribution	5,122	904	—	29	—	6,055
At 30 September 2017	101,805	156,662	—	116,298	46,324	421,089
At 1 October 2015	93,053	—	107,425	—	—	200,478
Acquisition of Property Software Group	—	—	—	—	46,324	46,324
Share-based payment – Capital contribution	3,630	—	358	—	—	3,988
At 30 September 2016	96,683	—	107,783	—	46,324	250,790

Notes to the Company financial statements continued

5. Property, plant and equipment

	Fixtures and fittings £000	Computer equipment £000	Leasehold improvements £000	Total £000
Cost				
At 1 October 2016	545	440	4,330	5,315
Additions	278	583	149	1,010
At 30 September 2017	823	1,023	4,479	6,325
At 1 October 2015	–	–	–	–
Additions	545	440	4,330	5,315
At 30 September 2016	545	440	4,330	5,315
Accumulated depreciation				
At 1 October 2016	–	–	–	–
Charge for the year	151	141	295	587
At 30 September 2017	151	141	295	587
At 1 October 2015	–	–	–	–
Charge for the year	–	–	–	–
At 30 September 2016	–	–	–	–
Net book value				
At 30 September 2017	672	882	4,184	5,738
At 30 September 2016	545	440	4,330	5,315

6. Trade and other receivables

	2017 £000	2016 £000
Loan balances due from Group companies	28,245	71,436
Trading balances due from Group companies	773	1,969
Prepayments	768	501
Amounts held in escrow	3,543	9,884
	33,329	83,790
Non-current	28,245	74,698
Current	5,084	9,092
	33,329	83,790

The Directors consider that the carrying value of trade and other receivables are approximate to their fair value.

Amounts held in escrow are held for the settlement of deferred consideration due on the acquisition of uSwitch.

The Company has a receivable of £20.8 million due from Property Software Holdings Limited, £6.3 million from Hometrack.co.uk Limited and £1.1 million due from uSwitch Limited. The amounts are designated as unsecured, intercompany loans. The loans accrue interest at Libor + 2% and have no fixed repayment dates. A trading balance of £0.8 million is due from uSwitch Limited. No interest is receivable on the balance.

The Company is comfortable that these amounts are recoverable in full.

7. Trade and other payables

	2017 £000	2016 £000
Trade payables	1,411	270
Accruals	12,545	5,964
Amounts payable to Group companies	3,649	21,498
	17,605	27,732

At 30 September 2017 a trading balance of £3.6 million was due to Zoopla Limited. No interest is payable on the balance.

The Directors consider that the carrying value of trade and other payables are approximate to their fair value. All trade and other payables are classified as current liabilities.

Details of the Group's exposure to liquidity risk are given in Note 26 to the consolidated financial statements.

8. Deferred and contingent consideration

The Company recognised a total of £13.0 million in respect of deferred payments due on acquisitions made in the period, in relation to the acquisition of Hometrack.co.uk Limited.

A further £11.1 million was recognised through the income statement in relation to payments to continuing Management shareholders. £2.8 million was recognised in respect of uSwitch, £5.3 million of Hometrack and £3.0 million of Property Software Group.

During the year the Company also made settlements of £33.0 million to settle amounts due in respect of uSwitch, Property Software Group and Hometrack. The £6.6 million paid to Management shareholders of uSwitch was held in escrow. Of the £32.7 million recorded on the statement of cash flows, £9.7 million of deferred and contingent consideration settled during the year was conditional on continued employment of Management (2016: £2.9 million).

There have been no changes to the expected outcome of ongoing contingent consideration requirements made during the period outside of the finalisation of the acquisition accounting for entities acquired in the year as set out in Note 13 of the consolidated financial statements. The Company's liabilities in respect of deferred and contingent consideration arising on acquisitions are set out below:

	Deferred consideration £000	Contingent consideration earn-out £000	Total £000
At 1 October 2016	28,859	1,817	30,676
Recognised on acquisition of Hometrack	1,218	11,813	13,031
Charge in the period for amounts conditional on the continued employment of Management	10,330	792	11,122
uSwitch settlement	(4,710)	(1,870)	(6,580)
Property Software Group settlement	(25,097)	—	(25,097)
Hometrack settlement	(1,283)	—	(1,283)
At 30 September 2017	9,317	12,552	21,869
Current	7,426	1,175	8,601
Non-current	1,891	11,377	13,268
At 1 October 2015	11,976	26,156	38,132
Recognised on acquisition of Property Software Group	22,511	—	22,511
Charge in the period for amounts conditional on the continued employment of Management	4,412	2,663	7,075
uSwitch settlement	(10,040)	(27,002)	(37,042)
At 30 September 2016	28,859	1,817	30,676
Current	26,813	1,330	28,143
Non-current	2,046	487	2,533

9. Loans and borrowings

Details of loans and borrowings are given in Note 21 to the consolidated financial statements.

