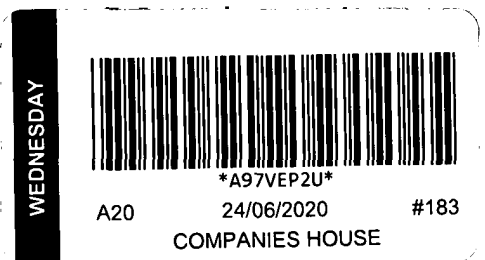




2019

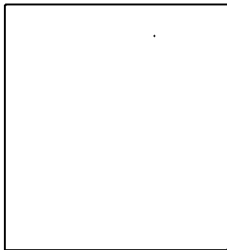
Annual Report and Accounts
Foxtons Group plc



DELIVERING EXCEPTIONAL SERVICE

Foxtons is proud to be London's leading estate agency, with over a thousand highly motivated professionals working across over 50 interconnected branches. Since 1981, our success has been underpinned by our ability to leverage our core strengths: our size, our coverage, our committed and expert teams, and our best-in-class technology to deliver exceptional service and consistently great results for our customers.

Dedicated to setting the standard in estate agency



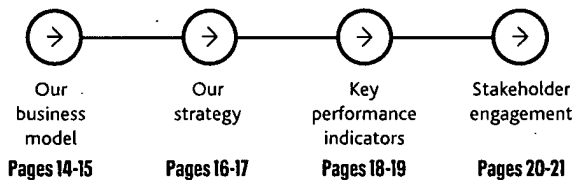
Our Chief Executive Officer (CEO) provides a review of 2019 and outlook

Read the Chief Executive's review

Pages 10-11

Discover what makes us unique by reading about our business model, our strategy, our key performance indicators and how we engage with our stakeholders on pages 14 to 21

Discover what makes us unique



We explain how we create sustainable value through governance in our corporate governance report

See our Corporate governance report

Pages 54-101

→ Strategic report

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FINANCIAL HIGHLIGHTS

Revenue (£m)

£106.9m

*Adjusted EBITDA (pre-IFRS 16)¹ (£m)

£2.5m

Statutory profit/(loss) before tax (£m)

£(8.8)m

Basic earnings/(loss) per share (pence)

(2.8)p

*Net free cash flow (£m)

£(2.6)m

* Measures marked with this symbol are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 24 of the financial statements.

¹ The Group transitioned to IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach with no restatement of prior year comparatives. Adjusted EBITDA is presented on a pre-IFRS 16 basis to enable comparison with the prior period results. On an IFRS 16 basis 2019 Adjusted EBITDA was £13.4 million.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

OUR MISSION...

...is to deliver exceptional service to our customers – vendors, landlords, buyers and tenants. Our network of over 50 interconnected branches, providing coverage* of 85% of Greater London, fuelled by the commitment and expertise of our people, industry leading technology, data capabilities and centralised operating systems ensures our whole business works together to meet the needs of customers.

It is our **reach, people** and **technology** which enables us to deliver exceptional service and results. We are able to connect more tenants and buyers with a wide range of properties across our network, and unlock what a property is truly worth for landlords and vendors.

That's why we're dedicated to setting the standard in the property industry.



REACHING MORE PEOPLE

Our size, scale, reach and resources are what differentiate us

Page 4



COMMITTED AND EXPERT TEAMS

Our customers demand a depth of experience and knowledge in an estate agent

Page 5



UTILISING THE BEST TECHNOLOGY

Customers value our use of technology to provide a better service

Page 6

* Coverage is defined as the number of market transactions (per the Land Registry), for the territories covered by Foxtons in London, divided by the total number of market transactions in London as a whole (per the House Price Index for London).

We understand that exceptional service means something different for our different customer groups; what landlords and sellers need can be very different to the expectations of tenants and buyers.

We also understand the importance of ensuring customers on both sides of a transaction experience excellent levels of service. This allows us to retain our loyal group of landlords and turn customers into brand advocates.



Foxtons played a huge part in helping us buy our first home in London. They responded to emails day and night and made such a stressful time in our lives so much easier than it would have been without them.

We hope to work with them again in the future.



Foxtons Shoreditch customer, Trustpilot

DELIVERING EXCEPTIONAL SERVICE



REACHING MORE PEOPLE

As London's leading estate agency, our size, scale, reach and resources allow us to communicate with customers across our interconnected network of branches, helping our teams deliver exceptional results.

Our network of over 50 interconnected branches allows tenants and buyers to rent or buy in any of our branches, resulting in over 38% of people moving to an area different to the one they first registered in. Our marketing channels allow us to reach potential tenants and buyers in the most appropriate way, at the best possible time. This proactive approach to marketing creates greater brand awareness, as well as increased opportunity for us to let or sell a property.

➤ Discover how our **reach** differentiates us on pages 23 to 25.

Over
50
interconnected
branches

The expertise of our teams ensures a dedicated and professional service for all our customers.

Our sales and lettings teams benefit from industry-leading training programmes, a culture of ongoing professional development, and pride themselves on their local knowledge. Our extensive support staff in our Chiswick Park head office provide further support for our customers. Teams include compliance specialists who help our landlords be totally compliant, property management and mortgage specialists, who provide peace of mind for both tenants and landlords, and our technology development teams help ensure all customers have the best possible digital experience when using Foxtons.

▶ Discover how our **people** differentiates us on pages 26 to 29.



Employee overall engagement score¹

83%



% of employees that feel encouraged to act ethically and adhere to the highest standards at all times¹

95%



% of employees that believe the company supports a diverse and inclusive workplace¹

93%



Number of online training courses completed since digital learning platform launch in June 2019

Over **31,000**

¹ Results from the 2019 Employee Engagement Survey independently administered by Willis Towers Watson.



COMMITTED AND EXPERT TEAMS



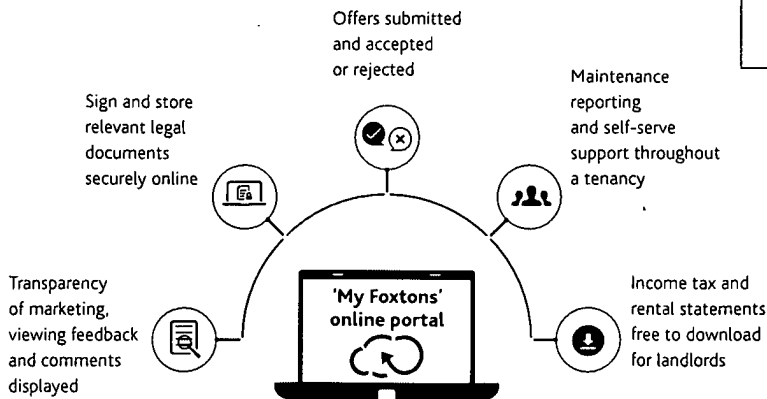
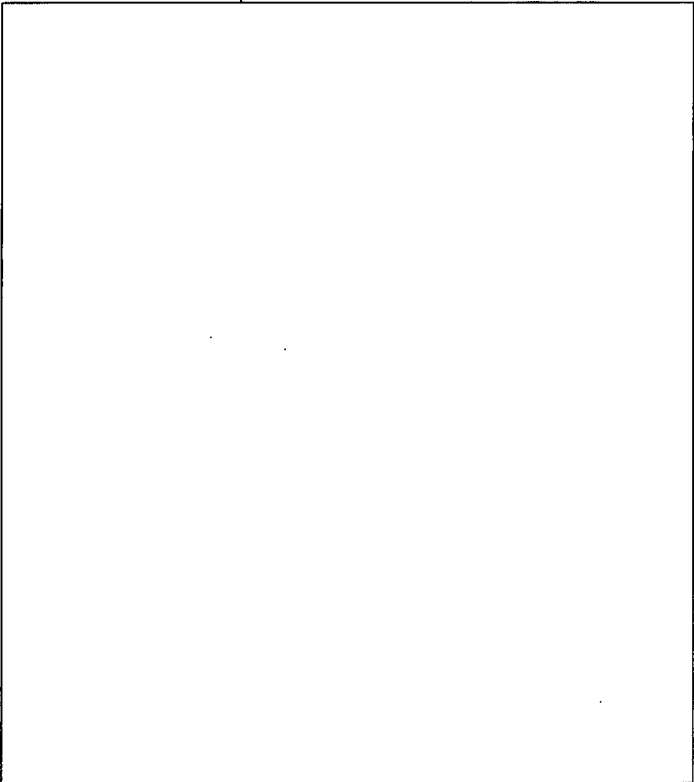
UTILISING THE BEST TECHNOLOGY

Through a combination of internal technology systems and customer facing digital platforms, we are able to provide customers with a seamless sales and lettings process.

Our best-in-class technology also helps support our extensive reach across London, allowing our customers to find their perfect property through any of our interconnected branches. Our technological advantage starts from the moment we provide our customers with a property valuation, right through to completion for sales, or ongoing property management in lettings.

Our innovative 'My Foxtons' portal and mobile application provides end-to-end transactional capabilities and unparalleled visibility in the sales and lettings process. Learn how 'My Foxtons' supports our lettings business below.

➤ Discover how our **technology** differentiates us on pages 30 to 31.



Over
790,000
'My Foxtons'
customer accounts

With the largest estate agency network in London we're able to create more opportunities for our property specialists to help customers achieve the results they want.

Being London's leading estate agency for property listings, we attract a large number of buyers, helping us to achieve a 6.3%* sales premium, after fees, for our sales instructions. Our rate of tenant registration means we are able to let properties more quickly. This helps our landlords avoid property void periods, therefore maximising their rental income.

Rated

'EXCELLENT'

by our customers
on Trustpilot

No.1

estate agent for
listings in London

6.3%*

sales premium
achieved after fees

DELIVERING
EXCEPTIONAL
RESULTS FOR
CUSTOMERS

* Analysis conducted by independent data company TwentyCI. Sales price achieved vs Automated Valuation Model (AVM) price for all property sales in London between November 2015 and October 2017. Analysis covers 20 largest London agents based on volume of sales transactions, with Foxtons price achieved compared to the other 19 agents.

CHAIRMAN'S STATEMENT / DELIVERING MORE FOR OUR STAKEHOLDERS

"Managing our cost base appropriately, whilst ensuring the business is well positioned for an improvement in market conditions, has continued to be a priority."

GARRY WATTS

As anticipated, 2019 was another challenging year for the London residential property market, with sales volumes falling from their already very low levels and the introduction of the tenant fee ban in June 2019 which impacted our lettings business. As a result of these factors Group revenue fell £4.6 million to £106.9 million compared to 2018.

Managing our cost base appropriately, whilst ensuring the business is well positioned for an improvement in market conditions, has continued to be a priority. We continually review our branch network and due to sustained market deterioration and individual branch performance, we took the difficult decision in December 2019 to close four branches. We were pleased to be able to relocate the majority of affected staff to other nearby branches. Our footprint across London means customers in these areas are well served by other nearby Foxtons branches and our business continues to grow market share in both sales and lettings, reflecting the improvements we have made to our offer and its ongoing resonance with buyers, vendors, landlords and tenants.

Following over six years as Chairman, and in line with the Board's succession plan, I will retire as Chairman and from the Board on 1 March 2020. Ian Barlow, currently the Company's Senior Independent Non-Executive Director, will become Chairman.

Foxtons is an exceptional company with a great team which has been a pleasure to chair for the last six years. A series of challenges to the health of the London property market have impacted recent trading performance, but we have taken action both to invest in our offer and ensure a competitive cost base. Our differentiated proposition, balanced business model, lack of external borrowings and robust operating structure means that it is well placed to benefit from a market recovery.

Governance / The Board places significant importance on corporate governance and compliance. The Board has embedded new governance and reporting processes following the changes to the UK Corporate Governance Code effective for 2019. During the year the Board has focused on formalising engagement with key stakeholders, which we consider a prerequisite to running a successful business. Full details are set out in the Corporate governance report on pages 54 to 101.

Composition of the Board / As mentioned above, I will retire as Chairman and from the Board on 1 March 2020, and will be succeeded by Ian Barlow, currently the Company's Senior Independent Non-Executive Director.

In May 2019, the Company announced the departure of Mark Berry, an Executive Director and Chief Financial Officer (CFO). Mark was succeeded in both roles by Richard Harris. Richard's skills and experience have proven a great fit for the Group and he has settled in well since starting in June.

Alan Giles, who was appointed as a Non-Executive Director on 1 June 2019, will succeed Ian Barlow as Senior Independent Non-Executive Director. Alan was appointed as Chairman of the Remuneration Committee in November 2019, following Sheena Mackay's decision to step down as Chair of the Committee due to other executive responsibilities. Sheena remains a member of the Board and its Committees.

In October we were delighted to welcome Patrick Franco, Chief Operating Officer (COO), to the Board. Patrick joined Foxtons in 2015 and has since been responsible for key elements of the Group's strategy and operations.

Rosie Shapland joined the Board as a Non-Executive Director on 5 February 2020, and will succeed Ian Barlow as Chair of the Audit Committee once he assumes the role of Chairman of the Board.

Auditor / Subject to approval by shareholders at the next Annual General Meeting (AGM), Foxtons has appointed BDO LLP as the Company's auditor for the year ending 31 December 2020 following a formal tender process. We would like to thank Deloitte LLP for its significant contribution and service as auditor since 2009.

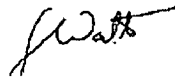
Dividend / In line with our policy, the Board has taken the decision to not pay a final dividend because the Group did not make a statutory profit for the year. The Board's priorities for free cash flow remain to: fund investment in the future development of the business; maintain a strong balance sheet; and return excess cash to shareholders.

Sustainability / Last year saw the Group commit to building a cleaner, greener city as we announced a pledge to switch our entire fleet to electric vehicles (EVs) by 2030. Foxtons recognises we have a role to play in building a cleaner transport system across London and to help this cause, we became a member of The Climate Group's EV100 initiative to join other forward-looking companies committed to accelerating the transition to EVs.

Summary / Our people remain the key to our business, and our powerful culture of sales and service upholds our unique proposition to our customers. This, combined with our comprehensive coverage of the Greater London area, powered by best-in-class technology, allows us to deliver exceptional results. We believe estate agency remains a people business and our differentiated proposition is based around knowledgeable, experienced and committed people who go the extra mile for our customers to help with the increasingly complex process of buying, selling or letting a property.

On a personal note I would like to thank everyone at Foxtons for their resilience and unwavering dedication to delivering fantastic service and results for our customers. It has been a privilege to chair the Company and I have every confidence in the long-term success of Foxtons as London's leading estate agent.

Garry Watts
Chairman



- For more information on **stakeholder engagement** see pages 20 to 21.
- For more information on **corporate governance** see pages 50 to 101.

CHIEF EXECUTIVE'S REVIEW / DELIVERING EXCEPTIONAL CUSTOMER SERVICE

"Foxtons remains No. 1 for property listings in London and has improved market share during the year."

NIC BUDDEN

- The Group delivered solid performance in the context of a challenging year:
 - Increased sales market share in the face of ongoing political uncertainty
 - Improved lettings offer, choosing not to pass on the impact of the tenant fee ban to landlords
 - Growth in mortgage broking revenue, driven by re-mortgages
- Maintained No. 1 estate agent for listing in London with strong brand positioning
- Continued investment in our on-line service offering, including 'My Foxtons' portal
- Became a member of The Climate Group's EV100 and committed to switch entire fleet to electric vehicles by 2030

🗨️ How would you describe Foxtons 2019

performance? 2019 was another challenging year in the London residential property market and transactions fell further from 2018's lows. In this context, we are pleased with the robustness of the business and to have grown market share in both sales and lettings. We have geared the Group towards our lettings business which is underpinned by strong structural drivers of demand, but as expected, the introduction of the tenant fee ban in June impacted results, particularly in Q3.

Group revenue was £106.9 million (2018: £111.5 million) comprising lettings revenue of £65.7 million (2018: £67.0 million), sales revenue of £32.6 million (2018: £36.2 million) and mortgage broking revenue of £8.5 million (2018: £8.3 million).

Revenue from lettings fell 2% on the prior year, a resilient performance given the £2.7 million impact of the tenant fee ban which we decided not to pass on to landlords in the form of higher fees. Lettings grew its share of Group revenue to 61.5% and the business is delivering stable results to support the Group through the current property cycle.

As anticipated, sales revenue fell by a further 10% in 2019 as a result of reduced market volumes, similar to the levels recorded following the credit crunch in 2009, partially offset by gains in market share.

Revenue in our mortgage broking business, Alexander Hall, increased by 3% overall, though the market saw a decline in new mortgages linked to reduced sales volumes, these were offset by a growth in re-mortgage volumes.

Lower Group revenue was offset by a lower cost base resulting in Adjusted EBITDA of £13.4 million, or £2.5 million on a pre-IFRS 16 basis (2018: £3.6 million). In addition, we recognised a £5.7 million charge in respect of Adjusted items relating primarily to the closure of four branches, which we believe can be better served by other branches in our network.

Overall the Group's statutory loss before tax reduced to £8.8 million (2018: £17.2 million loss).

We maintain a strong balance sheet with no external borrowings and a cash balance of £15.5 million (2018: £17.9 million) at year-end.

🔍 **How has the Foxtons service model performed in the current market?** Our differentiated proposition and high calibre people and service continue to drive listings in the current environment. Foxtons remains No. 1 for property listings in London and has improved market share during the year in both sales and lettings and maintained our leading position in the London market.

🔍 **How has the sales market and your business performed this year?** The sales market in 2019 suffered from a number of ongoing factors that discouraged buyers and sellers from transacting including affordability, political uncertainty and the stamp duty regime.

We were, however, pleased to see positive developments which should, in time, improve transaction levels. The decisive election result has given buyers and sellers more certainty over the country's direction, and as a result we have seen an increase in applicants, offers accepted and deals. House prices in London also softened during the period, although affordability remains an issue.

Our performance was resilient given the current market weakness, and our average sales commission fee remains stable at 2.4%. In particular, our continued investment in our people, technology and wider service model has translated into improved sales market share. Once again we have demonstrated that our relentless focus on delivering exceptional service through a challenging market, supported by the Foxtons brand, has strengthened our market position.

🔍 **How has the lettings market and your business performed this year?** In the current market environment our focus remains on the lettings business, where ongoing improvements to our offer have enabled us to grow market share, improve revenue from landlords and increase the penetration of our property management services. Notwithstanding this pleasing progress, the tenant fee ban which came into force on 1 June 2019, as anticipated, resulted in lower revenue in the second half.

Unlike some of our competitors, we took the decision not to increase landlord fees to offset the ban's impact on revenue. Our ability to absorb these costs not only reflects the flexibility of our wider business model, but also our commitment to providing an excellent service to landlords.

Whilst the London lettings market remains structurally very attractive, recent changes to the tax system have discouraged some private landlords from investing. In addition, high levels of tenant renewal rates have resulted in lower stock, with levels in 2019 13% below 2018 and 22% lower than in 2017.

Competition is also increasing in this segment of the market as competitors look to offset the weak sales market. This said, the trend to rent in London continues to grow, as does the demand for increased standards reflected in ever more regulatory scrutiny for landlords. Foxtons is well placed to benefit from this structural shift with its strong compliance culture and a London-wide footprint, enabling us both to help landlords to navigate the risks and find the right tenants, whilst offering tenants a wide choice of high-quality rental properties.

Our lettings business is the largest single brand portfolio in London and during 2019 the proportion of actively managed properties in the portfolio has increased to 34% (2018: 33%) which is reflective of our investment in our people, technology and service levels.

Our relationships with large scale institutional private rental sector (PRS) and build-to-rent developers continue to strengthen. We are well placed to benefit from this sector which presents a good opportunity for Foxtons, particularly outside of central London.

🔍 **What is the market outlook and Foxtons priorities looking forward?** London's fundamentals as a global hub with structural demand driven by limited housing stock means transaction levels will improve in the medium term.

Despite some much-needed clarity around the political direction of the UK it is still too early to predict how the market will behave during the year. We expect structural issues such as affordability and stamp duty to hold back sales volumes and there is room for significant improvement in consumer confidence.

Our sales pipeline is stronger than the same time last year which is positive but our focus remains on lettings and cost control in line with our prudent approach to running the business.

In the long term, we maintain confidence in the inherent attractiveness of the London market and we have built strong sales and lettings capabilities, along with a highly flexible business model, to capitalise on future growth opportunities.

Foxtons is the most recognised estate agent in London and the current market environment means we are as relevant as ever for buyers, vendors, landlords and tenants across the city. We have demonstrated our resilience, we will continue to invest in our service proposition and with a powerful brand behind us, we expect to deliver excellent results for our customers.

Nic Budden
Chief Executive Officer



MARKET OVERVIEW / ATTRACTIVE MARKET FUNDAMENTALS IN CHALLENGING TIMES

We maintain confidence in the inherent attractiveness of the London market and our ability as London's most recognised estate agent to capitalise on future growth opportunities.

Our markets: Lettings, sales and mortgage broking

→ Lettings

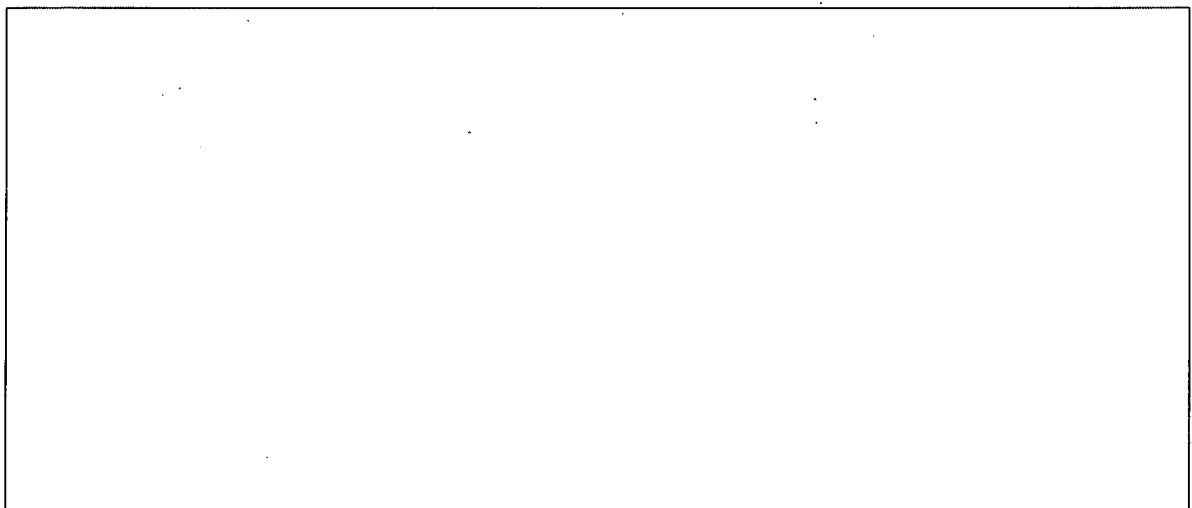
London's private rental market continues to be characterised by demand levels outstripping supply, with approximately 27% of households living in private rentals. The market remains stable, with strong long-term structural drivers, and there has been a notable rise in competition as other agents focus on lettings services to offset low volumes in sales.

Recent removal of tax relief has been a significant disincentive for buy-to-let investors, combined with higher stamp duty and ever-increasing regulations affecting landlords. This has reduced the attractiveness of investing in property to let. However, the professional PRS and build-to-rent sector continues to show promising growth, backed by significant institutional investment and offers a professional rental experience at scale. Foxtons is well placed to benefit from this shift as we have strong relationships with major build-to-rent operators and an extensive branch footprint to capitalise on the large scale institutional developments outside central London.

As we approach the first year since the imposition of the tenant fee ban, we will soon have an idea of how it has impacted the market. Most lettings agents have now had time to adjust to the ban, either by absorbing lost revenues or by recovering costs from landlords through increased commission.

The lettings regulatory environment continues to become increasingly complex with increased financial sanctions for non-compliance. Our professional customer service, which is underpinned by knowledge and expertise, helps landlords and tenants navigate the ever changing environment to the highest compliance standards.

