Company Registration No. 01680058

Foxtons Limited

Annual Report and Financial Statements

For year ended 31 December 2019

Foxtons Limited

Annual report and financial statements 2019

Company information

Foxtons Limited

Annual report and financial statements 2019

Company information

Directors
N Budden
R Harris
P Franco

Company Secretary
C Hough

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Deloitte LLP
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Foxtons Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Foxtons Limited is the leading London estate agency, offering residential property sales and lettings services through its network of over 50 interconnected branches. The Company focuses on the higher-volume, higher-value property markets in London.

The Company combines:

- A strong, single brand;
- High levels of centralisation creating a highly focused and scalable business;
- An innovative application of technology; and
- A powerful culture of sales and service through outstanding training and staff development.

The Company's strategic priorities are:

- Focus on developing strong positions in markets with attractive fundamentals;
- Deliver exceptional customer service through our expert people;
- Maintaining a balance between sales and lettings to provide resilience in cyclical markets;
- Leverage our branch network and single brand; and
- Invest in best-in-class technology

The Company comprises of two business segments of Sales and Lettings. The majority of operations are in the London area with two branches in the adjacent area of Surrey. Sales revenue was 35% of total revenue while lettings revenue was 65%. This balance across the Sales and Lettings segments provides financial strength in the Company to withstand fluctuations in the property market. The Company has a successful track record of profitable organic expansion and covers over 85% of the Greater London area.

Our business model is built on delivering exceptional service and results for our customers. Our powerful culture of service and sales means our people are both expert and committed to excelling for our customers. Our single brand branch network provides a unique reach across the London residential property market, whilst investments in data and technology alongside centralised business processes create high levels of productivity and customer service to allow customers to unlock the value of property and find the perfect home.

Key performance indicators

Revenue
The London property sales market was significantly impacted from lower consumer confidence due to ongoing political uncertainty and affordability concerns. Total revenue for 2019 was £98.4m down £4.9m when compared to 2018 (£103.2m).

- **Sales:** In 2019, the London residential sales market continued to be in a sustained downturn; political uncertainty exacerbated the challenging economic fundamentals resulting in very low transaction levels impacted by current affordability issues and stamp duty. Revenues fell by 10% versus the prior year, reflecting a 4% fall in volumes to 2,423 (2018: 2,529).

  Average revenue per transaction (sales revenue divided by sales volumes) decreased versus the prior year to £13.5k (2018: £14.3k). The decrease was a reflection of a change in the mix of properties sold and lower average prices in the period. The average price for properties sold was £568k (2018: £581k).

- **Lettings:** Lettings revenue was down 2% to £65.7 million (2018: £67.0 million) as a result of the tenant fee ban, which came into effect from 1 June 2019 and adversely impacted revenue by £2.7 million, being partly offset by underlying performance. Excluding the impact of the tenant fee ban, revenue increased by £1.4 million or 2%. Lettings volumes increased by 1% to 19,844 (2018: 19,621).

Foxtons Limited

Strategic report

Loss before tax
Loss before tax of £8.5m (2018: £7.8m) is 8.3% down on prior year. Included in the loss before tax is a £5.7m charge in respect of adjusted items, in which £1.4m relates to property restructure provisions due to the closure of four branches in the second half of the year, and a small number of other underperforming branches had their net assets impaired by £4.3m (refer to Note 6).

Net assets have fallen to £7.4m (2018: £14.1m), with the decrease primarily driven by £4.3m of asset impairment relating to branch closures and losses made in the period.

Future developments
Foxtons remains focused on developing strong positions in the London residential property market, which remains disproportionally valuable against the rest of the UK. The size and reach of the Foxtons branch network across London ensures it is well placed to maintain its position a No. 1 estate agent for listings in London and benefit from any growth in sales volumes.

The Company aims to achieve an even balance between the financial contributions made by its sales and lettings businesses through the residential sales market cycle. The current focus is to grow the lettings business, which displays recurring revenue characteristics, through prioritising resource allocation and selective investments whilst aligning the sales business to market conditions, whilst improving our market positioning.

The Company's substantial long term investment in IT infrastructure, automated centralised systems and processes and a data rich customer relationship management system have created a highly scaleable and efficient business model. As the property market and customer behaviour evolves, Foxtons will continue to evaluate its offering and invest in innovative technology and bespoke systems and applications to remain a market leader in technological capability in the sector.

We have several initiatives underway to promote growth in our lettings business, including the acquisition of high quality letting books as well as growing revenues organically. Our commitment to achieving the best result for our customers and powerful brand continue to be key differentiators. We have become accustomed to operating in challenging conditions, and are well placed to withstand them given our leaner cost base and strengthened balance sheet.

Covid-19 impact and response
Financial performance in the first 11 weeks of the year had been in line with the Board's expectations, with strong and steady growth in the Company's sales commission pipeline during the first two months of the year which had started to flow through to revenues in March.

The Covid-19 pandemic has significantly impacted trading in 2020, with the both demand and supply in both sales and lettings being adversely affected by the lockdown. In response, management rapidly undertook a number of actions in order to minimise the impact of the lockdown on cash flow.

These actions included utilising the Government's Coronavirus Job Retention Scheme, temporary salary reductions across employees and all directors, agreeing temporary flexibility and payment deferral with lease providers and reducing discretionary spend.

In addition to the above actions taken by management, the Group is eligible for rates relief in the financial year 2020/21 and it has been agreed VAT payments due between March and June 2020 will be deferred and settled prior to March 2021.

On 17 April 2020, the Company's ultimate parent company, Foxtons Group plc, announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0m. Foxtons Group plc analysed a broad range of potential scenarios, primarily based on assumptions for the residential sales and lettings markets in London to recover to more normal levels of activity. The proceeds provide the Group with sufficient liquidity and flexibility through a reasonable worst case scenario and to help it exit the anticipated period of disruption in a strong financial position in the event of less pessimistic outcomes.

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Strategic report

Companies Act 2006: section 172
In July 2018, the UK Corporate Governance Code reinforced the importance of section 172 of the Companies Act 2006, which requires directors to act in a way they consider, in good faith, promotes the success of the Company for the benefit of its shareholders.

In doing so, section 172 requires directors to have regard to a non-exhaustive list of factors, including the interests of employees and how the actions and behaviours of the Company affect customers, suppliers, the community and the environment, as well as the Company's reputation.

This is supported by new legislation requiring companies to report on how directors have had regard for the broader matters set out in section 172 when performing their duty, including considering the interests of employees, suppliers, customers and other stakeholders, as well as impacts on the community and the environment.