Notes to the Company financial statements continued

10. Provisions

The Company's dilapidation provisions relate to Management's best estimation of costs to make good the Company's leasehold property at the end of the lease term. The carrying provision represents expected exit costs on completion of the Company's property lease.

	Dilapidation provisions £000
At 1 October 2016	1,375
Recognised in the period	–
At 30 September 2017	1,375
At 1 October 2015	–
Recognised in the period	1,375
At 30 September 2016	1,375

11. Deferred tax

	Property, plant and equipment £000	Long-term Bonus Plans £000	Total £000
Deferred tax (liability)/asset at 1 October 2016	(158)	758	600
(Charge)/credit to profit or loss	(51)	646	595
Prior year adjustment	–	(27)	(27)
Deferred tax (liability)/asset at 30 September 2017	(209)	1,377	1,168

12. Equity

Share capital

Details of the Company's share capital are included in Note 23 to the consolidated financial statements.

Other reserves – merger reserve

The merger reserve represents the difference between the investment recognised in ZPG Limited on restructuring in 2014 of £90.9 million and the value of the shares issued of £0.4 million.

Other reserves – treasury shares

Between 11 February 2016 and 17 February 2016 the Group acquired 188,340 of its own shares at a weighted average price of 220.0 pence in order to settle the exercise of outstanding warrants. As at 30 September 2017 53,023 of the shares had been released from treasury to satisfy warrant exercises leaving 135,317 shares in treasury with a weighted average price of 220.0 pence and a total cost of £298,000 as at 30 September 2017.

Distributable reserves

As 30 September 2017 the Company has distributable reserves of £40.3 million (2016: £34.8 million). The Directors are comfortable that the Company has sufficient reserves to cover the proposed year end dividend of 3.8 pence per share and the expected 2018 interim dividend.

13. Financial instruments

Financial Instruments disclosures, where relevant to the Company, are consistent with those of the Group as set out in Note 26 to the consolidated financial statements.

14. Related parties

a) Key Management personnel

There are no employees of the Company. The Directors are employed and/or remunerated by the Company's subsidiary, ZPG Limited. There were no transactions during the year between the Directors and the Company other than the issue of shares and share options as outlined in the Directors' Remuneration Report on pages 66 to 91.

14. Related parties continued

b) Subsidiaries

Transactions with subsidiaries

On 31 January 2017 the Company acquired Hometrack.co.uk Limited and its subsidiaries as set out in Note 13 to the consolidated financial statements. The transaction included ZPG Plc assuming and discharging external debt of £16.0 million through an intercompany loan with Hometrack.co.uk Limited. During the period to 30 September 2017 Hometrack.co.uk Limited repaid £10.1 million of this balance to the Company.

During the year to 30 September 2017 Property Software Group Limited repaid £2.5 million in respect of the intercompany loan with the Company.

During the year to 30 September 2017 Ulysses Enterprises Limited made a drawdown of £21.4 million and repaid £69.9 million in respect of the intercompany loan with the Company. The intercompany loan balance at 30 September 2017 is £nil.

During the year Ulysses Enterprises Limited paid interest on intercompany loans of £0.8 million to the Company.

During the year Property Software Group Limited paid interest on intercompany loans of £0.6 million to the Company.

During the year Hometrack.co.uk Limited paid interest on intercompany loans of £0.1 million to the Company.

During the year Zoopla Limited paid dividends of £20.0 million (2016: £33.0 million) to the Company.

During the year Ulysses Enterprises Limited paid dividends of £16.0 million (2016: £14.0 million) to the Company.

During the year uSwitch Limited paid dividends of £13.0 million (2016: £nil) to the Company.

The Company issues shares to employees and estate agent partners of its subsidiaries as part of the Group's share-based payment and warrant schemes as set out in Note 24 to the consolidated financial statements.

There have been no other transactions with the Company's subsidiaries during the year.

Year end balances with subsidiaries

At 30 September 2017 £20.8 million of the intercompany loan due from Property Software Holdings Limited was outstanding. Interest at Libor + 2% per annum is due on the outstanding balance.