61.5% of Group revenue



Lettings: Percentage of households in the Private Rental Sector

Sales: House price / earnings ratio

Source: Department for Communities and Local Government, Welsh Government and Foxtons research.

Source: Office for National Statistics, Land Registry and Foxtons research.

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→ **Sales**

The sales market in 2019 suffered from a number of ongoing factors that discouraged buyers and sellers from transacting. These include affordability, political uncertainty and the stamp duty regime.

We were, however, pleased to see positive developments which should, in time, improve transaction levels. The decisive election result has given buyers and sellers more certainty over the country's direction, and as a result we have seen an increase in applicants and offers accepted. House prices in London also softened during the period, although affordability remains an issue.

30.5% of Group revenue

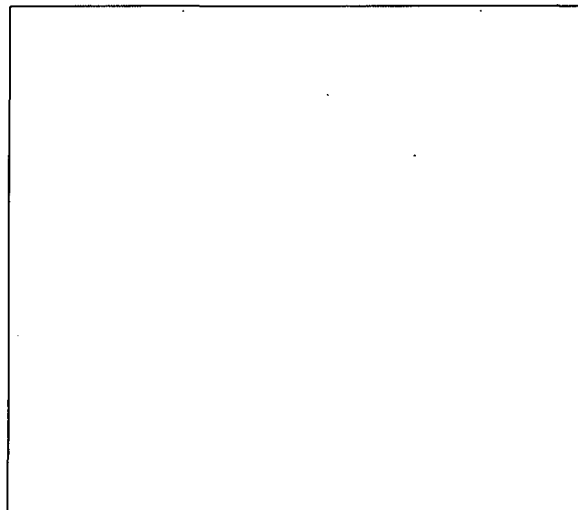
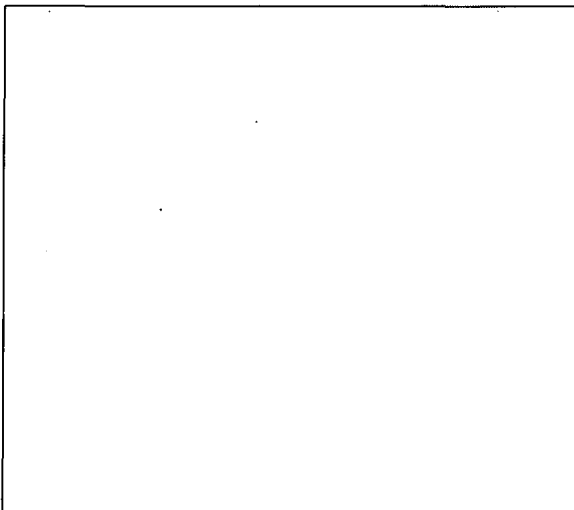
→ **Mortgage broking**

Gross UK mortgage lending in 2019 amounted to £265 billion, approximately 1% lower than the previous year. The market is competitive, with the top six lenders accounting for 70% of lending and the top fifteen lending accounting for approximately 90%.

This competitive environment, has driven down mortgage rates and led to the introduction of an array of lending criteria enhancements. The mortgage market is heavily dominated by refinance business, whilst the purchase market continues to be mainly supported by an increase in first time buyer activity which is broadly at the levels seen in 2007 before the financial crisis.

Under these market conditions, customers place even greater value on our professional mortgage advice, which helps our customers to navigate the plethora of mortgage options. Alexander Hall works with a broad range of lenders and our advisers deliver impartial and expert advice. This enables us to secure the best products for our customers, and make the process of buying a property as simple as possible.

8.0% of Group revenue

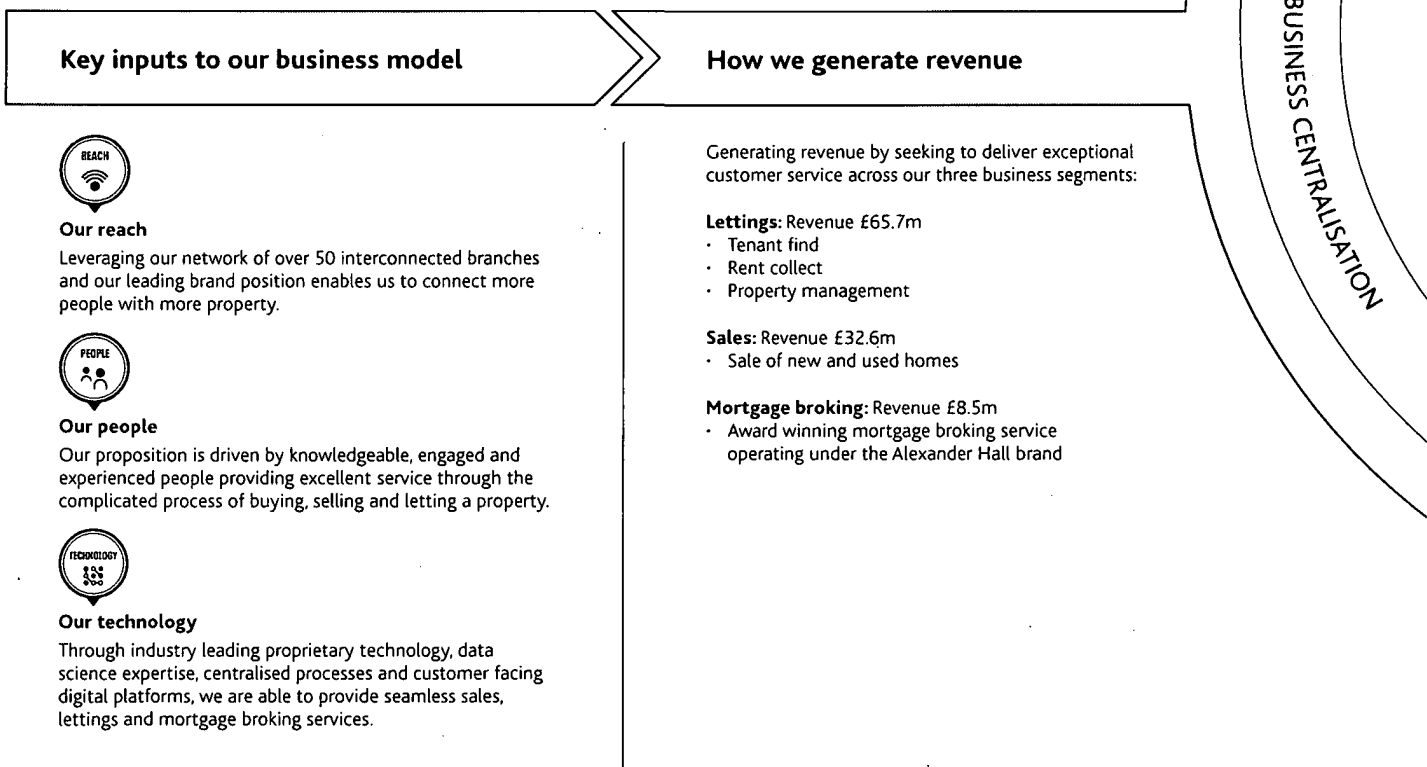


OUR BUSINESS MODEL / DELIVERING EXCEPTIONAL SERVICE AND RESULTS FOR CUSTOMERS

Using our **reach, people** and **technology**, which are underpinned by our competitive advantage and core values, the Foxtons business model delivers sustainable value to our four stakeholder groups: Our people; Our customers and suppliers; Our shareholders; and Our communities.

Our business model is built on delivering exceptional service and results for our customers (vendors, landlords, buyers and tenants). 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.

Our resilient and differentiated business model continues to enable us to hold a market leading position and deliver sustainable value for our stakeholders.



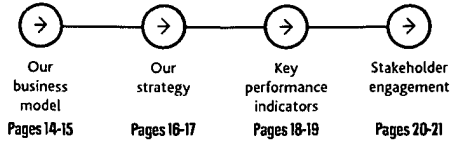
→ Our business model is underpinned by four core values

Our core values underpin the Foxtons business model and enable us to consistently deliver exceptional customer service:

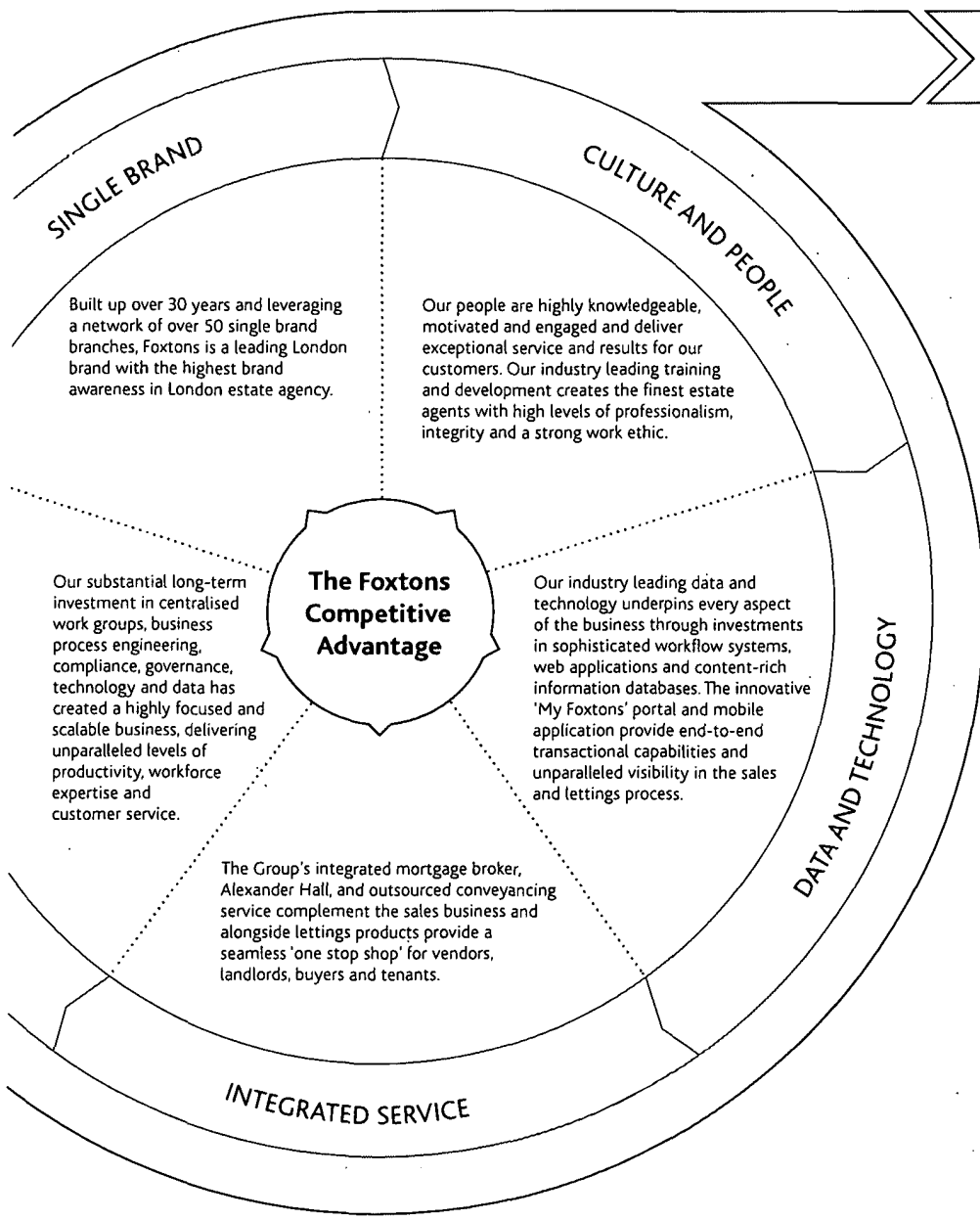
Helpful
Superior service and dedication to delivering above and beyond customer expectations



Agile
Continuously evolving to provide customers access to a bespoke mix of industry-leading knowledge and best-in-class technology



STRATEGIC REPORT
GOVERNANCE
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Value created for our stakeholders

Creating value for our people, customers and suppliers, enables the Group to deliver sustainable value to our shareholders and engage with our communities.

Our people
Develop and retain a knowledgeable, experienced, engaged and diverse workforce

83%
2019 employee engagement survey score¹

Our customers and suppliers
Delivering exceptional service and results for vendors, landlords, buyers and tenants

Rated 'EXCELLENT'
by our customers on Trustpilot

Our shareholders
Delivering sustainable and long-term shareholder value

£15m
of cumulative cost savings delivered since 2016

Our communities
Looking after the communities and environments in which we operate

130
Making The Leap Fellows trained at our head office in 2019 (refer to page 44 for details)

➤ For more information on how we engage with our stakeholders see pages 20 to 21.

¹ Results from the 2019 Employee Engagement Survey independently administered by Willis Towers Watson.

➤ For more information on how the Foxtons Competitive Advantage underpins our ability to deliver exceptional service refer to pages 22 to 31.

Expert
Sharp, creative minds, with unrivalled knowledge

Passionate
Confidence to embrace any challenge and achieve the best possible results

OUR STRATEGY / TO FURTHER BUILD ON OUR MARKET LEADING POSITION

The Group's strategy continues to evolve as we seek to adapt for success in the changing operating environment. We manage the business prudently whilst selectively investing and innovating to maintain its leading agency status and position the business for any future market growth.


Our strategic priorities

① **Focus on developing strong positions in markets with attractive fundamentals** 

The Group remains focused on developing strong positions in the London residential property market, which remains disproportionately 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 No. 1 estate agent lettings listings position and benefit from any growth in sales volumes.

② **Deliver exceptional customer service through our expert people** 

The Group continues to deliver high quality service levels as part of its customer proposition. This is driven by the strength of our reach across Greater London, an engaged and expert workforce and unique culture ensuring the whole business works together to meet customer needs; whether they are vendors, landlords, buyers or tenants.

③ **Balanced business through the cycle** 

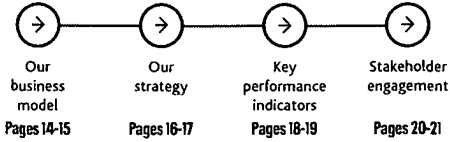
The Group aims to achieve an even balance between the financial contributions made by its sales and lettings businesses through the residential sales market cycle. The current focus is to grow the lettings business, which displays recurring revenue characteristics, through prioritising resource allocation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

④ **Leverage our branch network and single brand** 

The Group has a successful track record of profitable organic expansion and now covers 85% of Greater London. By leveraging our network of over 50 interconnected branches and the Foxtons brand we aim to increase penetration in existing markets and cover the remaining parts of London through enhanced branch reach.

⑤ **Invest in best-in-class technology** 

The Group'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 scalable 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.



➤ Read about our **key performance indicators** to understand our progress in achieving our strategic priorities on pages 18 to 19.

➤ Read about how we **manage risk** and the potential impact on our strategic priorities on pages 36 to 41.

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2019 progress

Key performance indicators

Link to risks

- Highest brand awareness in London estate agency drives our position as No. 1 estate agent for listings in London

No.1

estate agent for listings in London

- Sales volumes
 - Lettings volumes
 - Mortgage volumes
- Additionally, market share metrics are regularly reviewed by management to monitor our market position

- Market risk
- Competitor challenge
- People
- Reputation and brand

- Continued to deliver exceptional customer service
- Highest quartile employee engagement despite prolonged challenging market conditions

Rated **'EXCELLENT'**

by our customers on Trustpilot

- Trustpilot customer review score
- Average revenue per employee
- Employee engagement

- Competitor challenge
- IT systems and cyber risk
- People
- Reputation and brand

- Grew lettings revenue 2%, excluding the impact of tenant fee ban, despite high levels of competition

£65.7^m

lettings revenue in 2019

- Adjusted EBITDA
- Balanced business
- Net free cash flow

- Market risk
- Competitor challenge
- Compliance with the legal and regulatory environment

- Increased penetration of sales business in existing markets despite challenging market conditions
- Utilised industry leading technology to expand branch reach with lower physical branch footprint

85%

coverage of Greater London*

- Sales volumes
- Lettings volumes
- Average revenue per branch

- Market risk
- Competitor challenge
- People
- Reputation and brand

- Completed the re-engineering of the Foxtons Business Operating System, which underpins all aspects of our business, including customer interactions, and helps drive high levels of service and productivity

Over **790,000**

'My Foxtons' customer accounts

Our technology strategic priority is measured with reference to a number of metrics relating to: customer experience; business productivity; digital marketing effectiveness; and resilience of the IT environment

- Competitor challenge
- IT systems and cyber risk
- Reputation and brand

* Coverage is defined as the number of market transactions (per the Land Registry) for the territories covered by Foxtons in London, divided by the total number of market transactions in London as a whole (per the House Price Index for London).

KEY PERFORMANCE INDICATORS /

The Group uses key performance indicators to measure its performance and to assess progress against strategic priorities. They are also used to monitor the impact of principal risks.

→ Financial key performance indicators

Balanced business
(% of total revenue)

30.5% 61.5% 8.0%

Description

The Group targets a balanced business through the cycle, with the lettings business providing valuable protection against the cyclical sales market.

Performance for 2019

The residential sales market has continued to be depressed in 2019, with transaction volumes at historic lows. In the short term the Group has realigned the sales business to reflect current market conditions and has focused on the less cyclical lettings business.

Linked strategic priorities **3**

Sales volumes

2,423

Description

Total number of property sales transactions which have exchanged during the relevant period.

Performance for 2019

Although 2019 sales volumes have declined by 4%, this level of decline is less than the overall decline in London sales volumes which is reflective of an increase in the Group's market share.

Linked strategic priorities **1 4**

Lettings volumes

19,844

Description

The number of long and short lets entered into by tenants and the number of renewals agreed between tenants and landlords during the relevant period.

Performance for 2019

Lettings volumes have increased by 1% which is reflective of continuing investment in our service offering.

Linked strategic priorities **1 4**

Mortgage volumes

4,442

Description

Total number of mortgages arranged during the relevant period.

Performance for 2019

Mortgage volumes have increased reflecting strong growth in re-mortgages outweighing lower new mortgage volumes.

Linked strategic priorities **1**

Adjusted EBITDA (pre-IFRS 16)
(£m)

£2.5^m

Description

Adjusted EBITDA (pre-IFRS 16) is profit, determined using pre-IFRS 16 lease accounting principles, before tax, finance costs, finance income, other gains/losses, depreciation, amortisation, profit on disposal of fixed assets, share-based payments and Adjusted items.

Performance for 2019

Adjusted EBITDA (pre-IFRS 16) has decreased due to a reduction in revenue which has been partially offset by cost reductions.

Linked strategic priorities **3**

Average revenue per branch
(£'000)

£1,762^k

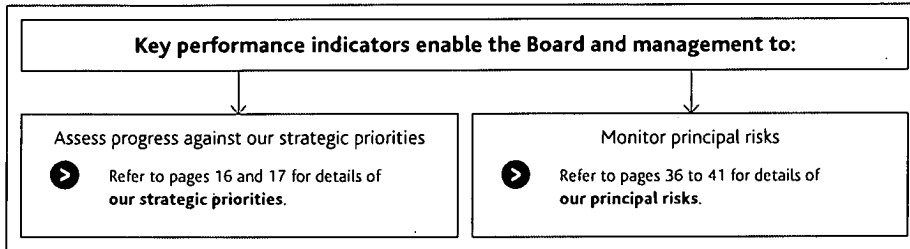
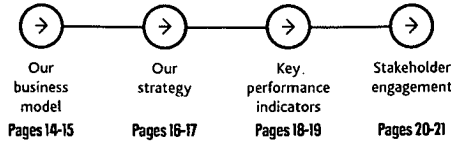
Description

Group revenue during the relevant period divided by the average number of branches during that period.

Performance for 2019

Average revenue per branch has increased due to branch closures made in 2018 with the Group continuing to maintain stable coverage across Greater London.

Linked strategic priorities **4**



→ Engaging with our people

Average revenue per employee
(£'000)

£94^k

Description

Group revenue during the relevant period divided by the average total headcount during that period.

Performance for 2019

Average revenue per employee remains broadly in line with 2018 with the Group continually monitoring staffing levels.

Linked strategic priorities ②

Employee engagement
(%)

83%

Description

Overall employee engagement score from the Group's annual Employee Engagement Survey (independently administered by a third party).

Performance for 2019

Despite challenging market conditions we have maintained an overall engagement score of 83% over the last two years. This is reflective of our continued investment in our culture and people.

Linked strategic priorities ②

Our strategic priorities

- ① Focus on developing strong positions in markets with attractive market fundamentals
- ② Deliver exceptional customer service through our expert people
- ③ Balanced business through the cycle
- ④ Leverage our branch network and single brand
- ⑤ Invest in best-in-class technology

➤ Refer to pages 16 and 17 for details of our strategic priorities.

➤ Compared to 2018 there have been two changes to the key performance indicators presented to reflect the key metrics monitored by management:

– 'Adjusted EBITDA margin' has been replaced with 'Adjusted EBITDA (pre-IFRS 16)'

– 'Operating cash conversion' has been replaced with 'Net free cash flow'

The Group will continue to review the relevance of KPIs and update as required.

→ Customer

Net free cash flow
(£m)

£(2.6)^m

Description

Net free cash flow is defined as Adjusted net cash from operating activities less net cash used in investing activities. Refer to Note 24 of the financial statements for a full definition.

Performance for 2019

Net free cash flow is negative in the period reflecting reduced levels of profitability in the period and exceptional cash spend.

Linked strategic priorities ③

Trustpilot score

Rated
'EXCELLENT'
in 2019

Description

Trustpilot is a consumer review platform. The platform enables customers to review and rate the quality of our service.

Performance for 2019

The highest Trustpilot rating has been maintained through 2019 which is indicative of our continued investment in customer service.

Linked strategic priorities ②

STAKEHOLDER ENGAGEMENT / OUR STAKEHOLDERS ARE KEY TO OUR LONG-TERM SUCCESS

Our stakeholders include **our people, our customers and suppliers, our shareholders and our communities.**

Effective engagement with key stakeholders plays an important role throughout our business. It helps us to gain a better understanding of the impact of our decisions on stakeholder interests in the context of our purpose, as well as gain an insight into their interests and concerns. It underpins good governance and enables us to create long-term value.