Vendors, landlords, buyers and tenants are all considered to be customers, and maintaining excellent levels of customer service is critical to the success of each property transaction the Company engages in. Furthermore, suppliers support the Company in maintaining the highest levels of customer service. The Board reviews service levels on a regular basis, as well as monitoring the integrity of the way we do business with our customers and suppliers. Additionally, the Board reviews our supplier payment practices on a regular basis.

Under section 172, the legislation also introduces requirements to report on engagement with employees. The Board engages with its people to better understand the views of its people and the Company's culture. This enables our people to influence matters that affect them and encourage workforce participation in shaping strategic initiatives. The Board achieves this by engaging with its people in a number of ways including attending and participating in quarterly Employee Engagement Committee meetings, attending staff events and reviewing the annual employee engagement survey and taking appropriate actions in response to any findings.

Looking after our communities is an integral part of the Company's ethos. The Board regularly reviews how the company supports communities, specifically via effectiveness reviews of our charity partnerships and wider community initiatives. A key focus is advancing social mobility, fundraising for charities which benefit our communities and managing our impact on the environment.

Principal risks and uncertainties
The directors continually assess the risks and uncertainties facing the Company and ensure that controls are in place to mitigate them. Risks and uncertainties facing the company include:

Covid-19

- *Impact on the Company:* The Company's performance has been significantly impacted by Covid-19. Although transaction volumes are slowly recovering following the Covid-19 lockdown, the pandemic has introduced additional uncertainty to the future market outlook and continues to impact the operations of the Company. Some of the uncertainties include:

    - Covid-19 continues to impact the UK economy and consumer confidence, which is expected to have an adverse impact on residential property transaction levels in the short to medium term. The speed and extent of recovery is difficult to predict and therefore there is a high degree of uncertainty in the market outlook;
    - in the event of future local lockdowns, there is a risk that the Group's offices and branches may have to temporarily close and customer facing activities would be restricted due to remote working arrangements. Property viewings would be required to switch to virtual viewings which may not be as effective as in person viewings; and
    - there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers.

- *Mitigation of risk:* The Company has mitigations in place to protect the business and stakeholders against the impact of Covid-19. These include actions already taken by the Company (set out on page 3), as well as ongoing actions to safely manage the Company's operations and closely manage the Company's cost base in line with business activity.

Market risk

- *Impact on the Company:* Prior to Covid-19, the Company continued to be impacted by the prolonged downturn in the London sales market and the very low transaction levels experienced in 2019. The key factors currently contributing to the market risk are summarised below:

  - affordability, which in turn may reduce transaction levels;
  - a reduction in London's standing as a major financial city caused by the macro-economic and political environment, including the UK's decision to leave the EU;
  - the market being reliant on the availability of mortgage finance, a deterioration in which may adversely affect the Group; and
  - the market being impacted by changes in Government policy such as changes in stamp duty taxes or increased regulation in the lettings market. In July 2020 UK Government announced an increase in the stamp duty threshold in order to stimulate an accelerated recovery in the UK housing market. This favourable change in the UK stamp duty regime mitigates some of the risk in the short term.

  Covid-19 has introduced additional market risk and operational risk the impact of which is summarised separately above.

- *Mitigation of risk:* The Company endeavours to maintain a generally even balance between its sales and lettings revenues and profits in order to provide protection against volatility within the property sales market. In a downturn, the Board will make appropriate strategic decisions and actions to support the long-term prospects of the business, whilst ensuring the cost case of the business reflects prevailing market conditions. Specific actions have been taken by the Board in response to Covid-19 as explained above.

Competitor challenge

- *Impact on the Company:* The Company operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working including online and hybrid agents which could give them a competitive advantage over Foxtons.
- *Mitigation of risk:* The Company continually collects information on competitor activity through its branch network and centralised Business Development teams. The Company's flat management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the Company can rapidly consider appropriate responses.

  The Board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that online agents will play a major role in the exchange or completion of sales or lettings transactions without the involvement of an estate agent. Any market share gained by online agents is likely to be at the expense of traditional estate agents with low levels of service who compete on price.

Compliance with the legal and regulatory environment

- *Impact on the Company:* Breaches of laws or regulations could lead to financial penalties and reputational damage.
- *Mitigation of risk:* The Company is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. The Company's centralised service structure provides it with a flexible platform from which to respond to regulatory change.

Foxtons Limited

Strategic report

IT systems and cyber risk

- *Impact on the Company:* The Company's business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks, leading to interruption of service, corruption of data, or theft of personal data.
- *Mitigation of risk:* All key IT systems are closely monitored by internal and external specialist teams. Dedicated in-house IT development and maintenance teams exist to provide rapid response to IT service issues. This is supplemented by enterprise grade data loss prevention, network monitoring, traffic shaping and predictive countermeasures. Company disaster recovery plans are in place utilising a physically separate location for critical systems and multiple communications lines to all locations. Company data has been risk assessed and all sensitive and business critical data has safeguards appropriate to its importance. This is regularly reviewed and assessed with oversight by an independent party.

People

- *Impact on the Company:* There is a risk that the Company may not be able to recruit and retain sufficient people to achieve its operational objectives as competition for talent increases due to challenging market conditions.
- *Mitigation of risk:* The Company's structured approach to recruitment using internal specialist teams enables us to increase the recruitment of high-quality people quickly, should it become necessary to do so. The Company continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Our culture of promoting from within generates significant staff loyalty within senior and mid-management employees.

Reputation and Brand

- *Impact on the Company:* Foxtons is a strong, single network brand with a reputation of delivering exceptional service. Our reputation and brand provides a competitive advantage and is critical to maintaining and growing market share. There is a risk our reputation and brand could be damaged through negative press coverage due to customer service falling below expectations. This could adversely impact our ability to retain and attract new customers and damage the future prospects of the business.
- *Mitigation of risk:* We continue to invest in our customer proposition, technology and processes. These investments further strengthen our service offering, thereby strengthening and protecting the Foxtons brand. Maintaining appropriate behaviours and culture, with a strong focus on compliance, is key to protecting our reputation and brand. Our industry-leading training and employee development programmes continue to be an area of focus of the Board. The positioning of our brand is reviewed regularly, to ensure our values are clear and consistently promoted. In the current Covid-19 environment the Group has placed even more emphasis on compliance with safety guidelines and industry compliance.