At 30 September 2017 £6.3 million of the intercompany loan due from Hometrack.co.uk Limited was outstanding. Interest at Libor + 2% per annum is due on the outstanding balance.

At 30 September 2017 £1.1 million of the intercompany loan due from uSwitch Limited was outstanding. Interest at Libor + 2% per annum is due on the outstanding balance.

At 30 September 2017 a trading balance of £0.7 million is due from uSwitch Limited. No interest is receivable on the balance.

At 30 September 2017 a trading balance of £0.1 million is due from Hometrack.co.uk Limited. No interest is receivable on the balance.

At 30 September 2017 a trading balance of £3.6 million is due to Zoopla Limited. No interest is payable on the balance.

There were no other related party transactions in the Period.

c) Other related parties

There were no transactions between the Company and any other related parties.

15. Subsequent events

On 1 October 2017 ZPG completed its acquisition of 100% of the issued share capital of price comparison website Dot Zinc Holdings Limited ("Money") for initial consideration of £80 million and earn-out consideration of up to £60 million based on performance targets for the twelve month periods ending 31 October 2017 and 30 September 2018.

For the year ended 31 October 2016 Money generated revenue and consolidated profit for the year of £24.7 million and £5.3 million respectively and had gross assets of £14.1 million.

As at the date of this report the Company is well advanced in its acquisition of automated property valuations and statistical market analysis provider Calcasa B.V ("Calcasa") for initial consideration of €30 million and earn-out consideration of up to €50 million. The acquisition is expected to complete on 1 December 2017 and will be financed through a combination of cash resources and an extension to the Company's existing credit facilities.

For the year ended 31 December 2016 Calcasa generated profit for the year of €4.2 million and had gross assets of €6.2 million.

There have been no other reportable subsequent events between 30 September 2017 and the date of signing of this report.

16. Ultimate controlling party

The Directors are of the opinion that there was no ultimate controlling party in either period presented.

Shareholder information

Contacts

Chief Executive Officer

Alex Chesterman

Chief Financial Officer

Andy Botha

Company Secretary

Ned Staple

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Corporate advisers

Auditor

Deloitte LLP

Remuneration adviser

PricewaterhouseCoopers LLP

Brokers

Credit Suisse Securities (Europe)
Limited

Jefferies International Limited

Solicitor

Freshfields Bruckhaus
Deringer LLP

Registrar

Equiniti Limited

Shareholder enquiries

The Company's registrar is Equiniti. They will be pleased to deal with any questions regarding your shareholding or dividends. Please notify them of your change of address or other personal information. Their address details are:

Equiniti

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Lancing
West Sussex BN99 6DA

Equiniti is a trading name of Equiniti Limited.

Equiniti helpline: 0371 384 2030 (calls cost 8 pence per minute plus network extras)

(Overseas: +44 121 415 7047)

Lines open 8.30am to 5.30pm, Monday to Friday (excluding public holidays).

Shareholders are able to manage their shareholding online and facilities including electronic communications, account enquiries, amendment of address and dividend mandate instructions.

Financial calendar 2018

2017 full-year results	29 November 2017
Ex-dividend date for final dividend	7 December 2017
Record date for final dividend	8 December 2017
Annual General Meeting	30 January 2018
Payment date for final dividend	8 February 2018
Half-year results	May 2018
Payment date for interim dividend	June 2018

Note on forward-looking statements

This report includes statements related to our future business, financial performance and future events or developments that may constitute forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “plans”, “projects”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear throughout this report and include statements relating to our beliefs, intentions or current expectations concerning a number of matters including our results of liquidity, the effect of our financial performance on our share price, financial condition, prospects, growth and expansion, strategies and the industry in which we operate. All forward-looking statements are based upon information available to us on the date of this Annual Report. While we believe that the forward-looking statements are reasonable, we caution that it is very difficult to predict the impact of known or unknown factors or to anticipate all factors that could affect our actual results.

As such, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to:

- a change in the competition within the industry in which we operate;
- a change, due to various factors which may include the macroeconomic conditions in which we operate, in the level of transactions in the UK residential property market;
- a change in technological developments;
- the loss of any of our important commercial relationships; and
- any increase in litigation or disputes.

We caution that the foregoing list of factors may not contain all of the material factors that are important to you and you should not place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report. We undertake no obligation, and are not under any obligation, to update or keep current the information contained in this Annual Report, whether as a result of new information, future events or otherwise.



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