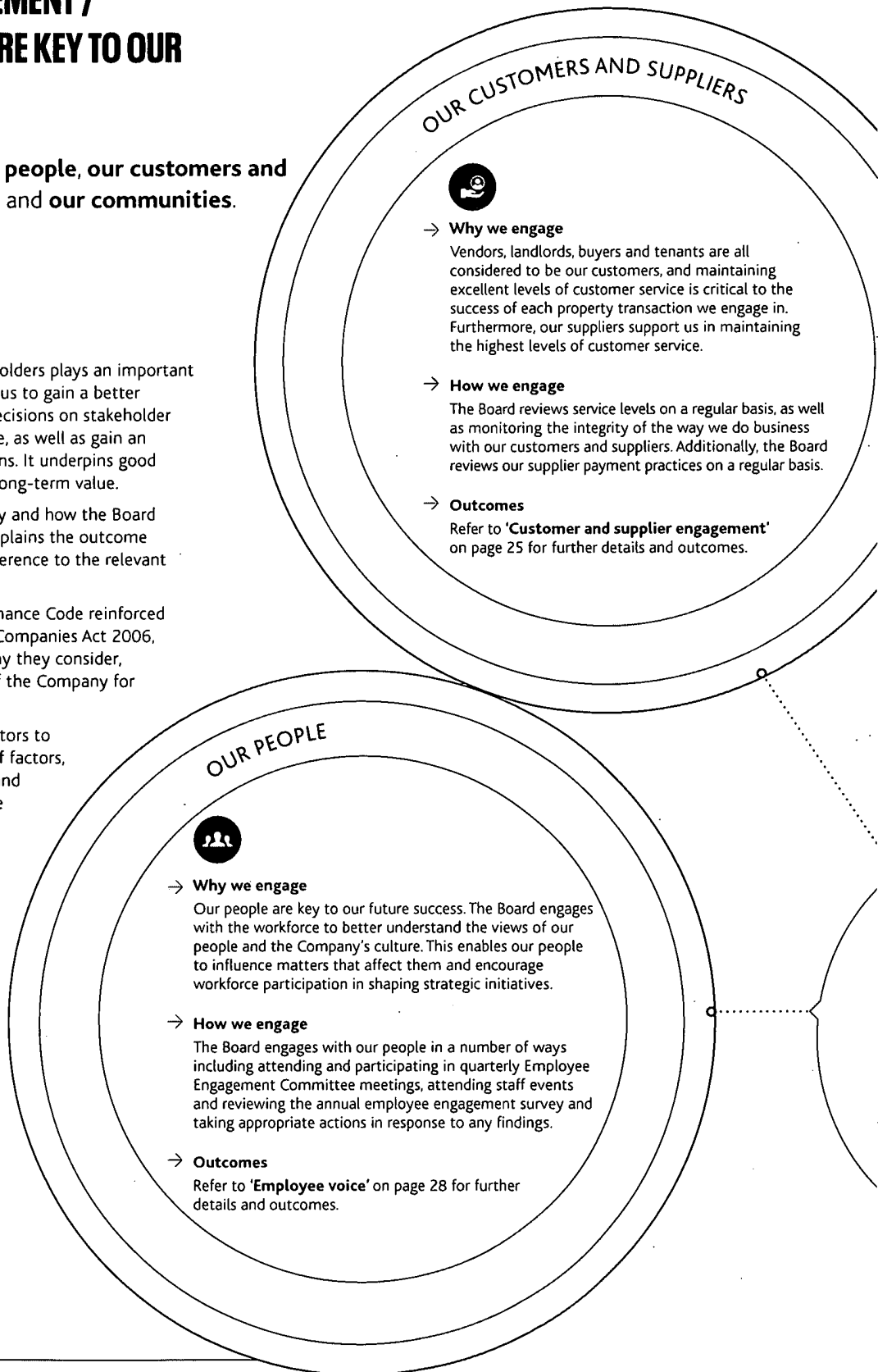
This section of the report sets out why and how the Board engages with key stakeholders, and explains the outcome of the Board engagement by cross-reference to the relevant sections of the Annual Report.

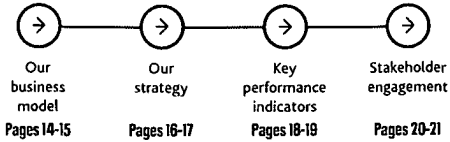
In July 2018, the UK Corporate Governance Code reinforced the importance of section 172 of the Companies Act 2006, which requires directors to act in a way they consider, in good faith, promotes the success of the Company for the benefit of its shareholders.

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 environment. This legislation also introduces requirements to report on engagement with employees.

Our stakeholders represent key relationships that support the generation and preservation of value in the Company.





OUR SHAREHOLDERS



- **Why we engage**
The Board recognises the importance of engaging with the Group's shareholders in order to understand their views.
- **How we engage**
The Board interacts with shareholders via one-to-one meetings, investor roadshows and our AGM, supported by regular interactions with external financial analysts.
- **Outcomes**
Refer to **Shareholder engagement** on page 48 for further details and outcomes.

OUR COMMUNITIES



- **Why we engage**
Looking after our communities is an integral part of the Group's ethos. The Board regularly reviews how the Group supports communities, specifically via effectiveness reviews of our charity partnerships and wider community initiatives.
- **How we engage**
A key focus is advancing social mobility, fundraising for charities which benefit our communities and managing our impact on the environment.
- **Outcomes**
Refer to **Corporate and social responsibility** on pages 42 to 47 for further details and outcomes.

Board engagement with key stakeholders

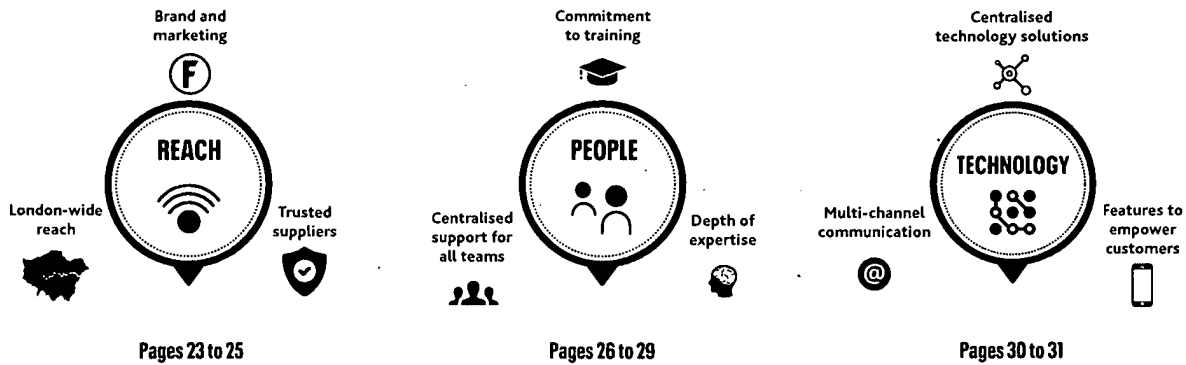
The Board has visibility of key stakeholder relationships, as well as engaging directly. The Board takes stakeholder considerations into account when making key decisions.

→ Engagement is supported by wider engagement with industry influencers

The Board recognises the Group's wider responsibility of supporting society's need for high quality housing and a well regulated industry which supports this supply. The Group engages with industry influencers such as regulators, industry bodies and the media to positively influence sector regulation leveraging on our expertise and experience. Foxtons regularly engages with the The Property Ombudsman, contributes to round table industry discussions and contributed to the UK Government's Economic Crime Plan 2019-2022 which was published in 2019.

DELIVERING EXCEPTIONAL SERVICE

Within this section of the Annual Report we explain how our **reach, people** and **technology** allow us to deliver exceptional results. The diagram below provides an overview of each of these attributes.



As set out in our business model on pages 14 and 15, the Foxtons Competitive Advantage underpins our business model and supports our **reach, people** and **technology**. Within the context of delivering exceptional service, further details of the Foxtons Competitive Advantage are provided on pages 22 to 31.

The Foxtons Competitive Advantage





DELIVERING EXCEPTIONAL SERVICE *continued*

REACH

Our single brand, integrated service model and centralised business processes support our ability to **reach** a wide customer base. Within this section of the report we provide further detail on the Foxtons Competitive Advantage and key initiatives which underpin our reach.

Over
50
interconnected
branches



Over
38%
of buyers and tenants move
to an area different to the
one they registered in

Rated
'EXCELLENT'
by our customers
on Trustpilot

Our branch network / Our network of over 50 interconnected branches allows tenants and buyers to rent or buy in any of our branches, resulting in over 38% of people moving to an area different to the one they first registered in.

Our brand focus / 2019 saw a focus on further developing relationships between Foxtons and the media, creating a more responsive link with various important consumer titles. In order to leverage the increased brand awareness generated by our 'Get Foxtons On It' campaign, and to continue to highlight this key message, we updated our fleet of branded Minis to incorporate the 'Get Foxtons On It' slogan. Additionally, the 'Movers Need Shakers' design continues to be a key feature of our digital marketing campaigns, variations of which are also featured in all our branches.

Research conducted in 2018 formed the basis of our successful 'Get Foxtons On It' campaign, and in 2019 we used this data to inform the creation and launch of the Foxtons 'Brand Story'.

Our Brand Story was born from our desire to provide a unifying narrative that explains to our customers the level of service they can expect when working with Foxtons, in a form that can be communicated consistently across all channels. This narrative helps us to streamline our messaging, highlighting our unique value proposition and answering the question 'Why use Foxtons?' for potential customers.

The core messaging of our Brand Story is the culmination of a variety of research methods. By surveying over 3,000 Londoners and conducting multiple stakeholder and employee interviews we were able to distil a core positioning for the brand. Our strengths were identified as our ability to deliver exceptional service through: our size, scale and reach across London; the expertise of our people; and the technology we have developed to support our customers.

Embedding the Brand Story is a continuous process and will become a core feature of our key lead generation processes in 2020.



DELIVERING EXCEPTIONAL SERVICE *continued*

REACH *continued*

Our marketing channels / An important component of our proposition is our ability to reach more vendors, landlords, buyers and tenants – the strength of our brand and marketing activities allows us to achieve that.

Our website remains an important pillar, delivering on both lead generation and brand engagement, and is still the UK's most visited estate agency website¹. Foxtons.co.uk can be found on page one of Google for a variety of high traffic search terms, with visitors to the website up 10.3% year-on-year. Search engine optimisation activities were focused on improving on-page and blog content and have yielded positive results, including a 69% year-on-year increase in organic traffic to the blog during 2019.

Through further website user testing initiatives in 2019, we continue to test multiple versions of our key customer journey and lead generation sections of the website, in particular the 'book a valuation' user flow. A notable success in 2019 was a test for mobile traffic which improved online valuation conversion by over 14%. Foxtons also remains present across all major social media channels, while maintaining our status as the largest estate agent page on Facebook.

Lead generation across a variety of digital channels continues to deliver a low-cost source of new business for us. Pay-per-click, Facebook, programmatic display and email are all scalable and dynamic channels, and are continuously optimised to the needs of the business. Pay-per-click specifically delivered year-on-year growth in online valuation enquiries of 27%. Brand exposure and lead generation with Rightmove and Zoopla delivered strong performance, following an enhanced arrangement with Rightmove and an optimisation of our product mix.

Alongside our successful digital marketing campaigns, direct mail remains one of our key marketing channels. Applying data science techniques to traditional marketing channels has allowed us to hone our activities to the extent that we were able to deliver 17% more valuation appointments from direct mail than in 2018.

Our continuously optimised mix of digital and traditional lead generation will remain an important foundation of our marketing strategy in 2020.

Advocacy / Our service has also led to our customers rating us 'Excellent' on Trustpilot, as well as an average rating on Google's review platform of 4.6 out of 5 for our branches (average of user reviews for each of our branches).

Customer events / Throughout 2019 we ran a series of events aimed at developing new and existing relationships with our buyers and landlords, demonstrating elements of our integrated service. In order to provide first-time buyers with advice on Help to Buy schemes, our New Homes and Alexander Hall teams hosted a number of events during the year. The events were oversubscribed and attended by over 450 buyers, with 62 different Help to Buy developments featured. As well as one-to-one meetings with our Alexander Hall mortgage advisors to establish Help to Buy suitability, buyers could immediately put down deposits for new developments. The events proved highly successful, with over 170 properties reserved at the events.

In March and June, over 100 of our professional landlords joined us in our Chiswick Park head office to participate in two summits discussing some of the key issues affecting today's rental market. The agenda for the event included crucial changes to lettings legislation, along with portfolio financing advice for our landlords.

Sharing our expertise, guiding our customers and supporting them whatever their requirements, is all part of the exceptional service we deliver.

Additional services / Our position as an industry leading agency also allows us to offer our tenants and landlords access to additional services, including the Zero Deposit Guarantee scheme. This scheme helps tenants avoid the initial outlay of a full deposit, making the renting process more affordable for many. As well as advising vendors, landlords, buyers and tenants on their property transactions, strengthening relationships with leading developers in the industry has led to Foxtons consulting on build-to-rent developments. We are able to effectively leverage our knowledge and centralised business model to support institutional landlords in both the planning and letting stages.



69%

year-on-year increase
in organic blog traffic



27%

growth in online
pay-per-click
valuation enquiries



17%

more valuation appointments
by applying our data science
capabilities to traditional
marketing channels

¹ Source: Alexa web traffic rank of Foxtons.co.uk as of 16/9/19, compared to top competitor websites.

Feedback /



I am starting to appreciate even more so why I need to go with a professional outfit such as yourselves to manage my investment. It is nice to know I have a team at my disposal that is full of experts that know this market inside out. Great peace of mind.



Feedback from a Foxtons landlord who attended one of our 2019 landlord summits

Over
100

professional landlords participated in landlord summits

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Customer and supplier engagement / 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. The diagram to the right sets out the key attributes of our professional lettings property management service.

Our lettings property management service in focus



Dedicated property management team



Proactive credit control



Arrangement of quotes, repairs and maintenance



Trusted and vetted suppliers



24-hour contractors



Specialists in lettings governance and compliance



DELIVERING EXCEPTIONAL SERVICE *continued*
PEOPLE

Our **people** are key stakeholders and also provide the Group with a competitive advantage when combined with Foxtons culture. Within this section of the report we provide further detail on our people strategy which aims to deliver value to our people, as well as protecting and strengthening our competitive advantage.



Employees

1,176



Employee overall engagement score¹

83%



% of employees that feel encouraged to act ethically and adhere to the highest standards at all times¹

95%



% of employees that believe Foxtons supports a diverse and inclusive workplace¹

93%



Languages spoken by our people

58



Number of online training courses completed since digital learning platform launch in June 2019

Over

31,000

The key elements of our people strategy are:

- Ensure all our people are aligned to our mission and have the skills and competencies to deliver excellent customer service.
- Define and implement key processes and best-in-class training to ensure our people are motivated, incentivised and supported to deliver optimal outcomes for customers.
- Align job roles, functions, training and development to support ever increasing productivity and quality of service, aligning employee experience and customer experience.

Culture and engagement / Our culture focuses on exceptional service and it underpins everything we do. Culture is monitored by gathering and assessing feedback from our customers and suppliers, but also through the experience of our people. Uniquely developed through an organically-grown workforce, we have a strong and cohesive culture evidenced by our high employee engagement scores. Despite challenging market conditions we have maintained an overall engagement score of 83% over the last 2 years¹. This supports our commitment to delivering exceptional service, which we reward through a range of incentives and recognise at our annual Foxtons Negotiator Awards.

Our culture is driven from the top, with our employee engagement survey indicating over 80% of our people having confidence in our senior leadership team. This was also validated through the external ranking from Glassdoor, with our CEO included in their Top 50 UK CEOs based on employee ratings. The latest employee engagement survey also reported that 95% of employees feel they are encouraged to act ethically and adhere to the highest standards at all times¹.

The Group established a workforce council in 2019, known as the Employee Engagement Committee (EEC). The EEC provides an effective mechanism for the Board to engage with our people with a Non-Executive Director attending each meeting and reporting to the Board at the next Board meeting. This mechanism enables the Board to monitor and assess the Group's culture as well as facilitating engagement with our workforce.

¹ Results from the 2019 Employee Engagement Survey independently administered by Willis Towers Watson.

In action: Our Employee Engagement Committee

Our Employee Engagement Committee meets on a quarterly basis and is attended by a Non-Executive Director. Each meeting gives our staff representatives the opportunity to provide feedback on relevant and important topics, including culture, leadership, employee benefits and career development. It also gives our Non-Executive Directors direct access to our workforce; to hear feedback in order to monitor and assess culture. Refer to 'Employee voice' on page 28 for further details.

October 2019 Employee Engagement Committee meeting attended by Garry Watts, Chairman.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Recruitment / In line with market developments, we have redesigned our recruitment practices and processes to ensure we are hiring the right people to deliver exceptional service to our customers. We have utilised new methods of attracting candidates which are aligned with our diversity and inclusion initiatives, including a recruitment stand at London's Pride event, as well as a recruitment stand at the PinkNews LGBT Leaders Conference. Our ongoing partnership with Making The Leap, a charity aimed at raising the aspiration of disadvantaged school students and young adults, means that we continue to run recruitment workshops for Making The Leap Fellows with a focus on social mobility.

To ensure our recruitment processes are robust, fair and effective, we have utilised a number of selection methods using business psychology approaches. These include completing a job analysis process to redefine our roles and introducing assessment centres designed using the British Psychological Society's defined standards as guidance.

Learning and development / Foxtons is known for its award-winning training. It provides the foundations that help our staff reach their full potential and forms the core of a career at Foxtons. This year we have transformed our learning and development offering to focus on a blended approach, which utilises both traditional classroom learning and digital learning approaches.

As part of this transformation, we launched a digital learning platform, 'Discover'. This enables our staff to access relevant and impactful training at the point of need and in easy to manage formats. Since launching Discover in June 2019, over 31,000 online courses have been completed. 91% of staff have said that Discover has helped to improve their performance. We also launched a programme offering the opportunity for our lettings staff to gain professional industry specific qualifications.


DELIVERING EXCEPTIONAL SERVICE *continued*
PEOPLE *continued*

Diversity and inclusion / Diversity and inclusion is built into all aspects of life at Foxtons, from hiring to training and development. The latest employee engagement survey reported that 93% of employees believe Foxtons supports a diverse and inclusive workplace¹. We continue to commit to social mobility, having signed the Social Mobility Pledge. We continue to invest in our ongoing partnership with Making The Leap to support them in transforming the futures of disadvantaged young people (refer to page 44 for further details). We have added additional methods to attract candidates from diverse backgrounds to ensure that we continue to have a diverse workforce.

Alongside our recently updated recruitment practices, we have rolled out 'unconscious bias' training to all those involved in hiring and managing teams. Our communities at Foxtons ('Women@Foxtons', 'Afro at Foxtons' and 'Foxtons LGBTQ+') have been active and growing and we now have over 20% of our staff engaged in one of our diversity and inclusion communities. Community events included staff engagement at the London Pride event, Women@Foxtons mentoring breakfasts and Afro at Foxtons celebrating Black History Month.

¹ Results from the 2019 Employee Engagement Survey independently administered by Willis Towers Watson.

Gender diversity split 2019

End of year figures	Male	Female	Male %	Female %
Directors of Parent Company ¹	6	1	86%	14%
Senior managers ²	131	51	72%	28%
All other	495	492	50%	50%
Total	632	544	54%	46%

¹ On 5 February 2020 Rosie Shapland was appointed to the Board increasing the number of female Directors of the Parent Company to 2.

² 'Senior managers' refers to senior management, senior sales and support staff and senior administrative staff. Directors of the Group's subsidiaries are included within this category.

Employee voice / We established the EEC in 2019 to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives. The EEC supports the Group in satisfying Provision 5 of the UK Corporate Governance Code published in July 2018, as well as capturing meaningful input and feedback from staff. The EEC meets quarterly and a Non-Executive Director attends each meeting alongside staff representatives.

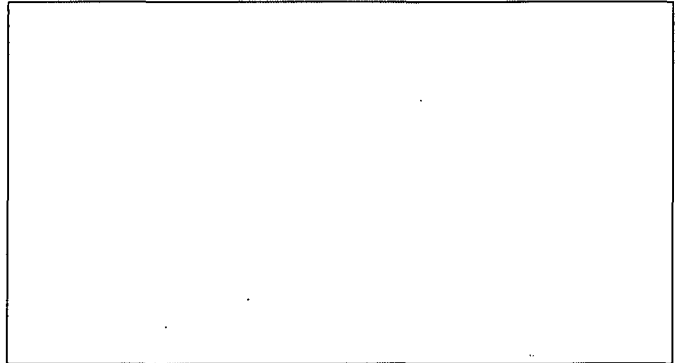
The EEC is made up from staff representatives across all areas of the business and includes individuals from each of our diversity and inclusion communities. Topics covered this year include consulting on changes to working hours for branch staff, input into the survey questions for the annual employee engagement survey, planning actions based on engagement survey results and feedback on our new digital learning platform.

Alongside gaining important insight, there were key strategic outcomes from the EEC meetings. One key outcome was a positive change to working hours for all of our branch staff, reducing their hours and enabling them to finish earlier on certain days of the week. This should support retention and wellbeing as well as encouraging diversity.

Alongside the EEC, we commissioned an employee engagement survey, which is independently administered by Willis Towers Watson, as a platform for employee voice and feedback. The output from the employee engagement survey is reviewed by the Board and appropriate actions taken in response to any findings.

Additionally, monthly communication meetings are held for all branch based staff. These meetings act as a forum to discuss matters raised at EEC meetings, explain actions from employee engagement surveys and provide an opportunity for employees to raise any other workforce matters for discussion.

People and technology / The Group has invested in, and rolled out, a number of new technology solutions to support effective people practices. These include 'Eploy' (Applicant Tracking System), 'Discover' (digital learning platform) and 'Open Blend' (coaching and appraisal platform). Investing in key technologies will help enable our staff to develop themselves and do their best work.



Every year Foxtons celebrates exceptional customer service at the Negotiator Awards.

Case study /

→ **In action: Professional qualifications**

As part of our commitment towards upholding the highest professional standards, we support individuals in our lettings business to gain an industry-recognised qualification. So far, 85% of our lettings managers have completed their ARLA Propertymark Level 3 Award in Residential Letting & Property Management – England & Wales and we are rolling out this training to our valuers and associate negotiators. We have created two Propertymark Approved Test Centres and we achieve a 93% first time pass rate on average.

Our Chiswick Park headquarters – a Propertymark Approved Test Centre.

**ARLA Propertymark qualification
average first time pass rate**

93%

DELIVERING EXCEPTIONAL SERVICE *continued*

TECHNOLOGY

Our **technology**, combined with our data capabilities and integrated service model provide competitive advantage enabling us to deliver exceptional results. Within this section of the report we provide further detail on technology and key initiatives.



Over

790,000

'My Foxtons'
customer accounts



120

viewing requests made daily
through 'My Foxtons' portal



Nearly

33,000

tenancy documents signed
online in 2019

'My Foxtons' portal / No other online estate agency portal offers the same level of features and functionality found in 'My Foxtons' and it remains a core component of our ability to support our customers' experience. There are currently over 790,000 'My Foxtons' accounts, with over 17,500 tenants and over 8,000 landlords logging in each month. On average, 120 viewing requests are made daily through the 'My Foxtons' portal.

Ensuring customers receive the best possible experience when using 'My Foxtons' remained a key focus in 2019, through continuous development of the platform. Several updates were made, including property maintenance reporting enhancements, language translation and self-serve help videos for tenants.

To better cater for our diverse customer base, maintenance matters in rented properties can now be reported through 'My Foxtons' and the 'Tenancy Tracker' mobile application in over 40 different languages. This is then translated into English for our teams, resulting in more accurate information about the issues logged.

Another key enhancement to the reporting process includes adding visual prompts to help tenants more accurately record an issue. This change in process helps overcome language barriers and a lack of technical knowledge, further speeding up the issue resolution process. Enhanced issue reporting is also supported by a new self-serve function, with videos and guides to help tenants stop minor issues becoming bigger problems.

With nearly 33,000 tenancy documents signed online in 2019, developing a seamless end-to-end customer experience for tenants and landlords remained a key focus. As well as our tenants having the ability to sign online quickly and hassle free, our latest 'My Foxtons' development focused on the moving out process. Additionally, our new deposit release feature helps provide transparency and support to landlords and tenants at a crucial stage of the letting process, ensuring an exceptional service is received by all.



The online platform used to collect all documentation for reference checking is extremely intuitive and demonstrates the investment Foxtons has made to make the whole process as easy as possible for its customers.



C.C, Foxtons Landlord

2019 saw 5.4 million users visit Foxtons.co.uk

5.4^m

Foxtons Business Operating System / While 'My Foxtons' powers customers experience, our centralised Business Operating System (BOS), powers our operations behind the scenes and remains a key pillar of our competitive advantage. 2019 saw the launch of a new-look BOS, designed to improve the way we use technology to support exceptional customer service. A core element of this was an upgrade to the codebase used to create BOS, as well as utilising a responsive design that allows it to be used across multiple platforms and devices. These enhancements mean that our agents can operate more efficiently than ever before, and our entire branch network can be leveraged for the benefit of our customers, wherever they find us.

Leveraging data to improve internal efficiencies, uncover business insight and enhance customer experience remains a key programme for the business. Investment into data science capabilities and the procurement of a third party customer data platform will elevate our capabilities and speed to new levels in 2020.

Using technology to communicate / Another ongoing focus for us in 2019 was utilising BOS to support our sales teams in communicating with our customers more effectively. We revamped our communication campaigns to ensure Foxtons maintains contact with customers throughout the sales journey, providing sustained levels of service to help increase engagement and lead conversion, as well as providing an even smoother customer experience.