Details of cash flow, credit and liquidity risk are provided below:

Cash flow risk

- *Impact on the Company:* Due to the nature of the financial instruments used by the company there is no exposure to price risk. The Company's approach to managing other risks applicable to the financial instruments concerned is shown below.
- *Mitigation of risk:* Trade debtors are managed in respect of cash flow risk by policies concerning the regular monitoring of amounts outstanding. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Credit risk

- *Impact on the Company:* The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables.
- *Mitigation of risk:* An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

- *Impact on the Company:* The Company does not maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development.
- *Mitigation of risk:* The Company is cash positive and regularly reviews its cash position/funding requirements in line with forecasts/budgets. Should there be a need for additional funding, the business is able to access Foxtons Group plc's £5m revolving credit facility.

Approved by the Board and signed on its behalf by:

R Harris

Director

4th September 2020

Foxtons Limited

Directors' report

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2019.

Dividends
No dividends were paid in the year ended 31 December 2019 (2018: £nil). No further dividends have been proposed.

Directors
The directors shown below have held office during the whole of the year from 1 January 2019 to the date of this report:
N Budden
P Franco

The following directors were appointed or resigned from 1 January 2019 to the date of this report:

M Berry	resigned on 5 July 2019
R Harris	appointed on 5 July 2019

Going concern
The directors continue to adopt the going concern basis in preparing the financial statements. See Note 2 for further information.

Financial risk management objectives and policies
The Company's principal financial instruments comprise bank balances, trade creditors and trade debtors which are a normal part of any the Company's operations.

Due to the nature of the financial instruments used by the Company there is no exposure to price risk. The Company's approach to managing other risks applicable to the financial instruments concerned is shown below.

Trade debtors are managed in respect of cash flow risk by policies concerning the regular monitoring of amounts outstanding. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Disabled employees
The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement
During the year, the policy of providing employees with information about the Company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Additionally, the Board engages with its employees in a number of ways including attending and participating in quarterly Employee Engagement Committee meetings, attending staff events and reviewing the annual employee engagement survey taking appropriate actions in response to any findings.

Supplier and customer engagement
Vendors, landlords, buyers and tenants are all considered to be our customers and maintain excellent levels of customer service is critical to the success of each property transaction we engage in. Furthermore our suppliers support us in maintaining the highest levels of customer service.

The Board reviews service levels on a regular basis as we well as monitoring the integrity of the way the Company does business with its customers and suppliers. Additionally, the Board reviews its supplier payment practices on a regular basis.

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Directors' report

Senior management and the directors regularly review service levels and engage with our customers and suppliers. Feedback is obtained both through consumer review websites, such as Trustpilot and Google, as well as through direct engagement via both formal and informal channels. Key outcomes from the engagement include operational changes to ensure service levels remain consistently high, putting in place additional training for our teams and enhancing the functionality of 'My Foxtons' to further improve customer experience. Our trusted and vetted suppliers support us in delivering a professional property management service that meets the demands of our customers.

Future developments
Future developments are discussed in the Strategic Report on page 3.

Events after the balance sheet date
On 28 February 2020, the Company purchased the entire issued share capital of London Stone Properties Limited and its subsidiary company London Stone Property Sales Limited. London Stone is a well-established, high quality independent estate agent, primarily focussed on lettings and property management based in South East London. The consideration for London Stone was £1.9m (excluding acquired cash). The cash consideration is being funded by the Company's existing cash resources.

The Covid-19 pandemic became apparent after the balance sheet date and represents a non-adjusting post balance sheet event. As explained in the Strategic Report, Covid-19 has had a significant impact on 2020 trading due to the lockdown. The Board has taken appropriate steps to respond to the unprecedented impact of the pandemic.

Statement as to disclosure of information to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company has appointed BDO LLP as the Company's auditor for the year ending 31 December 2020 following a formal tender process.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

....
R Harris

Director

4th September 2020

Foxtons Limited

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Independent auditor's report to the members of Foxtons Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Foxtons Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

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. 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.

We have nothing to report in respect of these matters.

Independent auditor's report to the members of Foxtons Limited (continued)

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 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 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 the 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its 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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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.

Claire Faulkner

Claire Faulkner (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
4th September 2020

Foxtons Limited

Statement of comprehensive income
For the year ended 31 December 2019

	Notes	2019 £'000	2018[1] £'000
Revenue	3	98,362	103,236
Administrative expenses		(103,679)	(110,686)
Operating loss		(5,317)	(7,450)
Other gains		-	291
Finance income		129	82
Finance costs	5	(3,273)	(736)
Loss before tax	7	(8,461)	(7,813)
Tax	8	1,028	13
Loss and total comprehensive loss for the year		(7,433)	(7,800)

[1]The 2018 income statement has been restated within the 2019 financial statements from the values included within the 2018 financial statements in order to correct for a clerical error. The restatement has resulted in the 2018 'loss and total comprehensive loss' increasing by £257k to a loss of £7,800k (previously stated to be a loss of £7,543k).

Turnover and operating loss are all derived from continuing operations.

Foxtons Limited

Statement of financial position
As at 31 December 2019

	Notes	2019 £'000	2018[1] £'000
Non-current assets			
Intangible assets	10	1,700	2,228
Property, plant and equipment	11	12,849	16,962
Right-of-use assets	12	51,404	-
Contract assets	18	564	255
Interest in associate and investment	14	1,274	1,289
Deferred tax asset	13	1,424	727
		69,215	21,461
Current assets			
Trade and other receivables	15	16,475	14,392
Contract assets	18	969	499
Current tax asset		342	138
Cash at bank and in hand		10,596	14,859
		28,382	29,888
Total assets		97,597	51,349
Current liabilities			
Trade and other payables	16	(10,867)	(15,113)
Lease liabilities	12	(9,690)	-
Provisions	17	(1,396)	(2,350)
Contract liabilities	18	(5,793)	(5,443)
		(27,746)	(22,906)
Non-current liabilities			
Borrowings	19	(14,064)	(13,262)
Lease liabilities	12	(46,174)	-
Provisions		(949)	-
Contract liabilities		(1,231)	(1,078)
		(62,418)	(14,340)
Total liabilities		(90,164)	(37,246)
Net assets		7,433	14,103
Equity			
Share capital	20	10	10
Share based payment reserve	20	4,859	4,125
Capital contribution	20	2,464	2,464
Retained earnings		100	7,504
Equity attributable to owners of the Company		7,433	14,103

[1]The Company has applied IFRS 16 in the period using the modified retrospective transition approach under and therefore comparative information has not been restated. In the year, the Company has updated its lettings commission revenue recognition policy which has been applied from 1 January 2018 and comparative information restated to reflect the change in policy. Refer to Note 2 for further details of the changes in policies.

The financial statements of Foxtons Limited, registered number 01680058 were approved by the Board on 4th September 2020 and were signed on its behalf by:

....

R Harris, Director

Foxtons Limited

Statement of changes in equity
For the year ended 31 December 2019

	Share capital £'000	Share based payment reserve £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2017	10	2,924	2,464	16,199	21,597
IFRS 15 transition impact (net of tax)[1]	-	-	-	(895)	(895)
Balance at 1 January 2018	10	2,924	2,464	15,304	20,702
Total loss and total comprehensive loss for the year	-	-	-	(7,800)	(7,800)
Share based payments - net of deferred tax (Note 22)	-	1,201	-	-	1,201
Balance at 31 December 2018	10	4,125	2,464	7,504	14,103
IFRS 16 adjustment (net of tax)[2]	-	-	-	28	28
Balance at 1 January 2019	10	4,125	2,464	7,532	14,131
Total loss and total comprehensive loss for the year	-	-	-	(7,433)	(7,433)
Share based payments - net of deferred tax (Note 22)	-	735	-	-	735
Balance at 31 December 2019	10	4,860	2,464	99	7,433

[1] The Company has updated its lettings commission revenue recognition policy following a IFRS 15 post-implementation review. The new policy has been applied from 1 January 2018, the date at which IFRS 15 became effective, and retained earnings has been restated at 1 January 2018 under the IFRS 15 transition provisions. There has been no impact of the policy change on the loss and total comprehensive loss previously reported for 2018. Refer to Note 2 for further details of the change in policy.

[2] The Company has applied IFRS 16 using the modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Refer to Note 2 for details of the impact of IFRS 16.

The notes form part of these financial statements.

Notes to the financial statements
For the year dated 31 December 2019

1. General Information

Foxtons Limited (the Company) is a private Company limited by shares and incorporated in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales. The address of the registered office is given on page 1.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

2. Accounting policies

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) and in accordance with applicable accounting standards and the Companies Act 2006.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, related party disclosures, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and related party transactions.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods or services.

2.2 Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the Company's forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, and are satisfied that the Company should be able to operate within the level of its current facilities. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. As at 31 December 2019, the Company had net assets of £7,433k (2018: £14,103k), and £10,596k (2018: £14,859k) in cash and cash equivalents.

Foxtons Group plc has formally confirmed that it will provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of signing these financial statements

The directors have considered the possible impacts of the Covid-19 pandemic when assessing the going concern assumption, and specifically whether the Company has sufficient liquidity over the going concern period. The directors have considered a range of possible outcomes and also considered the Company's and Foxtons Group plc's response to the pandemic.

On 17 April 2020, Foxtons Group plc announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0m. The proceeds provide the Group with sufficient liquidity and flexibility through a reasonable worst case scenario and to help it exit the anticipated period of disruption in a strong financial position in the event of less pessimistic outcomes.

Foxtons Group plc holds a £5m revolving credit facility renewed on 20 June 2019, replacing the previous £10m revolving credit facility. The facility expires in June 2022.

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

2.3 New standards, amendments and IFRIC interpretations

The Company has adopted IFRS 16 *'Leases'* with effect from 1 January 2019, which had a significant effect on the Company's financial statements. Several other amendments and interpretations apply for the first time in 2019, but do not have a material impact on the consolidated financial statements:

IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Annual Improvements to IFRSs	*2015 – 2017 Cycle*

At the date of authorisation of these financial statements, the following standard, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 17	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IAS 1 and IAS 8	*Definition of Material*
Conceptual Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Company's financial statements.

IFRS 16 *'Leases'*

IFRS 16 was issued in January 2016, endorsed by the EU in 2017 and is effective from reporting periods beginning on or after 1 January 2019. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating lease incentives and SIC-27 Evaluating the substance of transactions involving the legal form. IFRS 16 introduces a single on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. The expenses related to those leases has been replaced with a depreciation charge for the right-of-use assets and an interest expense on lease liabilities.

The Company adopted IFRS 16 using the modified retrospective method of adoption, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, comparative information presented for 2018 is not restated and continues to be reported under IAS 17 and related interpretations.

IFRS 16: Accounting policy

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

a) **Lease liability:** The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability primarily comprise of fixed lease payments.

The lease liability is presented across separate lines (current and non-current) in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets. No re-measurements have been made in the period.

b) **Right-of-use assets:** The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are now presented within property, plant and equipment.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Company's existing impairment accounting policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses in the statement of comprehensive income.

Under IFRS 16, the straight-line operating lease expense, previously charged under IAS 17 has been replaced with a depreciation charge for the right-of-use assets and interest expense on lease liabilities.

The Company as lessor

The Company acts as an intermediate sub-lessor for certain properties. The Company accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17). Because of this change, the Company has reclassified certain of its sublease arrangements as finance leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

IFRS 16: Initial application

Lease identification
For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease by assessing whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets; and the arrangement had conveyed a right to use the asset.

Practical expedients applied
At transition, the Company has applied the following practical expedients:

- using a single discount rate for portfolios of leases with reasonably similar characteristics. The Company applied a range of discount rates from 2.6% to 4.6%;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review; and
- applied the short-term leases exemptions to leases with lease term that ends within 12 months and do not contain a purchase option at the date of initial application.

IFRS 16: Impact on the 2019 financial statements

Impact of transition at 1 January 2019
On transition to IFRS 16, the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The effect of adoption IFRS 16 as at 1 January 2019 to the consolidated statement of financial position is as follows:

	£'000
Right-of-use assets recognition	61,049
Trade and other receivables: prepayments and rent premiums derecognised; finance sub-lease assets recognised	(2,539)
Trade and other payables: rent free and rent review accruals derecognised	2,959
Lease liabilities recognition	(62,436)
Onerous lease provisions derecognised	995
Retained earnings decreased from the net effect of the above adjustments	**28**

The following table provides a reconciliation of the Company's operating lease commitments as at 31 December 2018 to the lease liabilities recognised at 1 January 2019 on adoption of IFRS 16. The Company did not previously recognise any finance leases under IAS 17.

	£'000
Operating lease commitments as at 31 December 2018	76,053
Less:	
Commitments relating to short-term leases	(157)
Adjusted operating lease commitments as at 31 December 2018	**75,896**
Discounted by: weighted average incremental borrowing rate as at 1 January 2019	4.5%
Lease liabilities as at 1 January 2019	**62,436**
Of which are:	
Current lease liabilities	11,768
Non-current lease liabilities	50,668

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

Impact on the consolidated financial statements: 31 December 2019
The application of IFRS 16, compared to IAS 17 lease accounting principles, has had the following impacts on the 2019 Consolidated Statement of Comprehensive Income: Decrease in revenue of £0.3m, decrease in rental expenses of £11.3m, increase in depreciation expense of £9.8m and an increase in finance costs of £2.5m.