The addition of automated communications at key customer milestones has been successful, especially for new customers making contact with us through our website, Rightmove and Zoopla – in some cases we have seen engagement double. In addition, email and SMS communications triggered at key stages throughout the sales and lettings process have also significantly increased usage of our 'My Foxtons' portal for sellers.

We continue to test new messaging technologies, including chatbots, to deliver a higher level of engagement and make ourselves available to our customers wherever and whenever they reach out to us.

FINANCIAL REVIEW / DELIVERING ROBUST RESULTS IN A CHALLENGING YEAR

“Our balance sheet remains strong, with no external borrowings. Costs continue to be carefully managed and aligned to market conditions. Selective investments in our people, technology and service offering have enabled us to strengthen our market position.”

RICHARD HARRIS

Revenue

£106.9m

(2018: £111.5m)

Statutory loss before tax

£8.8m

(2018: £17.2m)

*Adjusted EBITDA (pre-IFRS 16)¹

£2.5m

(2018: £3.6m)

Closing net cash balance

£15.5m

(2018: £17.9m)

Overview / Total revenue fell by 4% to £106.9 million (2018: £111.5 million) during the period as a consistent lettings and mortgage performance was offset by lower revenue in the sales business reflecting the ongoing weakness of the London market.

During 2019, our cost base has remained under constant review with ongoing cost management and specific cost action taken in response to the market conditions by closing four underperforming branches.

The Group's cost base on a comparable pre-IFRS 16 basis reduced by £3.1 million to £104.8 million (2018: £107.9 million) benefiting from £4.0 million of cost savings, offset by selective investments in order to strengthen our market position and inflation, totalling £0.9 million.

* Measures marked with this symbol are APMs. Measures are defined, purpose explained and reconciled to statutory measures within Note 24 of the financial statements.

¹ The Group transitioned to IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach with no restatement of prior year comparatives. Adjusted EBITDA is presented on a pre-IFRS 16 basis to enable comparison with the prior period results. On an IFRS 16 basis 2019 Adjusted EBITDA is £13.4 million.

Adjusted EBITDA has decreased to £2.5 million (2018: £3.6 million) on a comparable pre-IFRS 16 basis, or £13.4 million on a post-IFRS 16 basis. £5.7 million of Adjusted items have been recognised in the period, resulting in a statutory loss before tax of £8.8 million (2018: £17.2 million loss).

The Group continues to have a strong balance sheet with no external borrowings and £15.5 million of cash as at 31 December 2019 (31 December 2018: £17.9 million). The Group has a £5.0 million revolving credit facility which expires in June 2022 and remains undrawn.

Summary income statement

Year ended 31 December	2019 £m	2018 £m	% change
Group revenue	106.9	111.5	(4%)
Group contribution ²	67.1	70.9	(5%)
Group Adjusted EBITDA (pre-IFRS 16) ^{1,2}	2.5	3.6	(32%)
Adjusted items	(5.7)	(15.7)	
Statutory loss before tax	(8.8)	(17.2)	49%
Basic loss per share	(2.8p)	(6.3p)	56%
Dividend per share	–	–	–

¹ The Group transitioned to IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach with no restatement of prior year comparatives. Adjusted EBITDA is presented on a pre-IFRS 16 basis to enable comparison with the prior period results. On an IFRS 16 basis 2019 Adjusted EBITDA is £13.4 million.

² These measures are APMs. Measures are defined, purpose explained and reconciled to statutory measures within Note 24 of the financial statements.

Revenue / The Group consists of three operating segments: Sales, lettings and mortgage broking.

£m	2019	2018	% variance
Sales	32.6	36.2	(10%)
Lettings	65.7	67.0	(2%)
Mortgage broking	8.5	8.3	3%
Group revenue	106.9	111.5	(4%)

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 continues to provide a recurring revenue stream which contributes 61.5% (2018: 60.1%) to the Group's revenues. 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 19,811 (2018: 19,621).

Mortgage broking / Mortgage broking revenues increased by 3% to £8.5 million (2018: £8.3 million). Though the market saw a decline in new mortgages linked to reduced sales volumes, these were offset by a growth in re-mortgage volumes which drove a 3% increase in mortgage units to 4,442 (2018: 4,318).

Balanced business through the cycle / As set out on page 16, a key element of the Group's strategy is to maintain a balanced business through the cycle. This flexibility across the sales and lettings segments enables the Group to withstand fluctuations in the residential sales market and capitalise on growth segments such as institutional PRS.

% of total revenue	2019	2018
Sales	30%	32%
Lettings	62%	60%
Mortgage broking	8%	8%
Group revenue	100%	100%

Profitability / Contribution, Contribution margin and Adjusted EBITDA are APMs management uses to monitor the profitability of the Group and operating segments. Definitions and reconciliations to the nearest statutory measure are provided in Note 24 of the financial statements.

Contribution and contribution margin / Contribution is revenue less direct salary costs and cost of bad debt. Group contribution has decreased to £67.1 million (2018: £70.9 million) as a result of reduced sales and lettings revenue.

Group contribution margin decreased to 62.7% (2018: 63.6%) reflecting cost savings which partly offset the reduction in revenue. Direct salary costs continue to be carefully managed in the period with headcount adjusted to reflect the current sales market, whilst ensuring the level and quality of staffing is maintained to enable the Group to benefit from improved levels of market certainty.

Contribution	2019 £m	2019 margin	2018 £m	2018 margin
Sales	16.4	50.4%	19.2	53.0%
Lettings	46.7	70.9%	47.8	71.4%
Mortgage broking	4.0	47.2%	3.9	47.1%
Group contribution	67.1	62.7%	70.9	63.6%

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Adjusted EBITDA / The table below presents the Group's 2019 Adjusted EBITDA on a 'post-IFRS 16' and 'pre-IFRS 16' basis, with no restatement of the 2018 measures.

Adjusted EBITDA	2019 (post-IFRS 16) £m	2019 (pre-IFRS 16) £m	2018 (pre-IFRS 16) £m
Sales	(0.9)	(5.0)	(4.5)
Lettings	12.7	6.1	6.7
Mortgage broking	1.6	1.4	1.4
Group Adjusted EBITDA	13.4	2.5	3.6

Group Adjusted EBITDA on a pre-IFRS 16 basis has decreased from £3.6 million to £2.5 million which is attributable to a further decline in the sales business, and underlying growth in the lettings business, offset by a reduction in revenue of £2.7 million as a result of the tenant fee ban.

For the purposes of segmental reporting, shared costs are allocated between the sales business and the lettings business according to headcount. 2019 headcount was higher in the lettings business than in the sales business, and therefore a higher proportion of shared cost has been allocated to lettings in the current year.

The Group applied IFRS 16 from 1 January 2019, and under previous accounting principles, a lease rental expense of £11.3 million and other income of £0.3 million would have been recognised within Adjusted EBITDA. Under IFRS 16, these elements have been replaced by right-of-use asset depreciation of £9.8 million and net finance costs of £2.5 million which are excluded from Adjusted EBITDA.

Adjusted items / The Group remains focused on driving efficiency and ensuring the cost base reflects market conditions. In the year, further cost action has been taken by closing four underperforming branches in response to the prolonged downturn in the residential sales market during 2019, attributable to the political uncertainty throughout the period. Additionally, an impairment charge on a small number of low profitability branches has been incurred. Together, these items have resulted in an Adjusted items charge of £5.7 million in line with the Group's policy, the majority of which is non-cash.

Statutory loss before tax / The statutory loss before tax in the period was £8.8 million (2018: £17.2 million loss) after charging:

- direct operating costs of £39.8 million (2018: £40.6 million);
- shared costs of £53.6 million (2018: £67.3 million), which under IFRS 16 no longer includes operating lease expenses of £11.3 million;
- depreciation (excluding IFRS 16) charges of £3.2 million (2018: £4.1 million) and amortisation of £0.6 million (2018: £0.2 million);
- share-based payment charge of £0.7 million (2018: £1.3 million);
- other losses of £0.1 million (2018: Other gains of £0.3 million);
- net finance costs (excluding IFRS 16) of £0.1 million (2018: nil);
- IFRS 16 charges of £12.3 million (2018: nil) relating to right-of-use depreciation of £9.8 million (2018: nil) and lease liability finance costs of £2.5 million (2018: nil); and
- Adjusted items charges of £5.7 million (2018: £15.7 million).

IFRS 16 'Leases' / The Group transitioned to IFRS 16 'Leases' on 1 January 2019 using the modified retrospective approach with no restatement of prior year comparatives. The implementation of IFRS 16 does not impact how we run the business, nor does it impact the cash position or cash flows of the Group. However, there is a material impact on the presentation of the financial statements. On transition to IFRS 16 on 1 January 2019, the Group recognised right-of-use assets and lease liabilities with respect to its offices and motor vehicles. The financial reporting impact for 31 December 2019 is summarised as:

- recognition of right-of-use assets of £51.4 million at 31 December 2019;
- recognition of lease liabilities of £55.9 million presented separately within current and non-current liabilities at 31 December 2019; and
- net £1.3 million increase in the Group's statutory loss before tax compared to if pre-IFRS 16 accounting principles had been applied. This is due to a reduction in revenue of £0.3 million, and a rental expense of £11.3 million being replaced by right-of-use asset depreciation of £9.8 million and lease liability finance costs of £2.5 million.

Taxation / The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. Foxtons always sets out to be transparent, open and honest in its dealings with tax authorities. The effective tax rate for the period was 11.9% (2018: 0.2%). This compares to the statutory corporation tax rate of 19.0% (2018: 19.0%).

The main drivers leading to a lower taxable loss compared to the reported loss and the effect on the tax expense are depreciation on leasehold improvements and branch asset write-downs that are non-qualifying for capital allowance purposes, share-based payment charges.

Tax refunds during the year totalled £0.2 million (2018: payments of £1.5 million).

Loss per share / Basic and fully diluted loss per share was 2.8p (2018: 6.3p). Adjusted loss per share was 1.1p (2018: 0.8p).

Cash flow and net cash position / The operating cash inflow before movements in working capital in the period was £12.2 million (2018: £1.9 million). A working capital outflow of £2.6 million (2018: £1.3 million inflow) and tax refund of £0.2 million (2018: £1.5 million outflow), gave rise to a net cash inflow from operating activities of £9.8 million (2018: £1.8 million). The 2019 net cash inflow of £9.8 million excludes the repayment of IFRS 16 lease liabilities of £12.0 million (2018: nil).

After deducting the repayment of IFRS 16 lease liabilities of £12.0 million (2018: nil) and net cash used in investing activities of £0.4 million (2018: £1.7 million), the net free cash outflow for the period was £2.6 million (2018: £0.1 million inflow). The decrease versus prior year is reflective of reduced levels of profitability in the year.

The Group held net cash of £15.5 million at year end (31 December 2018: £17.9 million).

Dividends / The Board's priorities for free cash flow are to fund investment in the future development of the business, maintain a strong balance sheet and to return excess cash to shareholders.

Our immediate priorities are to maintain the strength of our balance sheet and invest in the business to enhance our offer. We have a policy of returning 35% to 40% of profit after tax as an ordinary dividend but as the Group did not make a statutory profit no dividends will be paid in line with the policy.

Post balance sheet events / There are no post balance sheet events to report.

Treasury policies and objectives / The Group's treasury policy is designed to reduce financial risk.

Financial risk for the Group is low as:

- the Group has no external borrowings;
- the Group is entirely UK-based with no foreign currency risks; and
- surplus cash balances are held with major UK based banks.

As a consequence of the above, the Group has not had to enter into any financial instruments to protect against risk. The Group has a £5 million revolving credit facility which expires in June 2022 and remains undrawn.

Pensions / The Group does not have any defined benefit schemes in place but is subject to the provisions of auto-enrolment which require the Group to make certain defined contribution payments for our employees.

Risk management / The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and senior management. Refer to pages 36 to 41.

Going concern and viability statement / The going concern declaration is disclosed in the Directors' report on page 104, and the viability statement can be found on pages 40 to 41.

Related parties / Related party transactions are disclosed in Note 21 of the financial statements.

Richard Harris
Chief Financial Officer



PRINCIPAL RISKS / PROTECTING AND SAFEGUARDING THE BUSINESS

The Board is responsible for establishing and maintaining the Group’s system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates.

Risk management / The Board regularly reviews the principal risks facing the Group together with the relevant mitigating controls and undertakes a robust assessment. In reviewing the principal risks the Board considers emerging risks and changes to existing risks. In addition, the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

The broad structure of risk management is presented in the chart below. The identification of risk in the Group is undertaken by specific executive risk committees which analyse overall corporate risk, information technology risk and mortgage broking risk. Other committees exist below this level to focus on specific areas such as anti-money laundering. A common risk register is used across the Group to monitor gross and residual risk with the results being assessed by the Board. The compliance department constantly reviews operations to ensure that any non-standard transactions have been properly authorised and that procedures are being properly adhered to across the branch network. The Audit Committee monitors the effectiveness of the risk management system through regular updates originating from the various executive risk committees.

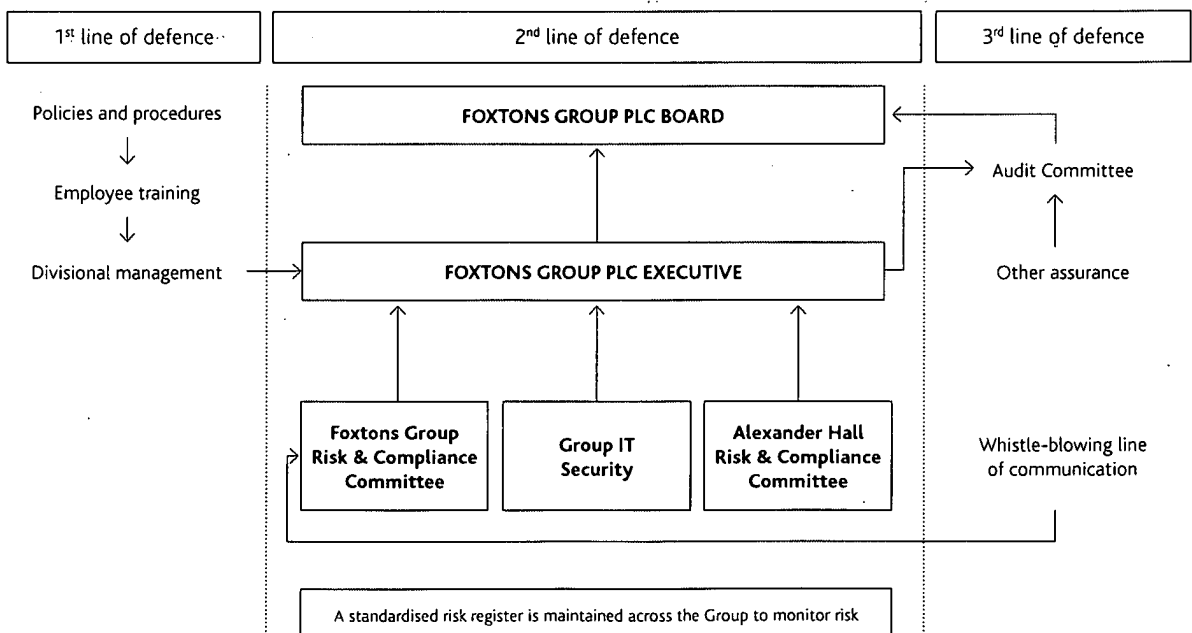
Pages 38 and 39 set out the risks facing the business at the date of this report analysed between external and internal factors. An assessment of residual likelihood and impact is shown together with an overall risk rating. An indication is also provided of whether the risk has changed over the course of the year. These risk ratings are also shown graphically in a heat map on page 40.

The risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this report may also have an adverse effect on the Group.

Details of the Board’s process for identifying key emerging risks and how these risks are managed are also set out on page 41.

Further information on the Group’s risk management procedures can be found in the Corporate governance report on pages 54 to 101.

→ Foxtons risk framework chart



Risk appetite / The risk appetite statement details the Group’s approach to risk. The risk appetite statement includes a series of risk assertions which are aligned to our strategy, together with the risk parameters within which we expect our people to work. Compliance with the risk appetite statement is monitored through the Group’s standard monitoring and reporting mechanisms. The Board reviews the risk appetite statement annually.

Risk appetite statement
 The Group operates in markets with high growth potential which are subject to volatility, particularly in the property sales market. We continue to pursue ambitious growth targets and are willing to accept certain levels of risk to increase the likelihood of achieving or exceeding our strategic objectives, subject to the parameters below.

Risk appetite varies depending on the risk type
 The Board’s appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, customer service issues, staff turnover and brand/ reputational damage. The Board has a low tolerance for compliance related risk. Conversely, it has a higher tolerance for strategic risk. During the prolonged downturn in the London sales market the Board adjusts the short-term appetite for risk to reflect prevailing market conditions as necessary.



Risk type	Risk assertion	Risk parameter	Risk appetite
Strategic	We will not pursue growth at all costs and expect high margins and strong returns on capital.	We will pursue growth strategies to meet our market growth objectives. We aim for industry leading operating margins and returns on capital whilst protecting the long-term viability of the Group.	High
Financial	We will manage/avoid situations or actions that might adversely impact the integrity of financial reporting.	It is a critical requirement that financial reporting complies with relevant accounting standards and is fair, balanced and understandable.	Low
Operational	We will manage/avoid situations or actions that might adversely impact the Group’s ability to provide a premium service level to our clients and to protect the assets of the Group.	The costs of control systems must be commensurate with the benefits achieved.	Moderate
Compliance	We will ensure we comply with all legal requirements and manage/avoid situations or actions that could have a negative impact on our reputation or brand.	No tolerance for breaches of: <ul style="list-style-type: none"> • Legislative/statutory requirements • Delegated authority levels • Group and divisional policies • Health and safety regulations 	Very Low

PRINCIPAL RISKS *continued*→ **External factors**

Impact	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
1 / Market risk					
<p>The Group continues to be impacted by the prolonged downturn in the London sales market, with transactions continuing to be at very low levels during 2019. There is a risk that the Group will be further impacted by factors such as:</p> <ul style="list-style-type: none"> • affordability, which in turn may reduce transaction levels in the market; • 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 any changes in government policy such as increases in stamp duty taxes or increased regulation in the lettings market. <p>Link to our strategy 1 3 4</p>	<p>The Group 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.</p> <p>In a downturn of the residential sales market, the Board will make appropriate strategic decisions to support the long-term prospects of the sales business, whilst ensuring our cost base reflects market conditions.</p>	!	!	!	⊖
<p>High residual risk remains due to low consumer confidence, specifically in relation to the ongoing political uncertainty linked to Brexit.</p>					
2 / Competitor challenge					
<p>Foxtons 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.</p> <p>Link to our strategy 1 2 3 4 5</p>	<p>Foxtons continually collects information on competitor activity through its branch network and centralised business development teams.</p> <p>Our flat management structure allows this competitor intelligence to be fed back to senior management accurately and quickly so that the Group can rapidly consider appropriate responses.</p> <p>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.</p>	!	!	!	⬇
<p>Overall moderate residual risk remains, although the residual likelihood has reduced year-on-year due to a reduction in competitor pressure from online and hybrid agents.</p>					
3 / Compliance with the legal and regulatory environment					
<p>Breaches of laws or regulations could lead to financial penalties and reputational damage.</p> <p>The mortgage broking division is authorised and regulated by the FCA and could be subject to sanctions for non-compliance.</p> <p>Link to our strategy 3</p>	<p>The Group is supported by compliance and legal teams who monitor regulatory reform proposals and participate in industry forums. Foxtons centralised service structure provides it with a flexible platform from which to respond to regulatory change.</p> <p>The mortgage broking division has a specific Risk and Compliance Committee which monitors compliance with FCA regulations.</p>	!	!	!	⊖
<p>Low residual risk remains due to the continued focus from the relevant authorities to monitor compliance across the industry and continued change in the legal and regulatory landscape.</p>					

→ Internal factors

Impact	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
4 / IT systems and cyber risk					
<p>Our proprietary Customer Relationship Management (CRM) system continues to provide us with a competitive advantage. Our CRM connects our entire network of agents together allowing efficient processes and the ability to deliver our customers a higher level of service.</p> <p>Our business operations are dependent on sophisticated and bespoke 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.</p> <p>Such a failure or loss could also result in reputational damage, fines or other adverse consequences.</p> <p>Link to our strategy </p>	<p>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.</p> <p>Real-time automated monitoring of data flows is safeguarded by an independent 24/7 365 days a year Security Operations Centre, which works with Foxtons to ensure that all the protection is patched and appropriate for the threat levels experienced.</p> <p>Thorough and regular penetration testing is conducted by world leading independent test teams, to ensure that all countermeasures are effective against the latest threats.</p> <p>Group disaster recovery plans are in place utilising a physically separate location for duplicate copies of critical systems and multiple communications lines to all locations.</p> <p>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.</p>				<p></p> <p>Residual risk has increased to moderate due to an increasing number of high-profile and sophisticated cyber attacks against corporates.</p>
5 / People					
<p>There is a risk that Foxtons may not be able to recruit or retain sufficient staff to achieve its operational objectives as competition for talent increases due to challenging market conditions.</p> <p>Link to our strategy </p>	<p>Foxtons 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. Foxtons continues to invest in training, development and succession planning so that future leaders can be identified and nurtured.</p> <p>Our culture of promoting from within generates significant staff loyalty within senior and mid-management employees.</p>				<p></p> <p>Low residual risk remains due to the continuing risk that we are not able to recruit or retain sufficient staff under the current market conditions.</p>
6 / Reputation and brand					
<p>Foxtons is a strong, single network brand with a reputation of delivering exceptional service.</p> <p>Our reputation and brand provides a competitive advantage and is critical to maintaining and growing market share.</p> <p>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.</p> <p>Link to our strategy </p>	<p>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.</p> <p>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.</p> <p>The positioning of our brand is reviewed regularly, to ensure our values are clear and consistently promoted.</p>				<p></p> <p>This additional principal risk has been identified due to the ongoing importance of the Foxtons brand and the increase in the use of social media by consumers which can accelerate reputation and brand damage.</p>

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The assessment of residual likelihood, residual impact and overall residual risk is based on the following definitions:

Residual likelihood	Residual impact	Overall residual risk rating
Low potential of the risk crystallising	Very limited or isolated impact to the Group and/or its broader customer base	Low
Moderate potential of the risk crystallising	Moderate impact to the Group and/or our broader customer base	Moderate
High potential of the risk crystallising	Potentially significant impact to the Group and/or our broader customer base	High

Our strategic priorities

- Focus on developing strong positions in markets with attractive market fundamentals
- Deliver exceptional customer service through our expert people
- Balanced business through the cycle
- Leverage our branch network and single brand
- Invest in best-in-class technology
- Refer to pages 16 and 17 for details of our strategic priorities.

Change in risk

- Increased risk
- No change
- New risk
- Reducing risk

PRINCIPAL RISKS *continued*

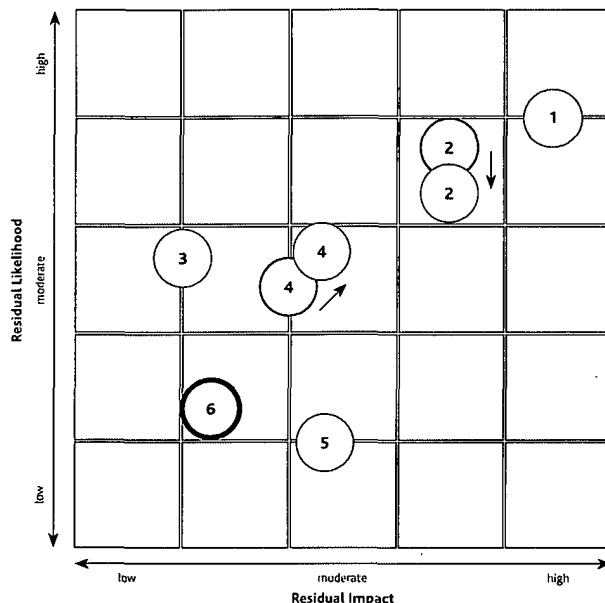
Residual heat map / The residual heat map is a visual representation of the principal risks facing the Group. Risks shown in the bottom left-hand corner of the chart have a low risk rating as they have a low likelihood of occurring and a low potential impact on the Group. Conversely, risks shown in the top right-hand corner of the chart have a high risk rating as they have a high likelihood of occurring and a high potential impact on the Group.