The application of IFRS 16, compared to IAS 17 lease accounting principles, has had the following impacts on the 2019 Consolidated Statement of Financial Position: An overall increase in net liabilities following the recognition of right-of-use assets of £51.4m, lease liabilities of £55.9m and finance sub-lease assets of £0.7m recognised.

2.4 Revenue
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts (if any) and VAT. Revenue is generated from the Company's operations which are wholly based in the UK.

Rendering of services
Under IFRS 15 *'Revenue from Contracts with Customers'*, a five step process is taken for recognising revenue from contracts with customers. The process consists of: 1) Identifying the contract(s) with a customer; 2) Identifying the performance obligations in the contract; 3) Determining the transaction price; 4) Allocating the transaction price to the performance obligation(s); and 5) Recognising revenue when a performance obligation has been satisfied.

The Company generates revenue from customers, the majority of which are based in the UK, from two main revenue streams: sales and lettings. The point in which transfer of control of services to customers for each performance obligation is deemed to be met, and consequently the revenue recognition point for each performance obligation, is in line with the criteria outlined below.

Sales revenue streams
Revenue is recognised as follows for the following sales revenue streams:

(i) Commission for residential property sales
Commission earned on residential property sales is recognised at a point in time upon the exchange of contracts for such sales.

(ii) Commission for residential off-plan property sales
For contracts relating to new homes sold off-plan, the Company's commission is variable and dependent on the off-plan sale successfully completing. At the point of exchange of contract, management makes an assessment of the amount and probability of revenue expected to be received.

Variable consideration is estimated using the expected value methodology to predict the amount of consideration the Company will be entitled to. The estimate is determined with reference to historical and forecast information. Estimates are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty is subsequently resolved. Constraints are determined with reference to factors outside the Company's control and the length of time between point of exchange of contracts and completion of the sale.

Lettings revenue streams
Revenue is recognised as follows for the following lettings revenue streams:

2. Accounting policies (continued)

(i) Commission for securing a letting for the landlord

In the period, the Company has updated its lettings commission revenue recognition policy following a post-implementation review of IFRS 15. Lettings commission is now accounted for under IFRS 15's 'cancellable contracts' guidance, compared to the previous policy which accounted for the contracts as variable consideration.

The new policy has been applied under the IFRS 15 transition provisions from 1 January 2018 (the date at which IFRS 15 became effective). At 1 January 2018, the impact of the policy change is a £0.9m reduction in retained earnings which reflects the recognition of a net contract liability of £1.1m and associated deferred tax asset of £0.2m.

At 31 December 2018, the balance sheet has been restated to reflect the new policy resulting in a £0.9m decrease in net assets. At 31 December 2018, the following balances have been recognised: contract assets of £0.8m; contract liabilities of £6.5m; and an additional deferred tax asset of £0.2m. Offsetting this, the previously reported 31 December 2018 deferred revenue and lettings refund liability of £4.7m has been derecognised. No change has been required to the 2018 income statement with the change in policy having no significant impact on the Company's 2018 reported revenue or profits.

Contract assets represent the accrual of revenue beyond amounts invoiced for contracts with no break clause, where invoicing only covers part of the contract period, and contract liabilities represent amounts invoiced for contracts with a break clause, where invoicing has extended past the break clause point.

This commission is recognised in line with the contract between the Company and the landlord which has been determined to be a cancellable contract, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the Company refunds any initial commissions paid by the landlord on a pro-rata basis.

The Company satisfies its performance obligation at the point the letting is secured and recognises initial lettings commission at this point. The initial lettings commission is determined by applying the contractual commission percentages to the value of the rental over the non-cancellable period. Once the non-cancellable period has passed, and the contract can be terminated in accordance with the break clause, the contract is accounted for as a rolling contract with optional renewals.

(ii) Commission for collecting rent on behalf of the landlord

Commission for rent collection services is recognised over the life of the contract on a straight line basis which is in line with the satisfaction of the performance obligation.

(iii) Commission for managing the letting on behalf of the landlord

Property management services are recognised over the life of the contract on a straight line basis which is in line with the satisfaction of the performance obligation.

Interest income

The Group deposits its cash with reputable financial institutions. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The Group earns interest income on own funds which is shown as finance income. It also earns interest on client funds which is included within lettings revenue.

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

2.5 Property, plant and equipment
Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property	-	Over the term of the lease
Fixtures, fittings and equipment	-	25% on cost
Motor vehicles	-	25% on cost

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

2.6 Intangible assets
Intangible assets that are acquired by the Company, principally represent purchased contracts, patents and licences and computer software, are stated at cost less accumulated impairment losses. Purchased contracts and software are amortised on a straight line basis over their estimated useful economic lives of five years. Amortisation is included within other operating costs in the consolidated statement of comprehensive income.

2.7 Adjusted items
Adjusted items include costs or revenues which due to their size and incidence and departure from the Company's strategy require disclosure in the accounts to give a true representation of the underlying performance of the Company and allow comparability of performance from one period to another. Items include restructuring and impairment charges together with any particular one-off items. See Note 6.

2.8 Employee benefit costs
The Company operates a defined contribution pension scheme. Contributions payable to the Company's pension scheme are charged to the income statement in the period to which they relate.

2.9 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

A provision for restructuring is recognised when management has a formal plan for the restructuring that identifies that portion of the business and principal locations that will be affected in detail and timing, and has raised an expectation among those affected that it will proceed with the restructuring.

2.10 Valuation of share options
Equity-settled share-based payments (in relation to Foxtons Group plc shares) to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Notes to the financial statements
For the year dated 31 December 2019

2. Accounting policies (continued)

2.11 Taxation

Current tax 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 balance sheet date. In accordance with the requirements of the parent undertaking, the Company makes or receives payment in respect of Company relief surrender at 100% of the value of the relief given.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the directors considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deduced.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2.12 Dividends

Final dividend distributions to the Company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recognised in the period in which they are paid.

2.13 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2.14 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

2.15 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements or key sources of estimation uncertainty that the directors believes have a significant effect on the amounts recognised in these financial statements.

Notes to the financial statements
For the year dated 31 December 2019

3. Revenue

The revenue and (loss)/profit before taxation are attributable to the one principal activity of the Company and is all generated in the United Kingdom.