Assessment of change in risk year-on-year / Assessment of whether there has been a change in the level of risk due to either a change in probability or a change in potential impact versus the 2018 Annual Report and Accounts.

Assessment of risk versus Board's appetite for risk / The Board has assessed the risks of the Group and with the exception of market risk considers all risks to be within the Board's appetite for risk. The Board recognises the Group operates in markets which are cyclical and subject to volatility. As such the Board's risk appetite for market risk is high. However, despite this high tolerance, current risk levels are considered to exceed acceptable levels due to circumstances beyond the Group's control. Although current volatility levels in the sales market are extremely high, the Board considers that all short term actions have been taken to mitigate the impact on the Group. The Group expects the sales market to return to more normal levels in the medium term.

Movement in risk versus 2018 Annual Report and Accounts:

- **Competitor challenge (2):** residual likelihood has reduced due to a reduction in competitor pressure from online and hybrid agents.
- **IT systems and cyber risk (4):** residual likelihood and impact have increased due to a higher threat level of terrorism, ransomware and potential personal data theft.
- **Reputation and brand (6):** a new principal risk due to the ongoing importance of the Foxtons brand and the increase in the use of social media by consumers which can accelerate reputation and brand damage.



- Key:**
- 1 Market risk
 - 2 Competitor challenge
 - 3 Compliance with legal and regulatory environment
 - 4 IT systems and cyber risk
 - 5 People
 - 6 Reputation and brand
 - 2018 risk positioning (if year-on-year movement)
 - 2019 risk positioning
 - New 2019 principal risk

PROSPECTS AND VIABILITY

The long-term prospects and viability of Foxtons is a focus of the Board when determining and monitoring the Group's strategic priorities and business model. The identification and mitigation of the Group's principal risks also form part of the Board's assessment of long term prospects and viability.

Long-term prospects / Foxtons has an established position in London's property market, with a well-known brand and a differentiated business model which is designed to deliver sustainable value to stakeholders. During the ongoing market downturn the business has been prudently managed, with a focus on maintaining a strong balance sheet, protecting and strengthening our competitive advantage, and diversifying the business towards the less cyclical lettings market. The Board recognises the Group is exposed to the cyclicity of the London residential sales market and other market challenges such as affordability.

Whilst the market downturn has impacted the Group's profitability in recent years, the Group is well positioned to benefit from a recovery in market conditions supported by a strong infrastructure.

Viability approach / The Group's viability is assessed through the strategic planning process which includes financial projections for the next five years after taking into account the Group's principal risks.

Key assumptions within the strategic plan include sales and lettings market volume and price forecasts, market share assumptions and the inherent flexibility of our cost base. Our core assumption is that our market is cyclical and our planning is cautious and therefore certain potential upsides are not included.

Other factors taken into consideration include the Group's conservative use of cash resources and cash position, lack of existing external borrowings and the availability of a £5 million revolving credit facility which expires in June 2022.

Assessment of viability / In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'going concern' provision.

Given the extended nature of the current downturn and the ongoing political uncertainty, the Directors have determined that five years is the most appropriate timeframe over which the Board should assess long-term viability, with this being the longest period over which the Board considered an appropriate assessment of the principal risks could be made. This is consistent with the period over which the Group's strategic review is assessed by the Board and the minimum vesting and holding period for Executive Director share schemes.

This viability assessment has considered the potential impact of the principal risks on the business model, future performance and liquidity of the Group. In making this statement the Directors have considered the resilience of the Group under varying market conditions together with the timing and effectiveness of any mitigating cost actions.

Severe but plausible scenario / The Board has stress-tested the five-year financial plan under a severe but plausible scenario which included the realisation of principal risks which have the highest residual impact and likelihood, namely market risk and competitor challenge.

Emerging risks / The Board considers emerging risks on a regular basis. The Company has procedures in place to identify emerging risks and manages them accordingly. Two key emerging risks and our associated risk management approach is set out below.

Emerging risk and description	Risk management
<p>→ Emerging technologies and customer solutions</p> <p>There continues to be emerging technology solutions or customer offerings across the residential estate agency sector. The Group's balanced business model continues to provide competitive advantage in the current market, and will continue to do so in future markets. However, the Group must develop and invest in emerging technologies and customer solutions in order to continue to protect our customer offering and stay competitive.</p>	<p>The Board closely monitors competitor activity, emerging customer service offerings and technology investment opportunities. Strategic decisions are made after consideration of this information, and investment will be supported to mitigate the risk of losing competitive advantage or negatively impacting the long-term prospects of the business.</p>
<p>→ Changes in government housing policies</p> <p>Future changes in government housing policies may lead to structural changes in the lettings and sales market. Future government policy cannot be reliably predicted, but changes could result in market disruption and shift the balance between renting and buying homes, or the introduction of measures which manage transaction prices.</p>	<p>It is expected future changes in housing policies will lead to additional market related risks, but may also present opportunities. The Board monitors government housing policy and incorporates changes into strategic decisions where applicable.</p> <p>The Group is a member of major industry bodies such as Propertymark, and lobby groups such as London First, which regularly consult with government policymakers to help them make informed decisions. In addition, we also meet with key stakeholders including HM Treasury, local councils, and representatives from the Greater London Authority on housing policy and regulatory matters.</p> <p>Maintaining a balanced business through the cycle provides ongoing protection against changes in government policies which may present a risk in the future to either our sales or lettings revenue streams.</p>

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Although the December 2019 General Election removed some market uncertainty, there continues to be political uncertainties, such as tax reform, which may impact the housing market. Additionally, the process of the UK leaving the European Union may cause market disruption and therefore the severe but plausible scenario includes a severe short term decline in transaction volumes, and a prolonged period of materially depressed volumes. The Directors have considered the wider impacts of the UK leaving the European Union below.

The severe but plausible scenario takes into account the availability and effectiveness of controllable mitigating actions, including reducing capital expenditure and reductions in the cost base. Each of these actions would be available to limit the impact of the identified risks. The key assumptions assumed in the severe but plausible downside scenario are summarised below:

Sales and mortgage revenue	Decline of 15% in 2020, followed by no recovery through to 2024.
Lettings revenue	Decline of 5% in 2020 and further 5% decline in 2021, followed by no recovery through to 2024.
Mitigating actions	Variable costs are assumed to reduce in line with revenue, with further discretionary expenditure reduced to minimum levels. The mitigating cost actions equate to savings of £10.6 million per annum by 2022, including variable cost savings.

Under the severe but plausible scenario, the Group would be able to withstand the adverse conditions and would have sufficient cash resources throughout the period without the use of the revolving credit facility.

European Union Withdrawal Agreement / Following the ratification of the UK's EU Withdrawal Agreement it is widely accepted that the UK will leave the EU by 31 December 2020. Over the course of the transition period until 31 December 2020, and likely thereafter, there will be continuing levels of macro-economic uncertainty which has, and will continue to have, a significant impact on the London property market.

We have assessed all material elements of our business and are satisfied that the impact of the Withdrawal Agreement will not have a significant operational impact, although as noted above, there may be market disruption which has been incorporated into the severe but plausible scenario. Almost all of the Group's purchases are procured locally in GBP and we believe the labour pool in London is sufficiently liquid that talent will be available.

Viability statement / Based upon the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five year viability period. In coming to this conclusion, the Directors have taken account of the Group's net cash position, the Group's £5 million revolving credit facility, forecast cash generation, key mitigating cost actions and restricting dividend payments.

CORPORATE AND SOCIAL RESPONSIBILITY / COMMITTED TO BEING A RESPONSIBLE BUSINESS

Looking after the communities and environments in which we operate is an integral part of our ethos, giving our Corporate Social Responsibility (CSR) strategy a significant role in shaping our operations.



130

Making The Leap Fellows trained at our head office in 2019



29

life-saving London's Air Ambulance missions funded by Foxtons in 2019

Integrity and the highest of ethical standards /

Delivering exceptional customer service is actively promoted in all dealings with our people, our shareholders, our customers and suppliers, and our communities. We recognise that reputation is a valuable and fragile asset gained over a substantial period of time, and our CSR initiatives are aligned with our values, reinforcing our duty of care and encouraging a positive impact. We promote high ethical standards in carrying out our business activities and have clear guidelines for dealing with gifts, hospitality, anti-money laundering, the use of inside information, and a full suite of policies and procedures to guard against bribery and corruption.

Communication / Emphasis is placed on effective communication regarding matters that may affect employees and the overall performance of the Group. Employee engagement is achieved through a variety of means, as explained under 'Employee voice' on page 28. We are encouraged by the results of our latest employee engagement survey whereby 95% of Foxtons employees believe they are encouraged to act ethically and adhere to the highest standards at all time as explained on page 26.

Human rights / The Board has examined the risk of modern slavery within the Group and considers the risk to be low. This assessment is based upon the nature of the business which operates almost exclusively within Greater London. The Group's standard practice is to check that prospective employees have the right to work in the UK and we do not generally employ agency staff. We are committed to ensuring that there is no slavery or human trafficking in our organisation or our supply chain. Before we contract with a supplier we issue them with guidelines including our slavery and trafficking principles and our overall approach to environmental and social governance.

Health and safety / Foxtons takes the health and safety of its employees very seriously, with regular training sessions and a steering committee which reports to the Board as necessary.

Supporting our communities / We recognise our responsibility to the communities in which we operate. Foxtons is delighted to offer support to our key charities: London's Air Ambulance, Making The Leap, Pride in London and Belu Water.

Some of our partnership initiatives include marketing campaigns to raise the charities' brand awareness and provision of financial contributions via fundraising events and donations. Our employees also support the charities through ongoing donations via Payroll Giving. 2019 saw the launch of a new initiative, Employee Charity Days. This initiative provides all employees with the opportunity to volunteer for one fully-paid day each year, further enabling us to contribute to the communities we work in and those that matter most to our employees.

→ **Foxtons is proud to partner with charities and organisations that help save and improve lives in London and across the world.**



Foxtons sponsored helicopter awaiting deployment on the Royal London Hospital helipad.

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£64,000

contributed
to London's Air
Ambulance Charity

London's Air Ambulance / 2019 saw us extend our partnership with London's Air Ambulance until the end of 2020. Alongside this extension, the Foxtons logo will be added to the tail of a second London's Air Ambulance helicopter, meaning that both helicopters will now carry our branding.

We are proud to have continued our strong fundraising efforts in 2019, with additional funds raised by employees taking part in four different challenges during the year, as well as other charity initiatives. Our total contribution to London's Air Ambulance Charity in 2019 was £64,000, equivalent to 29 lifesaving missions.

Belu Water / An iconic feature in Foxtons branches has always been our water-filled fridges. We're proud to have Belu Water as our official water supplier, with 100% of their net profits being used by WaterAid to help provide clean water, toilets and good hygiene around the world.

A member of Foxtons Learning and Development team takes the plunge off the Royal London Hospital to raise funds for London's Air Ambulance Charity.

CORPORATE AND SOCIAL RESPONSIBILITY *continued*

Case study /

→ **Making The Leap**

Our teams are experts in estate agency thanks to the exceptional training they receive. Our partnership with Making The Leap (MTL) allows us to share our expertise and knowledge, and to contribute to social mobility within our communities.

MTL is a charity aiming to raise the aspirations of disadvantaged school students and young adults by providing a range of educational programmes. Foxtons supports the invaluable work that MTL does by delivering leadership and perseverance training sessions, as well as corporate experiential days. 2019 saw our teams train over 130 MTL Fellows during 12 sessions at our Chiswick Park head office, giving attendees invaluable coaching and the chance to gain the experience they need to find their place on the career ladder.

Making The Leap Fellows at our Chiswick Park head office.



Working with Foxtons has been an incredible experience, both for Making The Leap and the young adults whom we seek to serve. The staff at Foxtons are fantastic – really warm and friendly, with bucket loads of enthusiasm. On each and every visit, all the staff go out of their way to ensure our young people are provided with an exemplary learning experience!



Marlene Anderson, Head of Delivery, Making The Leap

Social mobility and diversity / Social mobility and diversity remain an important element of our ethos, and we were delighted to once more sponsor the UK Social Mobility Awards, celebrating the achievements of businesses and organisations across the country in their work to advance social mobility.

We were also excited to again sponsor the Rising Star of the Year award, which recognises those who are still in the early stages of their careers (30 years old or under) who have already made a significant contribution to advancing the cause of social mobility. We are also proud to be a signatory of the Social Mobility Pledge, an accreditation demonstrating our commitment to accessing and progressing talent from all backgrounds.

Pride in London / We are delighted to continue our partnership with Pride in London for a second year, celebrating diversity in London and within the Foxtons community. For the second year running, members and allies of the Foxtons LGBTQ+ network ran a pop-up stall at the 2019 Pride in London event, with a focus on recruitment.

Our representation was just over double that of last year, demonstrating the increasing awareness and membership of our LGBTQ+ network within Foxtons. 2019 was also the first year that Foxtons team members have walked in the Pride parade. Over 40 people represented Foxtons on the walk through central London, contributing to a fantastic atmosphere on the day.

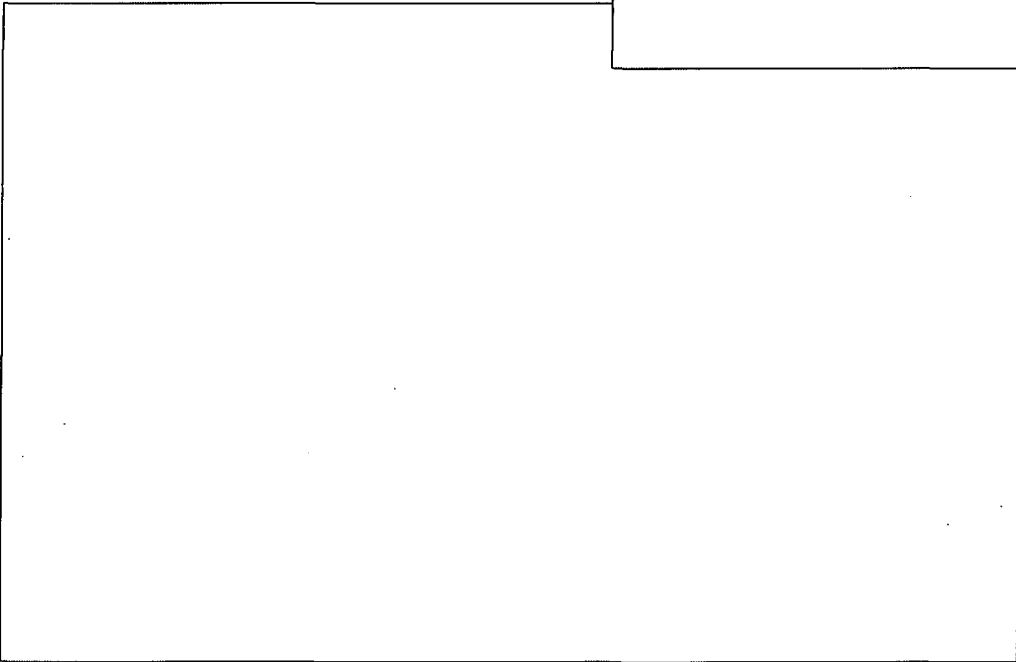
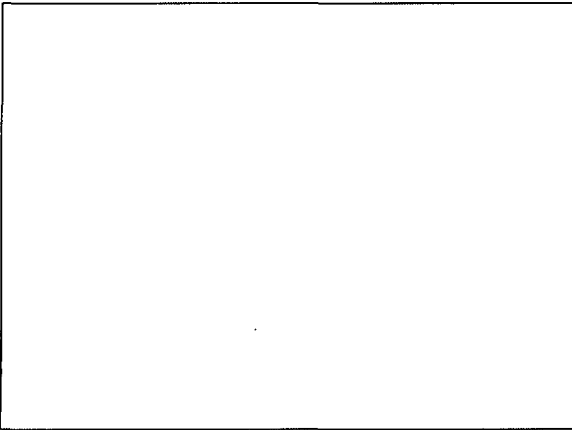
As well as Pride in London, Foxtons takes an active role in Pride in the City, an initiative focused on supporting inclusivity in business. Our partnership includes an additional event with guest speakers from Pride in London and their associates, as well as access to advice on creating the most inclusive workplace possible.

Inclusivity and diversity were also celebrated with Pride-inspired window decals installed across our network of branches during the month of June.



40

team members representing Foxtons in the London Pride Parade for the first time ever



Team Foxtons preparing to march in the London Pride parade.

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CORPORATE AND SOCIAL RESPONSIBILITY *continued*

Case study /

→ **Electric vehicle (EV) pledge**

As London's leading estate agent, Foxtons recognises it has a role to play in building a cleaner transport system across the capital. 2019 saw us become a member of EV100, a global initiative from The Climate Group that brings together forward-looking companies.

As part of our commitment to this initiative we have pledged to switch our entire fleet to electric vehicles by 2030.

The year 100% of our fleet will have transitioned to electric vehicles

2030

Managing our environmental impact / We are committed to finding ways of reducing our environmental impact and endeavour to be a considerate member of our local, and wider, communities. We ensure that the lighting in all of our branches is low energy, and that lights are only in use during office hours and for maintenance purposes. As a business we actively encourage a paperless environment using technology to support this initiative, but where this is not possible all our offices are equipped with recycling facilities to reduce our consumptive waste.

In the year, we became a member of The Climate Group's EV100 initiative to join other forward-looking companies committed to accelerating the transition to electric vehicles. Refer to the 'Electric vehicle (EV) pledge' case study above for further details.

Greenhouse gas emissions reporting / As a service company our greenhouse gas emissions are minimal. We have targeted to reduce our emissions per employee by focusing on efficiencies. In particular, we aim to increase the efficiency of our car fleet, which is a major element of our CO₂ emissions. Our 2030 Electric Vehicle Pledge will be a key focus over the medium term.

The Group's greenhouse gas (GHG) emission statement below is based on emissions from 1 January 2019 to 31 December 2019. It gives a summary of emissions from fuel consumption and the operation of our facilities (scope 1) and from purchased electricity (scope 2), both of which are mandatory. Our total GHG footprint, in line with mandatory reporting requirements, is 3,593 tonnes CO₂e (2018: 3,869).

Emissions from	2019 Tonnes CO ₂ e	2018 Tonnes CO ₂ e
Scope 1		
Combustion of fuel	2,147	2,234
Other (gas, diesel & LPG)	29	33
Scope 2		
Purchased electricity	1,417	1,602
Total footprint	3,593	3,869
Group metrics		
FTE (average number during the year)	1,139	1,171
Intensity ratios		
Tonnes of CO ₂ e per FTE	3.15	3.30

Total CO₂e by emission type

Baseline year:	2018
Emission factor data source:	Defra 2019
Assessment methodology:	The Greenhouse Gas Protocol
Intensity ratio:	Emissions per full-time employee (FTE)

The Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series following the December 2019 index review. Created by the global index provider FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company), the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.



4%

reduction in Tonnes
of CO₂e per full time
equivalent

SHAREHOLDER ENGAGEMENT / BEING RESPONSIBLE FOR SHAREHOLDER RELATIONS

Responsibility for shareholder relations rests with the Chairman, CEO and CFO, supported by all Board Directors.

The Board receives regular updates at Board meetings on the views of its shareholders and the Senior Independent Non-Executive Director is available to meet shareholders if they wish to raise issues separately. The Chairman, CEO and CFO also ensure that there is effective communication with shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major shareholders.

How we engage	Areas of focus	Outcomes
<p>INVESTOR MEETINGS</p> <p>AWARENESS OF INVESTOR VIEWS</p> <p>TRADING UPDATES</p>	<p>The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important. We communicate with shareholders in a number of different ways. The formal reporting of our full and half-year results is a combination of presentations, group calls and one-to-one meetings. The full and half-year reporting are followed by investor meetings in a variety of locations where we have institutional shareholders. We regularly meet with existing and prospective shareholders to update them on our latest performance or to introduce them to the Company.</p>	<p>A key outcome of engagement with shareholders during the year has been obtaining the broad support for the Company's new Remuneration Policy. As described on page 72 of the Remuneration report, the Board engaged with the Company's top 20 shareholders to consult on the Company's new proposed remuneration policy. The Remuneration Committee carefully considered the comments received from shareholders and responded appropriately when finalising the proposed remuneration policy.</p> <p>Other discussions with shareholders included discussing market conditions and strategic developments, with key points being taken into consideration during wider Board discussions on the Group's strategy.</p>
<p>ANNUAL GENERAL MEETING (AGM)</p>	<p>The Directors consider our AGM an important opportunity to engage with shareholders, who are encouraged to attend and ask questions during the meeting. The Directors are also available to enter into dialogue with shareholders before and after the formal proceedings. It is also an opportunity for shareholders to vote on certain aspects of the Group's business.</p> <p>The 2020 AGM will be held on 13 May 2020. The Notice of AGM can be found in a separate document circulated with the Annual Report and made available on our website. All Directors are expected to attend. Shareholders who are not able to attend the AGM in person are encouraged to vote by appointing a proxy and issuing voting instructions.</p>	<p>All resolutions at the 2019 AGM were passed with at least 94% of votes in favour apart from the approval of the Remuneration report (78%). As explained within the Remuneration report, the Remuneration Committee conducted a detailed review of the existing remuneration policy, resulting in a new proposed remuneration policy to be submitted for shareholders' approval at the 2020 AGM.</p> <p>The Remuneration Committee looked at the particular concerns raised by shareholders in relation to the 2018 bonus outcomes and has addressed these issues in the new proposed remuneration policy. Refer to page 74 of the Remuneration report for further details.</p>

NON-FINANCIAL INFORMATION STATEMENT

The table below, and information in the 2019 Annual Report and Accounts which it refers to, is intended to assist our stakeholders in understanding our position on key non-financial matters and satisfy the requirements of Section 414CA of the Companies Act 2006.

The table sets out our position on the following key non-financial areas: business model, employees, human rights, social matters, anti-corruption and bribery and environmental matters.

Reporting requirement	Key policies and guidelines governing our approach ¹	Risk management and additional information	Associated KPIs and other published metrics
BUSINESS MODEL		<ul style="list-style-type: none"> Stakeholder engagement (page 20) Our business model (page 14) Our strategy (page 16) Principal risks: Market risk and competitor challenge (page 38) 	<ul style="list-style-type: none"> Balanced business (page 18)
EMPLOYEES	<ul style="list-style-type: none"> Data protection policies Health and safety policies Employee handbook 	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Our people (page 26) Principal risks: People (page 39) Directors' report (page 102) 	<ul style="list-style-type: none"> Employee engagement score (page 19) % of female employees (page 28)
HUMAN RIGHTS	<ul style="list-style-type: none"> Environmental, social and governance policy 	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Our people (page 26) Corporate and social responsibility (page 42) 	
SOCIAL MATTERS	<ul style="list-style-type: none"> Environmental, social and governance policy 	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Principal risks: Reputation and brand (page 39) Corporate and social responsibility (page 42) 	
ANTI-CORRUPTION AND BRIBERY	<ul style="list-style-type: none"> Environmental, social and governance policy Anti-money laundering and anti-bribery policies 	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Principal risks: Compliance with legal and regulatory environment (page 38) 	
ENVIRONMENTAL MATTERS	<ul style="list-style-type: none"> Environmental, social and governance policy 	<ul style="list-style-type: none"> Stakeholder engagement (page 20) Corporate and social responsibility (page 42) 	<ul style="list-style-type: none"> Greenhouse gas emission reporting (page 47)

¹ Certain Group policies and guidelines are not published externally.

The Strategic report, from pages 1 to 49, has been reviewed and approved by the Board of Directors on 27 February 2020.