An analysis of revenue is given below:

	2019 £'000	2018 £'000
Sales	32,621	36,227
Lettings	65,741	67,009
Total	98,362	103,236

4. Employees and directors

	2019 £'000	2018 £'000
Wages and salaries	50,003	51,325
Social security costs	5,741	5,737
Other pension costs	700	457
	56,444	57,518

The average monthly number of employees during the year was as follows:	2019	2018
Number of administrative staff	399	393
Number sales staff	664	704
	1,063	1,097

Employee numbers include directors.

	2019 £'000	2018 £'000
Directors' remuneration:		
Wages and salaries	1,938	1,520
Benefits	58	54
Pension	124	134
	2,120	1,708

Notes to the financial statements
For the year dated 31 December 2019

4. Employees and directors (continued)

	2019 £'000	2018 £'000
Company contributions to money purchase schemes - Directors	124	134
Number of directors in money purchase schemes	4	3

Highest paid director remuneration:	2019 £'000	2018 £'000
Wages and salaries	1,139	797
Taxable benefits	34	29
Pension	84	83
Total emoluments	1,257	909

A contractual payment of £71,205 was paid in relation to directors who left office in the year.

5. Finance costs

	2019 £'000	2018 £'000
Interest arising on amounts owed to Company undertakings	804	736
Interest on lease liabilities (refer to Note 12).	2,469	-
	3,273	736

6. Adjusted items

	2019 £'000	2018 £'000
Property restructure costs	1,175	2,442
Reorganisation costs	183	744
Branch asset write downs	4,300	2,717
	5,658	5,903

These are included as part of the administrative expenses in the Statement of comprehensive income.

Notes to the financial statements
For the year dated 31 December 2019

7. Loss before tax

The loss before tax is stated after charging/(crediting):

	2019 £'000	2018 £'000
Short term leases	794	12,653
Depreciation - owned assets	3,147	4,050
Depreciation of right-of-use assets	9,763	-
Profit on disposal of fixed assets	(97)	(166)
Intangible fixed asset amortisation	527	182
Adjusted items (refer to Note 6)	5,658	5,903
Auditor remuneration - audit of the financial statements	81	44
Auditor remuneration - other assurance services	4	4

8. Tax

Analysis of tax expense:

	2019 £'000	2018 £'000
Current tax:		
Corporation tax	(336)	255
Deferred tax	(692)	(268)
Total tax credit in statement of comprehensive income	(1,028)	(13)

Factors affecting the tax expense
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2019 £'000	2018 £'000
Loss on activities before income tax	(8,461)	(7,813)
Loss on activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(1,608)	(1,484)
Effects of:		
Expenses not deductible for tax purposes	65	548
Share options	184	255
Non-qualifying depreciation/amortisation	266	141
Other short term timing, differences	-	43
Adjustment in respect of prior years	(51)	432
Change in tax rate	116	52
Tax (credit)/expense	(1,028)	(13)

Corporation tax for the year ended 31 December 2019 is calculated at 19% (year ended 31 December 2018: 19%) of the estimated taxable profit for the period.

Notes to the financial statements
For the year dated 31 December 2019

8. Tax (continued)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements. Subsequent to the reporting date, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% would no longer go ahead and that rates would remain at 19% for the foreseeable future. As the reporting date is prior to this change in the planned future tax rate, there is no impact reflected in these financial statements.

9. Dividends

	2019 £'000	2018 £'000
Ordinary shares of £1 each – Dividend for the year ended 31 December 2019 of £ nil per ordinary share (2018: £-nil per ordinary share)	-	-

10. Intangible assets

	Purchased contracts £'000	Computer software £'000	Totals £'000
Cost			
At 1 January 2019	494	2,190	2,684
Additions	-	-	-
At 31 December 2019	494	2,190	2,684
Amortisation			
At 1 January 2019	320	136	456
Amortisation for year	101	427	527
At 31 December 2019	421	563	984
Net book value			
At 31 December 2019	73	1,627	1,700
At 31 December 2018	174	2,054	2,228

Notes to the financial statements
For the year dated 31 December 2019

11. Property, plant and equipment

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Totals £'000
Cost					
At 1 January 2019	39,066	24,782	1,267	22	65,137
Additions	218	202	-	-	420
Disposals	-	-	(325)	-	(325)
Reclassification/transfer	-	-	-	-	-
At 31 December 2019	39,284	24,984	942	22	65,232
Depreciation					
At 1 January 2019	24,491	22,818	866	-	48,175
Charge for the year	1,924	951	272	-	3,147
Eliminated on disposal	-	-	(288)	-	(288)
Impairment	1,288	61	-	-	1,349
At 31 December 2019	27,703	23,830	850	-	52,383
Net book value					
At 31 December 2019	11,581	1,154	92	22	12,849
At 31 December 2018	14,575	1,964	401	22	16,962

The assets associated with four closed branches and a small number of other underperforming branches were fully/partially impaired during the year. The cost of these assets was £3,626k and net book value was £1,349k and represents the loss on impairment which has been classified as an Adjusted item (refer to Note 6)

Assets with a net book value of £37k were disposed of during the year. Proceeds of £134k gave rise to a gain on disposal of £97k.

12. Leases

Company as a lessee

The Company has lease contracts for the office premises and for motor vehicles used in its operations. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Leases of office premises generally have lease terms between 10 and 25 years, while motor vehicles generally have lease terms of three years. Generally, the right-of-use assets can only be used by the Company, unless there is a contractual right for the Company to sub-lease the asset to another party. The Company is also prohibited from selling or pledging the leased assets as security.

Notes to the financial statements
For the year dated 31 December 2019

12. Leases (continued)

Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the year are outlined below:

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	58,408	2,641	61,049
Additions	116	3,554	3,670
Disposals	(488)	(113)	(601)
Depreciation	(7,811)	(1,952)	(9,763)
Impairment charge	(2,951)	-	(2,951)
At 31 December 2019	47,274	4,130	51,404

The assets associated with four closed branches and a small number of other underperforming branches were impaired during the year. Net book value was £2,951k and comprises the loss on impairment which has been classified as an adjusted item (Note 6).

Lease Liabilities

The carrying amounts of lease liabilities recognised and the movements during the year are outlined below:

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	59,795	2,641	62,436
Additions	-	3,556	3,556
Disposals	(507)	(118)	(625)
Interest charge	2,374	95	2,469
Payments	(9,948)	(2,024)	(11,972)
At 31 December 2019	51,714	4,150	55,864
Current	7,538	2,152	9,690
Non-current	44,176	1,998	46,174

The Company had outstanding commitments for future minimum lease payments which fall due as follows:

	2019 £'000	2018 £'000
Maturity analysis – contractual undiscounted cash flows	11,763	11,590
Within one year	32,606	35,779
In the second to fifth years inclusive	20,746	28,684
After five years	65,115	76,053

[1]The maturity analysis disclosed for 2018 represents the outstanding commitments for future minimum lease payments under operating leases under pre-IFRS 16 accounting principles.

Notes to the financial statements
For the year dated 31 December 2019

12. Leases (continued)

The Company has elected not to recognise a lease liability for short-term leases, in line with the IFRS 16 'short-term lease' exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2019, the Company had a commitment of less than £0.1m in relation to short-term leases.

The following are the amounts recognised in profit or loss, in respect to the leases held by the Company as a lessee:

	£'000
Depreciation of right-of-use assets	
Impairment of right-of-use assets	9,763
Interest expense on lease liabilities	2,951
Expenses relating to short-term leases	2,469
Depreciation of right-of-use assets	794
Total amount recognised in profit or loss	**15,967**

The lease payments under operating leases recognised as an expense under IAS 17 *'Leases'* in 2018 totalled £12.7m.

The Company as lessor

Finance lease receivables

The Company has entered into various lease arrangements considered to be finance leases, representing rentals payable to the Company for rental of a proportion of its properties. The amounts recognised in the profit or loss during the year are outlined below:

	2019 **£'000**
Finance income under finance leases recognised in the period	**62**

The lease receipts under operating leases recognised under IAS 17 in 2018 totalled £0.4m.

At the balance sheet date, third parties had outstanding commitments due to the Company for future undiscounted minimum lease payments, which fall due as follows:

	2019 £'000	**2018** £'000
Within one year	304	335
In the second to fifth years inclusive	347	547
After five years	-	69
	651	951

Notes to the financial statements
For the year dated 31 December 2019

13. Deferred tax

The movement in the deferred taxation account during the year was:

	2019 £'000	2018 £'000
At 31 December 2017	-	411
IFRS 15 transition impact		183
At 1 January	727	594
Profit and Loss account movement during the year	692	268
Statement of changes in equity movement during the year	5	(135)
At 31 December	1,424	727

The directors have assessed that it is more likely than not that taxable profits will arise in the future in accordance with FRS 101. This is due to the continued growth in the Lettings market, with increases in the commissions rates being positively accepted in the market, along with the continued focus on cost base will more likely than not generate taxable profits, hence a deferred tax asset is expected to be realised over the period which the taxable profits can be reasonably forecasted.

	2019 £'000	2018 £'000
Excess of depreciation over taxation allowances	187	78
Held-over gains	(53)	(53)
Other timing difference	37	178
Losses	1,253	524
At 31 December	1,424	727

14. Interest in associate and investments

	2019 £'000	2018 £'000
Interest in associate	957	1,039
Investment in convertible loan notes	-	250
Equity investment at fair value through other comprehensive income	317	-
	1,274	1,289

As at 31 December 2019, the closing balance of 'Interest in associate and investments' totaled £1,274k (2018: £1,289k), made up of an interest in associate of £957k (2018: £1,039k), an equity investment through fair value through other comprehensive income of £317k (2018: £nil) and an investment in convertible loan notes of £nil (2018: £250k).

Notes to the financial statements
For the year dated 31 December 2019

14. Interest in associate and investments (continued)

Interest in associate
The Company has a minority holding in Propoly Online Limited, an online integrated lettings platform business, which was acquired during 2018 for a cash consideration of £1.0m. Propoly Online Limited is a private entity that is not listed on any public exchange.

The Company has a seat on the board of directors in the associate and can exercise significant influence over the business, and as such equity accounts for its interest in Propoly Online Limited using the equity method.

Investment in convertible loan notes
In October 2018, the Company invested £250k by way of convertible loan notes in Global Property Ventures Limited. The Group disposed of the loan notes through exercising an option to convert the loan notes to ordinary shares in March 2019.

Equity investment through fair value through other comprehensive income ('FVOCI')
In October 2018, the Company invested £250k by way of convertible loan notes in Global Property Ventures Limited. The Group exercised an option to convert the loan notes to ordinary shares in March 2019, with a subsequent equity investment through FVOCI of £67k made in the period.

15. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	10,462	9,068
Less: Provision for impairment of trade receivables	(2,038)	(1,890)
Prepayments	2,890	5,992
Amounts owed by Group undertakings	3,560	891
Other debtors	1,601	331
	16,475	14,392

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. Within amounts owed from Group undertakings, the amount is split between amounts due from Alexander Hall Associates Limited totalling £274k and Foxtons Group plc totalling £3,286k. Amounts owed relate to recharges of cost of services borne by Foxtons Limited, relating to Alexander Hall Associates Limited and Foxtons Group plc respectively.

Notes to the financial statements
For the year dated 31 December 2019

16. Trade and other payables

	2019 £'000	2018 £'000
Amounts payable within one year:		
Trade creditors	1,913	2,194
Amounts owed to Group undertakings	2,522	2,543
Social security and other taxes	2,610	2,430
VAT	679	808
Other creditors	729	1,549
Accruals	2,414	5,589
Included in current liabilities	10,867	15,113

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. Within amounts owed to Group undertakings, the total amount is due from Foxtons Operational Holdings Limited of £2,522k relating to amounts due from when Foxtons Group plc listed on the London stock exchange.

17. Provisions

	Provision for adjusted items £'000	Legal provision £'000	Totals £'000
At 1 January 2019	1,916	434	2,350
Impact of application of IFRS 16	(994)	-	(994)
Increase/(decrease) in provisions	1,541	(305)	1,236
Utilisation of provisions	(187)	(60)	(247)
At 31 December 2019	2,276	69	2,345

The balances are analysed as follows:

	2019 £'000	2018 £'000
Current	1,396	2,350
Non-current	949	-
	2,345	2,350

Provision for adjusted items

As at 31 December 2019, this provision related to the rent, rates, service charges and other unavoidable costs under onerous leases relating to branches that were no longer required. The provision was based on the present value of rentals and other unavoidable costs payable during the lease term after taking into account rents expected to be received from sub-lessees typically over an average of three years.

On adoption of IFRS 16, £994k of this provision relating to rent amounts previously provided for was offset against the Company's right-of-use assets, in line with IFRS 16 were a lessee must adjust the right-of-use asset at the date of initial application by the amount of any provision for onerous leases recognised in the statement of financial position immediately before the date of initial application of IFRS 16.

Notes to the financial statements
For the year dated 31 December 2019

17. Provisions (continued)

Legal provision

This relates to legal costs incurred in the ordinary course of business.