NIC BUDDEN
Chief Executive Officer



CORPORATE GOVERNANCE

CREATING VALUE THROUGH GOVERNANCE

→ **In this section**

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- 60 Nomination Committee report
- 64 Audit Committee report
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- 105 Directors' responsibilities statement

→ **Setting and monitoring our strategy**

The Board sets the Group's strategy each year and identifies several key performance indicators which are monitored on an ongoing basis to ensure continual progress.

The Executive Directors reviewing market data.

CHAIRMAN'S INTRODUCTION /

"On behalf of the Board, I am pleased to present the Foxtons Corporate governance report. I hope the following pages provide you with an insight into our work on your behalf."

GARRY WATTS

Dear Shareholder,

I am pleased to introduce our Corporate governance report ("Report") for the year, in which we set out our governance arrangements, the operation of the Board and its Committees, and how the Board discharged its responsibilities.

As a Board, we remain committed to achieving the highest standards of governance and our framework is designed to underpin our strategic objectives and promote our culture and values, to support our business model and enhance the interests of all our stakeholders for the future.

A significant change took place to corporate governance during the year, with the FRC's UK Corporate Governance Code published in July 2018 ("the Code") and the Companies (Miscellaneous Reporting) Regulations 2018 coming into effect. These seek to drive and improve companies' underlying corporate governance processes and encourage companies to demonstrate how good governance contributes to the achievement of long-term success and wider objectives. During the year, the Board has taken steps to embed the changes into our governance and reporting processes. The Board has also reviewed and agreed a framework for engagement with the Group's stakeholders, which is reported more fully on pages 20 to 21.

The Board continually keeps its governance arrangements under review and, although the above changes have required us to review and enhance our arrangements, we have not had to make fundamental changes to our business model or strategic priorities.

The year has also seen a number of changes to the composition of the Board and I would like to thank all my colleagues who served on the Board during the year. Further details can be found in the Nomination Committee report on pages 60 to 63.

This year's Report has been restructured to ensure it is in line with the Principles and Provisions of the Code, which are categorised under the following headings: Board leadership and Company purpose, values and strategy; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration. I trust you find the Report informative and it provides you with a clear picture of our governance framework and how it meets both the requirements of the Code and the new reporting regulations.

You will find detailed reports from the various Board Committees set out as follows:

Nomination Committee – pages 60 to 63

Key activities during the year: The Nomination Committee's main area of focus during 2019 was the composition of the Board and succession planning. This included recommending to the Board a number of Executive and Non-Executive appointments and dealing with the succession of my position as Chairman. Other activities included a review of Board and senior management diversity and a review of progress against matters arising from the 2018 annual performance review and the proposed actions from the 2019 performance review.

Audit Committee – pages 64 to 69

Key activities during the year: The Audit Committee's main areas of focus during 2019 were the consideration of the implementation of accounting policies (particularly IFRS 16 'Leases'), significant financial reporting matters, alternative performance measures, the going concern assumption and the viability statement. During the year, the external audit relationship was tendered, with the Audit Committee being responsible for the tender process and making a recommendation to the Board concerning the appointment of BDO LLP as the new auditor.

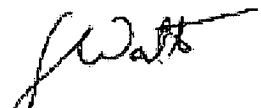
Remuneration Committee – pages 70 to 101

Key activities during the year: The Remuneration Committee's main areas of focus during 2019 were considering performance and bonus outcomes for 2019, considering leaver treatment for the former CFO and remuneration packages for new Executive appointments and reviewing and developing a new remuneration policy for consideration by shareholders at the forthcoming AGM. The Directors' remuneration report also includes our annual report on how our current policy was implemented during the year, including our approach to fairness and wider workforce considerations.

In closing, it has been a privilege to serve as Chairman of the Company for the last six years. I am confident that Ian Barlow, as my successor, will continue the crucial role of the chair in promoting good governance practices and supporting the management team in implementing our strategy for the long-term benefit of all our stakeholders.

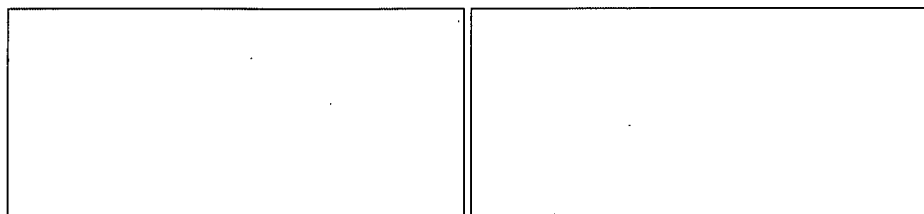
As always, the Board will also be available to answer your questions at the AGM.

Garry Watts
Chairman, Foxtons Group plc
27 February 2020



BOARD OF DIRECTORS /

The Board is responsible for the long-term success of the Company and for delivering sustainable shareholder value.



→ Non-Executive Directors

Garry Watts

Non-Executive Chairman

Appointed to the Board / 23 August 2013

Retiring from the Board on 1 March 2020

Committee memberships /

Chairman of the Nomination and Disclosure Committees

Experience / Garry has been Chairman of Foxtons since its flotation in 2013. He has extensive experience as a public company chairman, CEO and non-executive director across a number of industries.

A chartered accountant by profession and former Partner at KPMG, Garry has served on other listed company boards, including SSL International plc and Celltech Group plc, and also served as a member of the UK Medicines and Healthcare Products Regulatory Agency Supervisory Board for 17 years. Garry was also previously an executive director of Medeva plc, deputy chairman of Stagecoach Group plc and a non-executive director of Protherics plc.

External appointments / Garry is the chairman of Spire Healthcare Group plc, and chairman of the audit committee of Coca-Cola European Partners plc. Garry has also been appointed as a non-executive director and senior independent director of Circassia Pharmaceuticals with effect from 2 March 2020.

Ian Barlow

Senior Independent Non-Executive Director

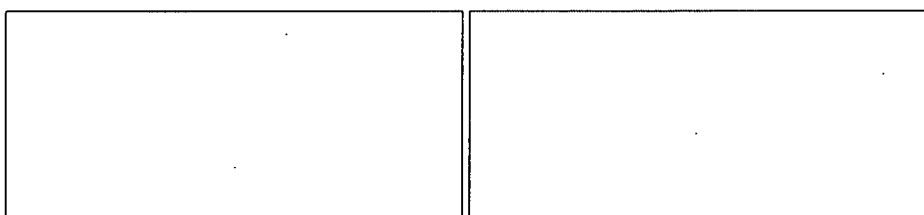
Appointed to the Board / 23 August 2013

Committee memberships /
Chairman of the Audit Committee

Succeeding Garry Watts as Chairman of the Board upon Garry's retirement on 1 March 2020

Experience / Ian has been a non-executive director of Foxtons since its flotation in 2013. He is a past chairman of WSP Group plc and senior independent director of Smith & Nephew plc and currently serves as a non-executive on two other public companies. As a former KPMG Senior Partner and chartered accountant and chartered tax adviser, Ian brings a wealth of expertise on financial and accounting matters as well as broader board experience. He holds an MA in engineering science from the University of Cambridge.

External appointments / Ian is senior independent director at Urban & Civic plc and a non-executive director of The Brunner Investment Trust plc. He is also a non-executive director of The Goodwood Estate Company Limited.



→ Executive Directors

Nic Budden

Chief Executive Officer

Appointed to the Board / 1 July 2014

Committee memberships /

Experience / Nic joined Foxtons in 2005 as its COO and was appointed as CEO on 1 July 2014. Prior to joining Foxtons, Nic had an international career in business development, operations, marketing, strategy and finance, having held positions at BT Group plc, Cable & Wireless Group and Severn Trent Group. Nic holds a degree in economics from the University of Essex.

External appointments / None

Richard Harris

Chief Financial Officer

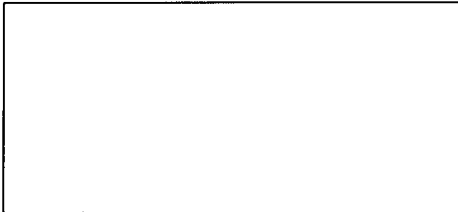
Appointed to the Board / 24 June 2019

Committee memberships /

Experience / Richard joined the Board as CFO in June 2019. Prior to joining Foxtons, Richard was group financial controller at Laird plc and previously spent over 11 years at Marks and Spencer plc, in a number of senior finance roles. He has extensive international experience covering corporate finance, divisional and commercial finance roles, investor relations and financial reporting.

Richard is a qualified management accountant and holds a degree in economics from the University of Warwick.

External appointments / None



Sheena Mackay

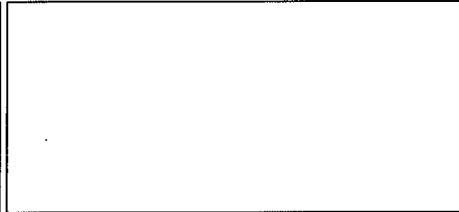
Independent Non-Executive Director

Appointed to the Board / 14 September 2017

Committee memberships /

Experience / Sheena has over 28 years HR experience, leading global HR functions across FTSE 100 and 250 companies. She is currently group human resources director of Smiths Group plc, and was previously group human resources director at Aggreko plc, BBA Aviation plc and SSL International plc, starting off her career at GEC plc. Her HR experience covers business transformations including acquisitions and disposals. Leadership development and remuneration design have been a particular focus throughout her career. She undertook her BA and postgraduate studies in Management Science at the University of Manchester.

External appointments / Sheena is group human resources director at Smiths Group plc.



Alan Giles

Independent Non-Executive Director

Appointed to the Board / 1 June 2019

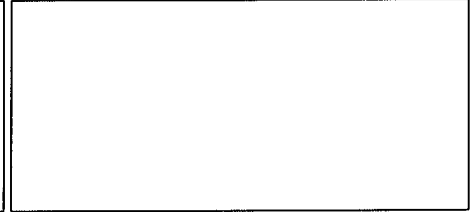
Committee memberships /

Chairman of the Remuneration Committee

Succeeding Ian Barlow as Senior Independent Director upon Ian's succession to Chairman.

Experience / Alan has extensive experience as a non-executive director and was the senior independent director and chairman of the remuneration committee of Rentokil Initial plc until May 2017, and the senior independent non-executive board member and remuneration committee chairman of The Competition and Markets Authority until March 2019. He was formerly chairman of Fat Face Group Limited and chief executive of HMV Group Plc and a non-executive of The Office of Fair Trading, Somerfield Plc and Wilson Bowden Plc. He has a degree in Physics from the University of Oxford and in management from Stanford University, California

External appointments / Alan is currently the senior independent director of Perpetual Income and Growth Investment Trust plc. He is also the Chairman of The Remuneration Consultants Group, an associate fellow of Saïd Business School, University of Oxford, and an honorary visiting professor at Cass Business School, City, University of London.



Rosie Shapland

Independent Non-Executive Director

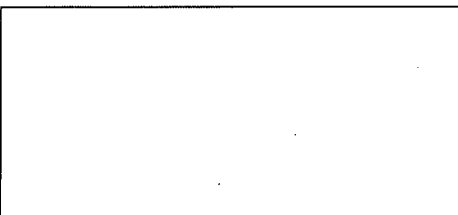
Appointed to the Board / 5 February 2020

Committee memberships /

Succeeding Ian Barlow as Chairman of the Audit Committee upon Ian's succession to Chairman.

Experience / Rosie joined the Board on 5 February 2020. She is a chartered accountant and was a former audit partner at PwC. Rosie has over 30 years of audit experience across multiple sectors within public and private companies, and has worked with numerous boards and their audit committees. She brings to Foxtons extensive knowledge of accounting and financial reporting, risk management and governance.

External appointments / None



Patrick Franco

Chief Operating Officer

Appointed to the Board / 1 October 2019

Committee memberships / N/A

Experience / Patrick Franco joined Foxtons as COO in 2015 and has since been responsible for key elements of the Group's operations. With over a decade of financial services experience, Patrick has worked in a range of strategy and business development roles across investment banking and wealth management at Credit Suisse in London and New York. He also helped launch the start-up, Second Home, which offers stimulating workspaces that support new forms of collaboration and creativity. Patrick holds a BA in Modern History & Politics from the University of Oxford and an MBA from the University of Chicago. Patrick is also executive sponsor of the Foxtons LGBTQ+ network. Prior to Foxtons, Patrick was chief operating officer of Credit Suisse Asset Management UK.






External appointments / Patrick serves as a trustee of Global Heritage Fund which works to create pathways to prosperity for communities through heritage preservation.

Key

- Chairman of the Committee
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Disclosure Committee

CORPORATE GOVERNANCE REPORT

Corporate governance report overview / This year's Report has been structured in line with the Principles and Provisions of the Code, which are categorised under the following headings: Board leadership and Company purpose, values and strategy; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration. The Report sets out our governance framework and how it meets both the requirements of the Code and the new reporting regulations.

	Elements of the Code	Key principles	Reference to further discussion
Board leadership and Company purpose, values and strategy 	<p><i>The Board's role is to:</i></p> <ul style="list-style-type: none"> establish the Company's purpose, values and strategy and ensure these are aligned with its culture; promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society; ensure the necessary resources are in place for the Company to meet its objectives and measure its performance; establish a framework of prudent and effective controls for the assessment and management of risk; ensure effective engagement with shareholders and other stakeholders; and ensure workforce policies are consistent with the Company's values and that the workforce can raise any concerns. 	<p><i>This section details:</i></p> <ol style="list-style-type: none"> the role of the Board and matters reserved for the decision of the Board; how we have assessed the basis on which the Company generates and preserves value over the long-term; how we have assessed and monitored our culture; and the methods used to engage with our shareholders and other key stakeholders, including engagement with our workforce. 	 See pages 55 to 56.
Division of responsibilities 	<p>The Chair leads the Board and is responsible for its overall effectiveness.</p> <p>The Board should include an appropriate balance of Executive and Independent Non-Executive Directors. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the business.</p> <p>Non-Executive Directors should devote sufficient time to meet their responsibilities.</p> <p>The Board, supported by the Company Secretary, should ensure it has appropriate policies, processes and resources to function effectively.</p>	<p><i>This section explains:</i></p> <ol style="list-style-type: none"> the Company's governance framework including Board and Board Committee membership; the role of the Chairman, Executive Directors, and the Senior Independent Director and other Non-Executive Directors; Board and Committee meetings and Director attendance during the year; and Board activity in 2019. 	 See pages 56 to 59.
Composition, succession and evaluation 	<p>Board appointments should be subject to a formal, rigorous and transparent process. A succession plan should be maintained for Board and senior management.</p> <p>The Board and its Committee should have a combination of skills, experience and knowledge.</p> <p>The annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives.</p>	<p><i>The report of the Nomination Committee on pages 60 to 63 to includes a review of:</i></p> <ol style="list-style-type: none"> the role of the Nomination Committee; the activities of the Committee during 2019, including succession planning and related Board changes; the Company's policies and practices in relation to Board appointments, Directors' induction and professional development; the Board's diversity policy; and the nature of the performance evaluation and outcomes for 2019. 	 See pages 60 to 63.
Audit, risk and internal control 	<p>The Board should establish formal and transparent policies to ensure the effectiveness of internal and external audit functions.</p> <p>The Board should satisfy itself as to the integrity of the financial and narrative statements and should present a fair, balanced and understandable assessment of the Company's position and prospects.</p> <p>The Board should establish procedures to manage risk, oversee internal controls and determine the nature and extent of the principal risks facing the Company.</p>	<p><i>The report of the Audit Committee on pages 64 to 69 includes details of the policies, and the activities of the Audit Committee during 2019, in relation to:</i></p> <ol style="list-style-type: none"> financial and narrative reporting; significant accounting judgements; the relationship with and appointment of the external auditor; and risk management and internal controls, including reviewing the Company's internal audit requirements. 	 See pages 64 to 69.
Remuneration 	<p>Remuneration policies should be designed to support strategy and promote long-term sustainable success.</p> <p>There should be a formal and transparent procedure for developing policy on executive remuneration and for determining director and senior management remuneration.</p> <p>Directors should exercise independent judgement and discretion when authorising remuneration outcomes.</p>	<p><i>The report of the Remuneration Committee on pages 70 to 101 sets out:</i></p> <ol style="list-style-type: none"> the annual statement from the Chair of the Remuneration Committee; the proposed remuneration policy; and the Directors' annual remuneration report. 	 See pages 70 to 101.

Statement of compliance with the Code / In the year ending 31 December 2019, the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code published in July 2018. This Report outlines the key features of the Company's corporate governance framework and sets out how the Company has applied the Principles of the Code.

A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

➤ Board leadership and Company purpose, values and strategy

The role of the Board / The Board is responsible for promoting the long-term sustainable success of the Company, delivering value for shareholders and contributing to wider society. It agrees the strategic objectives for the Company, ensuring that these are consistent with the Company's culture and achieved within an appropriate framework of effective controls which enable risk to be assessed and managed. It also ensures effective engagement with shareholders and other stakeholders, and that workforce policies are consistent with the Company's values.

Responsibility for day-to-day operations is delegated by the Board to the Executive Directors within defined authority limits, which are regularly reviewed and updated by the Board.

Matters reserved to the Board / The Board maintains a schedule of matters reserved for decision by the Board, which details the key aspects of the affairs of the Company which the Board does not delegate to management or any Board Committees, though it may consider recommendations from them.

The Board's specific responsibilities include:

- setting the strategic aims, purpose and values and approving the Group's budget and financial plans;
- ensuring alignment of culture, policy, practices and behaviour throughout the business with the Group's purpose, values and strategy;
- approval of capital expenditure, significant investments and acquisitions;
- approval of annual and interim results and trading updates;
- payment of interim dividends and recommendation of final dividends to shareholders;
- setting the Group's risk appetite and oversight of the internal control, risk management and governance frameworks;
- monitoring management's performance;
- ensuring succession plans are in place; and
- ensuring a satisfactory dialogue with shareholders and other key stakeholders.

Matters outside the schedule of matters reserved for decision by the Board or the Committee terms of reference fall within the responsibility and authority of the Executive Directors, including all executive management matters.

Culture, stakeholder engagement and shareholder relations



Culture

The Board believes that strong corporate governance underpinned by a sound culture is fundamental to our success. The Board helps to ensure that we do the right thing and that appropriate behaviours and culture are instilled throughout the Group, with the tone and expectations continuing to be set from the top. As a Board, we therefore look to make decisions that reflect the culture that we wish to foster and which reinforce our values in everything that we do.

The Group's culture is designed to support our compliance with industry regulation, as well as enabling us to provide sound professional advice to our customers in an increasingly complex regulatory environment.

Further details of how the Board monitors and assesses culture can be found on page 26 to 27 of the Strategic report.



Engaging with our stakeholders

Details of how we engaged with our key stakeholders during the year ended 31 December 2019 are set out on pages 20 to 21 of the Strategic report.

This includes an overview of the Employee Engagement Committee which is the mechanism the Board uses to engage with the workforce. This Committee is not a formal committee of the Board, however, a Non-Executive Director attends each meeting and reports to the Board at the next formal Board meeting. The Committee is therefore considered by the Board to be an effective and appropriate approach to engaging with the workforce as set out in Provision 5 of the Code. The effectiveness of the Committee as an engagement mechanism will be regularly reviewed.



Relations with shareholders

Details of how we engaged with our shareholders during the year ended 31 December 2019 are set out on page 48 of the Strategic report.

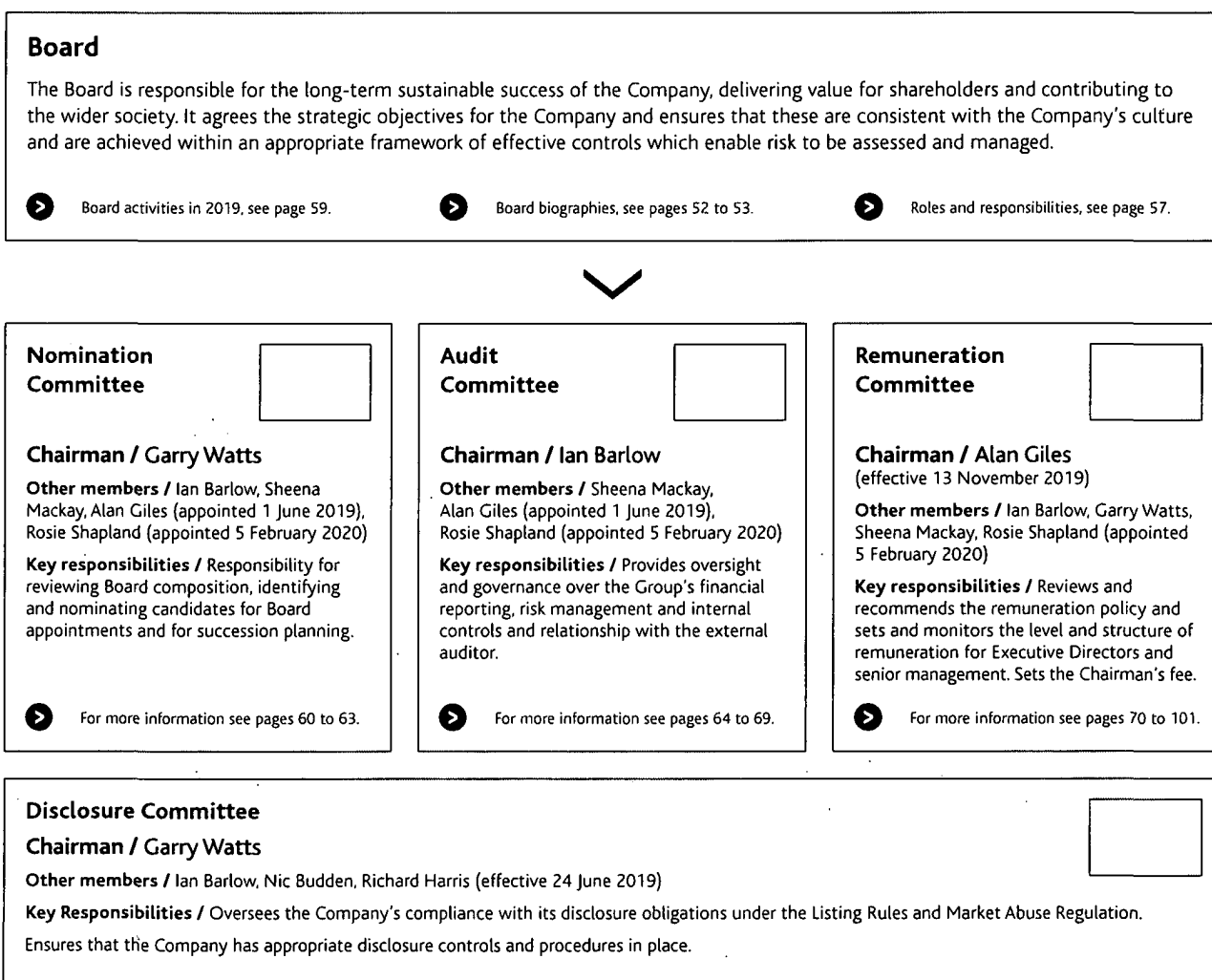
This includes a summary of how the Board communicates with and listens to feedback from investors and our AGM. You will find a summary of our major shareholders' interests in the Company's voting rights on page 103 of the Directors' report.

The Board believes that there were appropriate mechanisms during the year for the Board to understand the views of major shareholders and to communicate with them. The Non-Executive Directors are available to meet with shareholders if requested and would instigate such meetings if they became aware of issues and concerns through the procedures in place.

CORPORATE GOVERNANCE REPORT *continued*

Directors' conflicts of interest / Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure

to deal with any actual or potential conflict of interest. No actual or potential conflicts have been identified which have required approval by the Board. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Company, they should notify the Board. The Board deals with each appointment on its individual merit and takes into consideration all the relevant circumstances.

➤ Division of responsibilities**Our governance model**

The diagram above shows the Group's corporate governance structure and provides an overview of the Committees of the Board.

The Board comprises the Non-Executive Chairman, four independent Non-Executive Directors and three Executive Directors. The Directors' biographical details can be found on pages 52 and 53.