18. Contact assets and liabilities

Contract assets

At 31 December 2019, the Company recognised contract assets of £1.5m (31 December 2018: £0.8m). The contract assets consists of the following elements:

- Commissions for sales of new homes purchased off-plan which is treated as variable consideration under IFRS 15. For these contracts, it is necessary to constrain the consideration to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
- Commission for securing a letting for the landlord representing unbilled commission revenue due to the Company for the non-cancellable contract period.

	2019 £'000	2018 £'000
At 1 January	n/a	-
IFRS 15 transition impact[1]	n/a	583
At 1 January (net of IFRS 15 transition impact)	754	583
Contract assets recognised in revenue	1,278	619
Contract asset invoiced	(499)	(448)
At 31 December	1,533	754

[1] The Company has updated its lettings commission revenue recognition policy following a post-implementation review of IFRS 15. The new policy has been applied from 1 January 2018 under the IFRS 15 transition provisions, the date at which IFRS 15 became effective, requiring a balance sheet restatement at 1 January 2018 resulting in the recognition of £0.6m of contract assets, £1.7m of additional contract liabilities and £0.2m of additional deferred tax assets, with a corresponding adjustment to retained earnings of £0.9m. Refer to Note 2 for further details of the change in policy.

Contract liabilities

At 31 December 2019, the Company recognised contract liabilities of £7.0m (31 December 2018: £6.5m) as summarised and explained below.

	2019 £'000	2018 £'000
Lettings: Securing a letting for the landlord	5,265	5,270
Lettings: Rent collection service	1,555	1,093
Other amounts deferred	204	158
	7,024	6,521

[2] The new lettings commission policy has been applied from 1 January 2018 under the IFRS 15 transition provisions requiring a balance sheet restatement at 1 January 2018 resulting in the recognition of £0.6 million of contract assets, £1.7 million of additional contract liabilities and £0.2 million or additional deferred tax assets, with a corresponding adjustment to retained earnings of £0.9 million. At 31 December 2018, the balance sheet has been restated to reflect the new policy resulting in a £0.9 million decrease in net assets. At 31 December 2018, the following balances have been recognised: contract assets of £0.8 million; contract liabilities of £6.5 million; and an additional deferred tax asset of £0.2 million. Offsetting this, the previously reported 31 December 2018 deferred revenue and lettings refund liability of £4.7 million has been derecognised. No change has been required to the 2018 income statement with the change in policy having no significant impact on the Company's 2018 reported revenue or profits. Refer to Note 2 for further details of the change in policy.

18. Contract assets and liabilities (continued)

- **Lettings: Securing a letting for the landlord**

  As explained in Note 2, the contracts the Company holds with landlords are considered to be 'cancellable contracts' under IFRS 15, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the landlord is refunded any initial amounts paid to the Company on a pro-rata basis. The contract liabilities relate to contracts where payments have been received for future periods where the landlord has the ability to cancel the contracts.

- **Lettings: Rent collection service**

  The contract liabilities relate to payments received in advance of lettings rent collection performance obligations being satisfied. The remaining performance obligations will be performed over the course of the remaining tenancy period which is estimated to be 1.2 years.

- **Other amounts deferred**

  'Other amounts deferred' relate to the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

The table below splits the current and non-current classification of contract assets and contract liabilities with reference to when the asset or liability is expected to crystallise.

	2019 £'000	2018 £'000
Current contract assets	969	499
Non-current contract assets	564	255
Total contract assets	1,533	754
Current contract liabilities	5,793	5,444
Non-current contract liabilities	1,231	1,078
Total contract liabilities	7,024	6,522

19. Borrowings

	2019 £'000	2018 £'000
Unsecured borrowings		
Amounts owed to Group undertakings	14,064	13,262

The Company's borrowings are in relation to a related party loan with Foxtons Intermediate Holdings Limited which was renewed in May 2017. The loan is repayable in full at the end of a 5 year period. The loan carries an interest rate at 5% per cent above 12-month LIBOR.

Notes to the financial statements
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20. Share capital

	2019 £'000	2018 £'000
Authorised, called up, allotted, and fully paid		
10,000 ordinary shares of nominal value £1.00 each	10	10

The share based payment reserve of £4,893k (2018: £4,125k) relates to capital contributions arising from share based payments. The capital contribution of £2,464k (2018: £2,464k) is made up of £2,074k relating to the receipt of corporation tax group relief in 2013 from the Company's pre-IPO holding company, and £390k relating to the capital reorganisation of the Group in 2010.

21. Ultimate parent company

Foxtons Operational Holdings Limited is the immediate parent undertaking of Foxtons Limited. Foxtons Group plc represents the ultimate parent of Foxtons Limited. The consolidated financial statements of Foxtons Group plc are publicly available at www.foxtonsgroup.co.uk with a registered office of Building One, Chiswick Park, 566 Chiswick High Road, London.

The parent company of the smallest and largest group to consolidate Foxtons Limited is Foxtons Group plc.

22. Share-based payments

During 2017 the Company introduced a Share Option Plan for executives and a limited number of senior staff. The awards have been made in the form of an option price of 105.667p. The vesting period is circa five years. If the options remain unexercised after a period of ten years from the date of grant, the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions as detailed in the plan rules.

The Company also has a number of outstanding share option schemes for employees of the Group from prior years. These awards have been made in the form of an option over shares of Foxtons Group plc with a nil option price. The vesting period is under three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions detailed in the plan rules.

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of 7 years (2018: 8 years). In 2019, options were granted in August 2019. The aggregate of the estimated fair values of the options granted in 2019 is £40k.

The movement in the share based payment reserve is presented net of deferred tax. The weighted average share price for the share options exercised was 52.38p

23. Client monies

At 31 December 2019, client monies in approved bank and building society accounts amounted to £87.0m (2018: £90.2m). Neither this amount nor the matching liabilities to the clients concerned is included in the Company's balance sheet. The Company's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the Financial Services Compensation Scheme ("FSCS") under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

24. Events after the balance sheet date

On 28 February 2020, the Company purchased the entire share capital of London Stone Properties Limited and its subsidiary company London Stone Property Sales Limited. London Stone is a well-established, high quality independent estate agent, primarily focussed on lettings and property management based in South East London. The cash consideration for London Stone was £2.2m, on a cash and debt free basis, of which £0.2m is deferred for a period of 12 months. The cash consideration is being funded by the Company's existing cash resources.

The Covid-19 pandemic became apparent after the balance sheet date and represents a non-adjusting post balance sheet event. As explained in the Strategic Report, Covid-19 has had a significant impact on 2020 trading due to the lockdown. The Board has taken appropriate steps to respond to the unprecedented impact of the pandemic.