There is a separation of responsibilities between the Chairman and the CEO, which is set out in writing. This division of responsibilities, together with the schedule of matters which are reserved for the Board, ensures that no individual has unfettered powers of decision-making.

By delegating specific responsibilities to its Committees, the Board can ensure that it is operating effectively and efficiently with the right level of attention and consideration being given to relevant matters. The role and responsibilities of each Board Committee are set out in formal terms of reference which are determined by the Board and the Chairman ensures that the very significant work of the Committees feeds into, and is influenced by, the full Board. The Chair of each Committee reports to the Board after each Committee meeting on the matters discussed and minutes of each meeting are provided to the Board for information as appropriate. The terms of reference of the Committees are available at www.foxtongroup.co.uk.

Roles and responsibilities

The roles and responsibilities of the Board members and Company Secretary are set out below.

Chairman / Garry Watts	<ul style="list-style-type: none"> • Provides leadership and promotes a culture of openness and debate between executive and Non-Executive Directors, facilitating constructive Board relations and the effective contribution of all Directors, and providing constructive challenge to management. • Sets the Board agenda and ensures that Directors are provided with accurate, timely and clear information to enable the Board to operate effectively. • Responsible for the integrity and effectiveness of the system of governance. • Seeks regular engagement with major shareholders in order to understand their views on governance and performance and ensures the Board has an understanding of their views. • Represents the Company to its stakeholders. • Acts on the results of the annual Board evaluation by recognising the strengths and addressing any weaknesses of the Board.
Chief Executive Officer / Nic Budden	<ul style="list-style-type: none"> • Responsible for leading the Group's operating performance and day-to-day management and implementation of the strategic objectives agreed by the Board. • Managing relationships with key stakeholders.
Chief Financial Officer / Richard Harris	<ul style="list-style-type: none"> • Responsible for the Group's financial reporting, financial strategy and investor relations programme. • Provides leadership of the finance function.
Chief Operating Officer / Patrick Franco	<ul style="list-style-type: none"> • Responsible for supporting the Group's operations and implementation of the strategic objectives agreed by the Board. • Provides leadership of the marketing, public relations, customer service, legal, compliance, strategy and product development functions.
Senior Independent Director / Ian Barlow	<ul style="list-style-type: none"> • Available to shareholders if they have concerns that cannot be addressed through normal channels. • Internal sounding board for the Chairman, providing support in the delivery of his objectives. • Leads the evaluation of the Chairman on behalf of the other Directors as part of the annual evaluation process. • Acts as an intermediary for the other Directors with the Chairman, if necessary, working with the Chairman, other Directors and/or shareholders to resolve significant issues in order to maintain Board and Company stability.
Non-Executive Directors / Ian Barlow, Sheena Mackay, Alan Giles, Rosie Shapland	<ul style="list-style-type: none"> • Provide a broad range of skills and experience to the Board to assist in formulating the Company's strategy. • Provide constructive challenge, strategic guidance and support to the Executive Directors based on their breadth of knowledge and experience. • All of the Non-Executive Directors are regarded by the Company as independent and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
Company Secretary / Christopher Hough	<ul style="list-style-type: none"> • Supports the Board in ensuring that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT *continued*

Board governance / The Board comprises a majority of independent Directors whose diverse backgrounds and experience enable appropriate challenge at Board and Committee discussions.

The Board has established a governance framework to effectively discharge its collective responsibilities. This framework supports our Directors' compliance with their duty to promote the success of the Company under section 172 of the Companies Act 2006, which requires the Directors to act in the way they consider, in good faith, would most promote the success of the Company for the benefit of its shareholders, having regard to certain other matters including other key stakeholders. Information about how this duty has been performed by our Directors is detailed on page 20 of the Strategic report. Agendas for Board meetings clearly indicate matters that require a Board decision, and an overview of section 172 is included in the papers for each Board meeting to act as a reference for Board decisions.




















The Board is also responsible for creating sustainable value for our shareholders. As set out on pages 20 to 21 of the Strategic report, in order to ensure the long-term success of the Group, the Directors also consider the interests of wider stakeholders.

Board and Committee meetings / The Chairman sets the agenda and determines the format of discussions at Board meetings. At each scheduled Board meeting, the CEO, CFO and COO present reports on business performance and progress against strategic objectives.

Other members of the senior management team are invited to attend during the year to update the Board on key priorities and challenges.

To ensure the continued effectiveness of the Board, if necessary, the Chairman is able to meet with the Non-Executive Directors without the presence of the Executive Directors when necessary. Similarly, the Senior Independent Director would consult when necessary with the other Non-Executive Directors, without the Chairman being present, to consider the Chairman's performance. Refer to page 63 of the Nomination Committee report on the Group's evaluation procedures.

Directors' attendance at scheduled Board and Board Committee meetings held during 2019 is provided in the table below:

Director	Meetings attended			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Garry Watts		–		
Ian Barlow				
Mark Berry (resigned on 25 July 2019)		–	–	–
Nic Budden		–	–	–
Patrick Franco (appointed on 1 October 2019)		–	–	–
Alan Giles (appointed on 1 June 2019)				
Richard Harris (appointed on 24 June 2019)		–	–	–
Sheena Mackay				









 Attended

Additional board and Committee meetings were held during the year as required in connection with changes to the composition of the Board and development of the new remuneration policy.

No meetings of the Disclosure Committee were held during the year. This Committee meets on an ad-hoc basis when there are matters to be considered within its remit.

Board activity in 2019 / The Board dedicates one of its meetings every year to focus on reviewing the Group’s strategy and to consider annual objectives. Deep dives on strategic issues are also scheduled during the course of the year, as required. The Board monitors the achievement of the Company’s objectives through monthly Board reports which include updates from the CEO, CFO, COO and other key personnel. There is a rolling agenda of items that are regularly considered by the Board and this agenda is continually updated to include any topical matters that arise.

The Board met eight times during the year. The main activities of the Board during the year were as follows:

 <p>Financial reporting</p> <ul style="list-style-type: none"> Approval of annual results for 2018 and interim results for 2019 Approval of trading updates Review of dividend policy Review of monthly financial performance Consideration of viability statement and going concern <p>Link to our strategic priorities</p> <p>1 3 4</p>	 <p>Budget and strategic plan</p> <ul style="list-style-type: none"> Approval of 2019 annual budget and 2020 to 2023 strategic plan <p>Link to our strategic priorities</p> <p>1 2 3 4 5</p>	 <p>Internal control and risk management (in conjunction with the Audit Committee)</p> <ul style="list-style-type: none"> Consideration of risk appetite and principal and emerging risks Assessment of effectiveness of internal controls and risk management systems Consideration of the need for an Internal Audit function <p>Link to our strategic priorities</p> <p>1 5</p>	 <p>Operations</p> <ul style="list-style-type: none"> Focus on impact of ongoing prolonged market downturn, trends and outlook Operational performance monitoring and review Presentations from, and discussion of, performance of business divisions, including reviews of Alexander Hall’s strategy, trading and risk management Competitor performance review Review of our customer journey and marketing strategy <p>Link to our strategic priorities</p> <p>1 2 3 4</p>
 <p>Strategy</p> <ul style="list-style-type: none"> Consideration of overall strategy, strategic projects and monitoring progress <p>Link to our strategic priorities</p> <p>1 2 3 4 5</p>	 <p>Shareholder engagement</p> <ul style="list-style-type: none"> Regular updates on views of investors, including independent feedback from brokers and shareholders following investor meetings and the AGM Consideration of market reaction to key announcements <p>Link to our strategic priorities</p> <p>1 3</p>	 <p>Board</p> <ul style="list-style-type: none"> Consideration of Board evaluation results for 2019 Succession planning and approval of changes to the Board’s composition during 2019 and the forthcoming year Approval of Non-Executive Directors’ fees (by Executive Directors and Chairman only) <p>Link to our strategic priorities</p> <p>1 3</p>	 <p>Governance</p> <ul style="list-style-type: none"> Continued review of the Code, including the approval of this report Review of terms of reference of Committees and matters reserved for the Board Review of membership of Board Committees and independence Review of Company policies and approval of changes to Board delegated authorities Updates on governance, legal and regulatory matters and the impact of regulatory changes on the Group <p>Link to our strategic priorities</p> <p>2 3 5</p>

Our strategic priorities

- 1 Focus on developing strong positions in markets with attractive market fundamentals
- 2 Deliver exceptional customer service through our expert people
- 3 Balanced business through the cycle
- 4 Leverage our branch network and single brand
- 5 Invest in best-in-class technology
- Refer to pages 16 and 17 for details of our strategic priorities.

NOMINATION COMMITTEE REPORT /

COMPOSITION, SUCCESSION AND EVALUATION

"I am pleased to present the Nomination Committee report for the financial year ended 31 December 2019."

GARRY WATTS

Dear Shareholders,

Introduction from the Chairman of the Nomination Committee / The Nomination Committee continues to play an important role in ensuring that not only the Board but also senior management comprise the right individuals to deliver our strategic goals.

Board skills and experience / The Nomination Committee annually reviews the composition, skills and experience of the Board and its Committees, including length of service of Directors, and considers succession planning at both the Board and senior management levels. During the year, a number of changes were implemented to the composition of the Board and we also announced a number of other forthcoming changes. Details of these are set out in this report.

Diversity and inclusion / Our Board diversity policy was reviewed by the Committee during the year. We also ensured that the Board heard from senior management to consider wider diversity and inclusion across the Company. Further information on the Company's progress on engagement on diversity and inclusion matters is set out in the Strategic report on page 28.

Succession planning / The FRC has recommended that Nomination Committees focus on diversity, including diversity of gender, social and ethnic backgrounds, cognitive and personal strengths. The Committee continues to take diversity into account when reviewing Board and senior management succession planning and will continue to promote and strengthen diversity within the Company.

We set out on pages 60 to 63 details of the composition and work of the Nomination Committee during the year.

Garry Watts

Chairman of the Nomination Committee

Members of the Nomination Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Company and in accordance with the Code. Biographical information can be found on pages 52 and 53. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chairman / Garry Watts

Current members / Ian Barlow, Sheena Mackay, Alan Giles (appointed 1 June 2019), Rosie Shapland (appointed 5 February 2020)

→ Role and responsibilities and activities undertaken during the year

The Committee's main responsibilities, as outlined in its terms of reference, are:

- to keep under review the structure, size and composition of the Board (including a review of the scope to further promote diversity of skills, social and ethnic background, nationality, experience, cognitive and personal strengths, knowledge, outlook, approach and gender) and the membership of its Committees;
- to review succession planning processes for the Board and other senior management positions and the opportunities available to the Company to further promote diversity and inclusion; and
- to ensure a formal rigorous and transparent process is adopted for the appointment of new Directors, both Executive and Non-Executive, including the Chairman.

Terms of reference were reviewed during the year and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Company's website at: www.foxtongroup.co.uk

There were four scheduled Committee meetings during the year and the Committee held additional meetings as required in connection with changes to the composition of the Board. The main activities of the Committee during the year were as follows:



Board composition

- Reviewed the structure, size and composition of the Board;
- reviewed the skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board;
- reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles;
- considered and recommended to the Board the re-appointment of Directors at the 2019 AGM; and
- considered and recommended to the Board changes to the Board's composition during 2019 and the forthcoming year, further details of which are set out below.



Governance

- Considered and confirmed that each Non-Executive Director remained independent and committed to their role;
- approved the report from the Nomination Committee in the 2018 Annual Report and Accounts;
- reviewed and updated its terms of reference in light of the new 2018 Code provisions;
- reviewed the Board diversity policy and ensured that diversity and inclusion were being promoted across the business; and
- reviewed the gender balance of those in senior management and their direct reports.



Succession planning

- Assessed the tenure of Board members in order to review the succession plan; and
- considered succession plans for Directors and senior management.



Committee effectiveness

- Reviewed and made progress against matters arising from the annual evaluation for 2018; and
- participated in the external evaluation of its performance and agreed a plan to address any issues arising.

Appointment of CFO / On 20 May 2019, we announced the appointment of Richard Harris as CFO with effect from 24 June 2019. The search process for the appointment of the CFO was led by the CEO assisted by an external search consultancy, Egon Zehnder, which has no connection to the Company or its individual Directors. Egon Zehnder was given a role profile outlining the skills, attributes and experience sought. A long-list of candidates was reviewed and a short-list of candidates were interviewed, with the Chairman and Non-Executive Directors being involved in the selection process and providing feedback. Thereafter, the CEO made a recommendation to the Committee which, after due consideration, recommended the appointment of Richard Harris to the Board. On the recommendation of the Committee, the Board agreed his appointment. Biographical information for Richard Harris, including details of his previous financial experience, can be found on page 52.

Appointment of Non-Executive Director / On 20 May 2019, we also announced the appointment of Alan Giles as a Non-Executive Director with effect from 1 June 2019. As we reported in last year's Annual Report and Accounts, sadly Andrew Adcock passed away in early 2019 and the Committee then conducted a review of Board composition and determined that it was appropriate to appoint another Non-Executive Director. The search process was led by the Chairman, assisted by an external search consultancy, Egon Zehnder, which has no connection to the Company or its individual Directors. Egon Zehnder was given a role profile outlining the skills, attributes and experience sought.

A long-list of candidates was reviewed before a short-list of candidates were interviewed by the Chairman. The preferred candidates were met by other Board members who provided feedback. Thereafter, the Chairman made a recommendation to the Committee which, following consideration, recommended the appointment of Alan Giles to the Board, being the strongest candidate with relevant experience and knowledge. On the recommendation of the Committee, the Board agreed his appointment. Biographical information for Alan Giles can be found on page 53.

Appointment of Chairman / On 26 September 2019, the Company announced that Garry Watts had confirmed to the Board his intention to step down as Chairman at or before the Company's AGM in 2020. The Company has since announced that Garry will step down on 1 March 2020. The Committee, in reviewing succession plans earlier in 2019, had discussed a number of options relating to the Chairman's succession, the Chairman excusing himself from those discussions. As a result of a process led by Alan Giles, an independent Non-Executive Director, the Committee considered that it was of overriding importance to ensure there was continuity on the Board after a number of changes in its composition over the last three years. The Committee agreed that it was therefore not appropriate to use an external search consultancy or open advertising. As a result of that review process, the Committee agreed to recommend to the Board the appointment of Ian Barlow as Chairman of the Company effective from the retirement of Garry Watts. Upon his appointment as Chairman, Ian Barlow will step down as Chairman of the Audit Committee and will be replaced by Rosie Shapland, who was appointed on 5 February 2020.

Alan Giles will succeed Ian Barlow as Senior Independent Director.

NOMINATION COMMITTEE REPORT *continued*

Appointment of COO / On 26 September 2019, the Company announced the appointment of Patrick Franco to the Board effective from 1 October 2019. The Committee considered the promotion of Patrick Franco, who had served as COO since 2015, to the Board was of strategic importance given his responsibilities for key elements of the Company's operations.

Appointment of Non-Executive Director / Subsequent to the year end, on 22 January 2020, the Company announced the appointment of Rosie Shapland as a Non-Executive Director with effect from 5 February 2020. Rosie Shapland will take over as Chair of the Audit Committee once Ian Barlow becomes Chairman of the Board on 1 March 2020.

Egon Zehnder, an independent external search consultancy, was engaged to assist with the search for candidates. The search process was led by the Chairman, with the search specification including the requirement of a finance and accountancy background, as it was intended that the new appointee would also be appointed as Chair of the Audit Committee. From a long list of potential candidates, a number were selected for interview by the Chairman. The preferred candidates were met by other Board members who provided feedback.

Thereafter, the Chairman made a recommendation to the Committee. After due consideration, the Committee recommended the appointment of Rosie Shapland to the Board, which agreed her appointment. Biographical details for Rosie Shapland can be found on page 53.

Directors' appointments and service contracts / The Board has a formal procedure in respect of the appointment of new Directors, with the Nomination Committee leading the process and making recommendations to the Board.

All of the Directors have service agreements or letters of appointment which are available for inspection at the Company's registered office during normal business hours. Details of the letters of appointment for Non-Executive Directors and the service contracts for Executive Directors can be found in the Remuneration Report on page 100. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Board appointment criteria are considered automatically as part of the Committee's review of succession planning. Currently, all the independent Non-Executive Directors and the Chairman have been appointed for less than nine years. Non-Executive Directors are typically expected to serve a minimum of two three-year terms, and thereafter their appointment is reviewed on an annual basis.

Directors' induction and professional development /

The Company has in place an induction programme, led by the Chairman and the CEO, for new Directors to provide them with a full, formal and tailored introduction on joining the Board, which ensures that they attain sufficient knowledge of the Company to discharge their duties and responsibilities effectively. The programme includes meeting with senior management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics, including updates on corporate governance and regulatory matters.

Directors are also given the opportunity to visit the Group's branches and discuss aspects of the business with employees. As well as internal briefings, Directors may also attend appropriate external seminars and briefings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring the Board procedures are complied with and that Directors have access to independent and professional advice at the Company's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

Retirement and re-election of Directors / With the exception of Garry Watts, all Board members will stand for election or re-election at the 2020 AGM. The relevant experience and effectiveness of the Directors, and how that furthers the Company's business, is kept under review. The Committee and the Board have concluded that each Director standing for election or re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Biographies of each Director are available on pages 52 to 53. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

No Director was able to vote in respect of their own election or re-election when consideration was given to Director election/re-election at the AGM.

Details of the performance evaluation process can be found on page 63.

Succession planning / As noted above, there has been considerable activity and changes to Board composition during 2019.

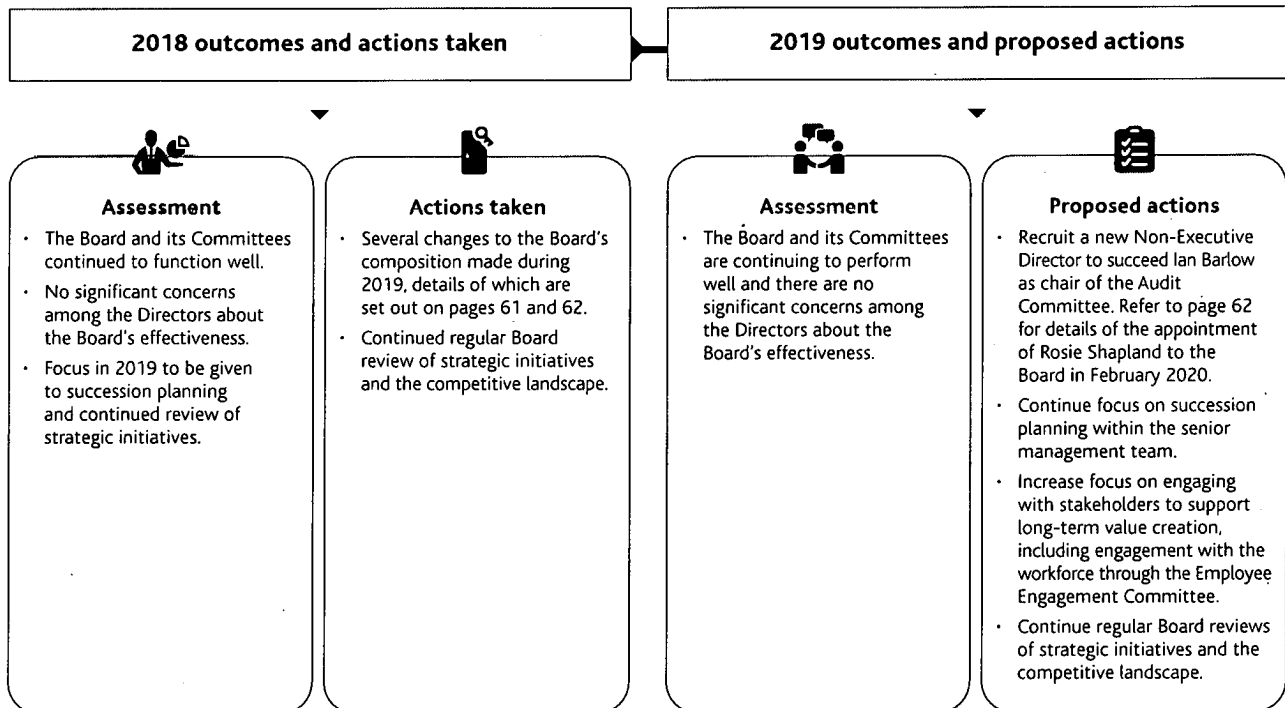
During the year, the Committee again considered succession planning for the Executive Directors and reviewed the CEO's plan for senior management succession. The Company's policy is to develop the talent pipeline and promote from within, wherever possible. Due to the nature of the Company's operations and size it is not practicable for the Company to have an internal successor identified for all senior management roles, but where there is no obvious successor, the Committee is satisfied that the Company has a plan for appropriate short-term cover until a permanent successor can be recruited. Succession planning takes into account the Board diversity policy which is outlined below.

During the coming year, the Committee will have renewed focus on succession plans for the senior management team, as well as the Board, so as to ensure an appropriate balance of skills and experience is maintained within the Company on an ongoing basis.

Board and senior management diversity / The Company believes that diversity throughout the business is important for the Group in order to reflect the varied nature of the communities that Foxtons operates in and its customer base. The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking and perspective. Appointments to the Board are always made on merit against objective criteria, having regard to the benefits of diversity, including gender diversity, and the current and future needs of the business and the other factors set out in the Code. The Board has not set any specific gender or diversity targets. When identifying candidates for appointment to the Board, any search firm engaged is instructed to include a range of candidates from diverse backgrounds for consideration.

During the year, the Committee considered the issue of diversity and inclusion in both the context of the Board and senior management.

Board, Committee and Directors' performance evaluation overview



The Committee is broadly satisfied with the diversity within the Company but aspires to improve the gender balance and ethnic diversity at the senior level. Management has in place a range of measures designed to address this, including coaching, mentoring, development programmes and flexible working, and the Committee will continue to monitor progress on behalf of the Board. Details of our diversity and inclusion initiatives are found on page 28. This includes details of the gender breakdown of Directors, senior management and the Company's employees.

During the year, the Company published its gender pay gap figures as at 5 April 2018. The report can be found on the Company's website at: www.foxtongroup.co.uk.

Board evaluation and effectiveness / An internal Board evaluation was completed in the second half of 2019. This exercise was carried out to review the performance of the Board, its Committees and the individual Directors. The internal Board evaluation was facilitated by Link Company Matters Limited, which has no connection to the Company or its individual Directors, under the direction of the Chairman. The evaluation took the form of a questionnaire, where Directors were required to rate certain aspects of the Board's and all Committees' performance. The questionnaire also gave Directors the opportunity to provide comments on areas of focus, which included the structure of the Board, effectiveness of the Board, and Committee-specific questions. The responses to the evaluation of the Board and the Committees were collated and analysed by Link Company Matters Limited. The results indicated that the Board continues to work well and there are no significant concerns among the Directors about the Board's effectiveness. The actions agreed by the Directors will be monitored by the Board during 2020 as presented in the diagram above.

As a separate exercise, the Senior Independent Director, together with the Non-Executive Directors, conducted the Chairman's evaluation. The views of the Executive Directors were also taken into account.

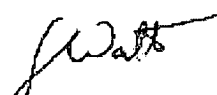
Annual evaluation of the Nomination Committee's performance / As part of the internal Board evaluation this year, the performance of the Nomination Committee was reviewed. I am pleased to report that there were no areas of significant concern and it was concluded that the Committee was operating effectively and provided robust challenge to the business on issues within its remit.

Governance / During the year, the Committee received briefings from the Company Secretary on corporate governance reform, and specifically the changes that now apply pursuant to the 2018 Code. It has noted in particular the expansion of responsibilities to include reporting on its approach to succession planning and overseeing a diverse pipeline of talent to both Board and senior management positions. We have reported on these issues above and further details of our compliance with the 2018 Code can be found in the Corporate governance report on pages 54 to 101.

Priorities for 2020 / During the forthcoming year, the Committee will continue to focus on the succession planning of senior management, taking into account the challenges and opportunities facing Foxtons and the future skills and expertise needed by the business.

Ian Barlow will succeed me as Chair of the Committee on 1 March 2020 and will be available at the AGM to answer any questions about the work of the Committee.

Garry Watts
Chairman of the Nomination Committee
27 February 2020



AUDIT COMMITTEE REPORT /

➤ AUDIT, RISK AND INTERNAL CONTROL

"I am pleased to present my report on the key activities of the Audit Committee during the year in addition to its principal and ongoing responsibilities."

IAN BARLOW

Dear Shareholders,

The Committee has had a busy year.

We tendered the external audit and appointed BDO LLP for the 2020 accounts; we decided to create an externally sourced internal audit function; and we spent considerable time supervising the implementation of IFRS 16, which puts our lease liabilities onto our balance sheet, and considering how we should adapt our alternative performance measures to reflect the material effect it has on our income statement. In addition, we supported the Board in applying a number of governance changes following the July 2018 revisions to the Code.

Finally, since the year end the Company appointed Rosie Shapland to the Committee, a former senior audit partner at PricewaterhouseCoopers LLP. Rosie will succeed me as Chair of the Committee from 1 March 2020 when I will become Chairman of the Company.

On behalf of the Board and the Committee, I would like to thank Deloitte for their role as auditor of the Group over the past 11 years.

Ian Barlow

Chairman of the Audit Committee

Members of the Audit Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Company and in accordance with the Code. Biographical information can be found on pages 52 and 53. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chairman: Ian Barlow

Current members: Sheena Mackay, Alan Giles (appointed on 1 June 2019), Rosie Shapland (appointed on 5 February 2020)

→ Role of the Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of financial reporting, risk management and internal controls and governing the relationship with the external auditor. Key responsibilities include:

- monitoring the integrity of the financial statements and half year report and other formal announcements relating to financial performance;
- monitoring, reviewing and challenging when necessary the financial reporting processes, including significant financial reporting issues, accounting policies and judgements;
- recommending to the Board the appointment, reappointment and removal of the external auditor, approving the terms of engagement and remuneration and monitoring the independence of the auditor and the provision of non-audit services;
- monitoring the statutory audit of the annual financial statements;
- reviewing the Group's systems and controls for the prevention of bribery and procedures for detecting fraud;
- reviewing the effectiveness of internal financial controls and risk management policies and systems and to review annually the Company's internal audit requirements; and
- reviewing the Group's processes and procedures for ensuring that material risks are properly identified, assessed, managed and reported and that appropriate systems of monitoring and control are in place.

The Committee's terms of reference were reviewed during the year and can be found on the Company's website at: www.foxtongroup.co.uk.

Composition of the Committee / During the year three members served on the Committee, with Rosie Shapland being appointed to the Board and Audit Committee on 5 February 2020. Biographies of each Committee member are shown on pages 52 and 53. Each member of the Committee is an independent Director and one of the three members who served during the year is considered to have recent and relevant financial experience with the Chairman, Ian Barlow, being a chartered accountant and chartered tax adviser. The Committee members as a whole have competence relevant to the Company's sector, in addition to general management and commercial experience. The Company Secretary acts as secretary to the Committee.

Rosie Shapland, who will become Chair of the Committee on 1 March 2020, was a former audit partner and has over 30 years of audit experience across multiple sectors within public and private companies and is a Fellow Chartered Accountant. Rosie is considered to have recent and relevant financial experience.

The Audit Committee usually invites the full Board and the external auditor, to attend each meeting. Other members of management attend as and when requested. The Committee holds a private session with the external auditor after the February meeting at which the Annual Report and Accounts is reviewed and at other times during the year without members of management being present, where necessary.

Significant financial reporting matters / The Committee considered the following significant financial reporting matters which require judgement or are sources of estimation uncertainty. The matters, and how they were addressed by the Committee, are detailed below. The matters are disclosed as critical accounting judgements and key sources of estimation uncertainty within Note 1 of the financial statements.

The Group has goodwill and an indefinite life brand asset with carrying values of £9.3 million and £99 million respectively.

• **Useful economic life of the brand intangible asset**

The Committee challenged the appropriateness of the indefinite useful economic life assigned to the brand intangible asset. It was assessed whether there had been any changes in the period over which the brand asset is expected to generate cash inflows. Following this assessment, it was confirmed that there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. Therefore, it continues to be appropriate for the brand asset to be assigned an indefinite useful economic life.

• **Impairment of goodwill and intangibles with an indefinite life**

The Committee challenged management's impairment review methodology, including the relevant forecasts, discount rates and long-term growth rates. The Committee also reviewed the impact of the application of IFRS 16 'Leases' on the Group's impairment review methodology.

The Committee concurred with management's view that no impairment of the Group's goodwill or brand asset is required. However, the Committee noted that a reasonably possible change in key assumptions would remove the headroom of the brand asset and appropriate sensitivity disclosure is included within Note 9 of the financial statements.

AUDIT COMMITTEE REPORT *continued*

Other relevant financial reporting matters / The Committee also reviewed other relevant financial reporting matters in the period.

- **Post-implementation review of IFRS 15 'Revenue from Contracts with Customers'**

The Committee has completed a post-implementation review of IFRS 15 'Revenue from Contracts with Customers', which was effective from 1 January 2018. The Committee considered both developing market practice and the FRC's 2019 IFRS 15 thematic review. Following the review, the Group has updated its lettings commissions revenue recognition policy. The new policy, which is set out in Note 1 of the financial statements, explains that commission revenue for securing a letting for a landlord is now accounted for under IFRS 15's 'cancellable contracts' guidance, compared to the previous policy which accounted for the contracts as variable consideration.

Under IFRS 15's 'cancellable contracts' guidance, both a contract liability and contract asset is recognised on the Group's balance sheet. A contract liability represents payments received for future periods where the landlord has the ability to cancel the contract. A contract asset represents unbilled commission revenue due to the Group for the non-cancellable period of the contract. These contract balances have been recognised via a restatement of opening retained earnings at 1 January 2018 (reducing retained earnings by £0.9 million). Refer to Note 16 of the financial statements for additional details of the contract balances resulting from the policy change.

Applying the new policy from 1 January 2018, the date at which IFRS 15 became effective, had no significant impact on the Group's 2018 reported revenue or profit. Additionally, the change in policy has had no significant impact on the Group's 2019 reported revenue or profit.

- **Adjusted items**

The Committee considered the presentation and disclosure of £5.7 million of Adjusted items which have been recognised in the period (refer to Note 4 of the financial statements for further details). The Committee reviewed the nature of Adjusted items, with reference to the Group's Adjusted items policy (refer to Note 1 of the financial statements), and concluded the classification and disclosure of the items was appropriate and the policy had been consistently applied across financial years.

- **Implementation of IFRS 16 'Leases'**

The Committee has reviewed the implementation of IFRS 16 'Leases', and specifically the key transition judgements, disclosures and interaction of the new standard with existing accounting standards such as IAS 36 'Impairment of assets'. Key areas of focus included discount rates and the lease term estimates. The Committee concurs with management's key IFRS 16 judgements and estimates, and the related disclosures included in the financial statements.

- **Alternative performance measures**

The implementation of IFRS 16 has had a material effect on the Group's APM measure 'Adjusted EBITDA'. Prior to the implementation of IFRS 16, Adjusted EBITDA served as a good proxy for cash flow, but this is no longer the case under IFRS 16 due to lease expenses no longer being included. To assist with the comparison of APMs with prior periods, the Group's 2019 profitability APMs are presented on both a pre-IFRS 16 and post-IFRS 16 basis.

For 2020 onwards, the Group will only report APMs on an IFRS 16 basis, but will introduce an additional profit measure, 'Adjusted operating profit', which will incorporate the depreciation of IFRS 16 right-of-use assets, but exclude Adjusted items, so that the costs related to the Group's leased assets are appropriately captured in a profitability APM.

Additionally, in the year the Committee has reviewed the continuing relevance of other APMs and management has rationalised the number of measures where possible. Further details are provided in Note 24 of the financial statements.

- **Client monies**

The Committee reviewed the continuing rationale for not recording client monies in the Group's financial statements. The Committee concluded there was no judgement in this area, and no amounts should be recorded in the Group's financial statements, since these funds belong to tenants. Refer to Note 22 of the financial statements for details of the level of client money held at 31 December 2019.

- **Going concern and longer-term prospects and viability statement**

The Committee reviewed and challenged management's assessment of the Group's going concern assumption and longer-term prospects and viability statement. The Committee's review included consideration of forecast cash flows, the uncertainties relating to Brexit, key sensitivities and the Group's cash position over the forecast period.

For the purposes of assessing the going concern assumption, a two year forecast period from 31 December 2019 was considered. A longer period of five years was used for assessing viability. The five year period is consistent with the Group's strategic planning period. The viability assessment included the consideration of severe, but plausible scenarios, and the impact such scenarios have on the Group's future financial position.

The Committee confirmed preparing the financial statements on a going concern basis continues to be appropriate, and recommended the approval of the viability statement as set out on pages 40 and 41.

Financial reporting / The Committee regularly reviews the robustness of financial reporting processes. The Group maintains a comprehensive financial review cycle, which includes a detailed annual financial planning process where budgets are prepared for challenge and approval by the Board. Management receives a weekly and monthly pack of key performance indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a group level, a well-developed comprehensive management accounts pack, including income statements, balance sheets, cash flow statements, as well as key ratios, is reviewed monthly by management and the Board. A re-forecast of the current year performance is carried out quarterly. Management monitors the publication of new accounting and reporting standards and reports on any updates to the Committee.

Risk management and internal controls / The Committee, on behalf of the Board, keeps under review the effectiveness of the Group's risk management and internal control systems to ensure that controls in place are effective in order to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has defined its risk appetite for strategic, financial, operational and compliance risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring gross and residual risk and comparing residual risk against risk appetite. As required by the Code, the Board, through the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described in the Strategic report on pages 36 to 41.

The Group has the following key procedures in place to provide effective internal control:

- an ongoing process to identify, evaluate and manage significant risks, which is monitored and regularly reviewed by the executive team with significant issues presented to the Board and Audit Committee;
- the Group's compliance department continuously reviews operations to ensure that transactions have been properly authorised and procedures are adhered to across the Group;
- the Group's controls include appropriate segregation of duties and are fully documented and embedded within the organisation;
- on behalf of the Board, the Audit Committee reviews fraud, anti-bribery and whistle-blowing policies and procedures and considers any whistle-blowing incidents; there have been no material instances of whistle-blowing or recorded instances of bribery or corruption during the period under review; and
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and the business plan as described under 'Financial reporting' above.

On the basis of the above procedures and the monitoring processes employed, and having regard to the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" issued by the FRC in September 2014, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

The Directors confirm that the processes described above have been in place during the 2019 financial year and up to the date of the approval of the Annual Report and Accounts.

The Committee reviews annually whether the Company should have an internal audit function. Due to the simplicity of the Group's centralised business model, combined with existing internal assurance programmes and other third party assurance, the Committee has been satisfied with the level of assurance achieved. However, the Committee has made a recommendation to the Board that in 2020 a third party is engaged to perform an overall review of the Group's risk management and assurance framework, following which the Committee will commission specific internal audits.

Whistle-blowing / The Group believes that it is important to have a culture of openness and accountability in order to prevent situations relating to possible impropriety, financial or otherwise, from occurring or to address them when they do occur. The Company's independent whistle-blowing hotline continues to be in operation and activity reports are provided to the Committee. There have been no material instances of whistle-blowing during the period under review.

Fair, balanced and understandable / The Group has a comprehensive and thorough assurance process in respect of the preparation, verification and approval of periodic financial reports. The process involves:

- the involvement of qualified and appropriately experienced staff, under the direction of the CFO;
- a comprehensive review and verification process which deals with the factual content of the reports and ensures consistency across various sections;
- a common understanding amongst senior staff which ensures consistency and overall balance;
- a transparent process to ensure full disclosure of information to the external auditor;
- engagement of a professional and experienced external audit firm who understands the Foxtons business and business model; and
- oversight by the Committee which, among other things, reviews:
 - the key accounting judgements and key sources of estimation uncertainty;
 - the consistency of, and any changes to, significant accounting policies and practices;
 - significant adjustments arising from the external audit;
 - the Company's statement on risk management and internal control; and
 - the going concern and viability assumptions.

The process outlined, together with the review and challenge of management by the Committee and its recommendation to the Board, provides comfort to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy, position and performance. The Directors confirm this statement within the Directors' responsibility statement on page 105.

AUDIT COMMITTEE REPORT *continued*→ **Key activities**

Since the last Audit Committee report the Committee has held three meetings, with the principal work being:

Role	Tasks	July 2019	Nov 2019	Feb 2020
Financial reporting	Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements. This included reviewing the transition disclosures relating to the application of IFRS 16 'Leases'.	◆		◆
	Completed a post-implementation review of IFRS 15 'Revenue from Contracts with Customers', including application of principles and relevant disclosures following review of market practice and the FRC's thematic review.		◆	◆
	Reviewing the plan for the production of the 2019 Annual Report and Accounts, including the plans for the reporting on the UK Corporate Governance Code published in July 2018.		◆	
	Receiving the annual and half yearly financial statements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable. In fulfilling this task the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures.	◆		◆
	The Committee also reviewed supporting papers to ensure the Annual Report and Accounts were factually correct.			
	Reviewing the going concern paper which analysed the profitability and cash generation of the Company and agreeing with the adoption of the going concern basis.	◆		◆
	Considering and reviewing the viability statement and supporting sensitivity analysis which assessed the potential impact of the principal risks on the future performance and liquidity of the Group over a five year period. For each principal risk the Company assessed adverse scenarios and their potential impact.			◆
External audit	Approving the appointment of the external auditor and their terms of engagement and fees for the financial year 2019.		◆	
	Considering the scope of work to be undertaken by the external auditor and reviewing the results of that work.	◆	◆	◆
	Receiving the external auditor's audit planning paper for 2019 and reviewing materiality thresholds and areas of risk where the auditor would concentrate.		◆	
	Reviewing and monitoring the independence of the external auditor and approving their provision of non-audit services.		◆	◆
	Reviewing the effectiveness of the external audit process.			◆
	Receiving the external auditor's interim review and year end report to the Audit Committee in which there were no issues of concern identified.	◆		◆
	Initiating a formal external audit tender with the objective of appointing a new external auditor at the May 2020 AGM.	◆		
Making a recommendation to the Board for the appointment of a new auditor for the financial year 2020.		◆		
Internal controls	Ensuring compliance with the UK Corporate Governance Code published in July 2018.	◆	◆	◆
	Reviewing the extent of assurance the Audit Committee has across the business and considering whether an internal audit function is required.		◆	◆
	Tender process initiated to select an appropriate internal audit provider to perform an overall review of the Group's assurance framework, with a view of providing supplementary assurance where required.		◆	
	Reviewing the whistle-blowing policy and helpline reports.		◆	◆
	Reviewing internal control reports and advising Board on the appropriateness of the Company's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.			◆
Risk management	Reviewing the Company's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Company and comparing residual risk against the Board's risk appetite.	◆	◆	◆
	Receiving a report on controls within the IT function.		◆	
	Receiving a report on compliance within the Group including compliance with the General Data Protection Regulations (GDPR).		◆	
Governance	Reviewing the Committee's terms of reference.		◆	
	Reviewing the Group's non-audit services policy.		◆	

External auditor / The external auditor, Deloitte LLP, has audited the accounts of the Group since 2009. The 2019 audit process was led by Claire Faulkner, who has been the audit partner since 2015. Under the partner rotation rules set out in the applicable ethical standards, Claire Faulkner's final year as partner is 2019 following five years of service.

As noted, the Committee has reviewed the effectiveness of the external audit process. The Committee did this by:

- reviewing the proposed external auditor's plan for the 2019 audit;
- discussing the results of the external auditor testing, including their views on material accounting issues and key judgements and estimates and their audit report;
- considering the robustness of the audit process;
- reviewing the quality of people and service provided by Deloitte, including a review of the FRC's latest Audit Quality Review of Deloitte; and
- confirming the independence and objectivity of Deloitte.

We concluded that we were satisfied with the performance and independence of Deloitte LLP as external auditor.

During the year the Committee tendered the Group's external audit. Each participating firm was given wide access to the business in order to develop their audit approach prior to presentation to the Committee. Following this process, a recommendation based on quality, knowledge and experience was made to appoint BDO LLP as auditor for financial year 2020, subject to shareholder approval at the 2020 AGM. Deloitte LLP will therefore not be re-appointed at the forthcoming AGM.

Non-audit services / The details of our non-audit services policy, which is designed to safeguard auditor independence, are set out on our website www.foxtongroup.co.uk.

In brief, there are certain services termed "excluded services" that are not permitted to be provided by the external auditor. Excluded services includes services prohibited under the applicable regulatory and ethical guidance. All permitted non-audit services provided by the external auditor are subject to prior approval by the Committee. With the exception of the interim review performed under International Standard on Review Engagements (UK and Ireland) 2410 and an accountants report required as a Propertymark member, there were no other non-audit services undertaken during the year. Total non-audit services provided by Deloitte LLP for the year ended 31 December 2019 were £26,000 (2018: £25,000). Audit fees for the year were £0.2 million (2018: £0.2 million).

Evaluation of the Audit Committee's performance /

As part of the internal Board evaluation this year, the performance of the Committee was reviewed. I am pleased to report that there were no areas of significant concern and it was concluded that the Committee had effectively fulfilled its role.

Conclusion / As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditor during the year.

Ian Barlow

Chairman of the Audit Committee

27 February 2020



DIRECTORS' REMUNERATION REPORT /

➤ REMUNERATION

"Restricted shares ensure a long-term focus over the business cycle and focus the Executive Directors on the longer-term sustainability of the Company."

ALAN GILES

Members of the Remuneration Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Company and in accordance with the Code. Biographical information can be found on pages 52 and 53. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chairman / Alan Giles

Current members / Ian Barlow, Sheena Mackay, Garry Watts, Alan Giles (from 1 June 2019), Rosie Shapland (from 5 February 2020)

This report is divided into five main sections:

- **LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE** Pages 70 to 75
- **THE WORK OF THE COMMITTEE** Pages 76 to 77
An overview of our work in the year.
- **DIRECTORS' REMUNERATION REPORT AT A GLANCE** Pages 78 to 81
A summary of the new 2020 policy and remuneration in respect of 2019.
- **OUR NEW 2020 REMUNERATION POLICY** Pages 82 to 91
Details of the new policy that will be voted upon at the 2020 AGM.
- **2019 ANNUAL REPORT ON REMUNERATION** Pages 92 to 101
Our annual report on remuneration includes the following sub-sections:
 - Our approach to fairness and wider workforce considerations
 - How we implemented the current policy in 2019
 - Additional information

The 2019 annual report on remuneration, including the letter from the Chairman of the Remuneration Committee, will be voted upon at the 2020 AGM.

➤ LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 December 2019. This is my first statement as Chairman of the Committee, having succeeded Sheena Mackay as Chair of the Committee on 13 November 2019.

Our new remuneration policy is being presented for shareholder approval at the May 2020 AGM as the policy approved by shareholders in May 2017 will have reached the end of its three-year approval period. I have set out in this letter the key remuneration outcomes for this year and the link to the Company's performance in 2019, followed by the background to the new policy.

Performance and outcomes for 2019 /

Financial and operational highlights / 2019 saw a continuation of the trends which have created what is currently the weakest ever London sales market, as transactions fell further from 2018's lows. We have geared the Group towards our lettings business which is underpinned by strong structural drivers of demand, but as expected, the introduction of the tenant fee ban in June impacted results, particularly in Q3. Consumer confidence remains low, and higher stamp duty charges combined with stringent landlord restrictions and wider affordability concerns in London are significant challenges facing the market.

Group revenue was £106.9 million (2018: £111.5 million) comprising lettings revenue of £65.7 million (2018: £67.0 million), sales revenue of £32.6 million (2018: £36.2 million) and mortgage broking revenue of £8.5 million (2018: £8.3 million). Revenue from lettings fell 2% on the prior year, a resilient performance given the impact of the tenant fee ban which we decided not to pass on to landlords in the form of higher fees.

Profits were protected by the actions taken to reduce costs, meaning lower Group revenue was offset by a lower cost base resulting in Adjusted EBITDA of £13.4 million, or £2.5 million on a pre-IFRS 16 basis (2018: £3.6 million). In addition, we recognised a £5.7 million charge in respect of Adjusted items relating primarily to the closure of four branches, which were no longer considered viable to operate.

Annual bonus outcomes for 2019 / The 2019 annual bonus outcomes for Executive directors reflect the partial achievement of financial and stakeholder objectives agreed by the Remuneration Committee in February 2019. Bonus payments for the CEO, CFO and COO represent 70%, 75% and 85% of maximum respectively.

Long-term incentive awards vesting / There were no long-term incentive awards due to vest based on a performance period ending during the 2019 financial year. The final award granted to Executive Directors under the LTIP was the 2016 award, which lapsed based on performance to 31 December 2018, and the outstanding Share Option Plan awards granted in 2017 are not due to vest, subject to performance, until 2022. Awards under the Share Option Plan are currently significantly underwater for the CEO and COO, largely as a result of the prolonged downturn in the sector, and therefore unlikely to result in any vesting. 300,000 market value share options were awarded to the CFO under the Share Option Plan following his appointment to the Board in June 2019.

Discretions / The Committee determined that the annual bonus outcomes for 2019, based on the application of the performance conditions, were in line with the overall performance of the business and did not exercise its discretion to alter the outcomes. The Committee considered the outcome carefully given that profits were slightly down on the prior year, but concluded that the payments were fully merited. The targets set at the beginning of the year were stretching but achievable in light of the budget and analyst forecasts and against a backdrop of the lowest ever London sales market and the impact of the tenant fee ban. Management decided to protect the longer term interests of the business by not passing the impact onto landlords. Management should be rewarded for strong performance against these targets, given that events that impacted results during the year were external and uncontrollable. As the 2019 bonus was paid in cash, the Committee did not make any adjustments to account for share price appreciation or depreciation over the vesting period. The remuneration policy operated over the 2019 financial year as intended by the Committee.

Our new 2020 remuneration policy / Following a comprehensive review of Foxtons' executive remuneration arrangements in 2019, the Committee determined that a weakness of the current remuneration policy was the difficulty in accurately setting meaningful long-term targets due to significant uncertainty and cyclical challenges in the external environment in which Foxtons operates. A further problem with the current remuneration structure is the poor alignment with shareholders and absence of lock-in and retention of the Executive Directors as the current Bonus is cash only and historic LTIP awards have not vested and the CEO's and COO's share options are underwater.

As part of the review, the Committee considered all of the available alternative incentive structures. A traditional LTIP was deemed inappropriate for Foxtons due to the cyclical nature of the market in which the Company operates, which makes the timing of such awards more relevant than the actual performance of the Company and in practice does not encourage a longer-term focus for the Executive Directors because of the challenge of setting realistic targets three years in advance.

Recognising that the current Executive Directors should build up significant shareholdings (two are new to the Board), the new policy focuses on facilitating the buildup of a material shareholding for Executive Directors and increasing shareholder alignment through awards of restricted shares and bonus deferral, whilst improving the link to the Company's performance against its strategy through the annual bonus where in 2020 all targets will now be robust, quantifiable measures. In addition, it is the Committee's view that the shareholding built up using restricted shares ensure a long-term focus over the business cycle and focus the Executive Directors on the longer-term sustainability for the Company.

The main changes for the new policy are:

- introduction of a new Bonus Banking Plan (BBP);
- introduction of a new Restricted Share Plan (RSP); and
- improved alignment with the UK Corporate Governance Code, new regulation and emerging best practice, including: Introduction of a post-cessation shareholding requirement; introduction of bonus deferral; reduction of executive pension levels with a view to alignment with the wider workforce by the end of 2022; introduction of discretion to override formulaic outcomes; enhanced malus and clawback provisions; and all bonus performance conditions used in 2020 will be quantifiable.

There has also been an overall reduction in quantum under the new structure:

- The bonus maximum remains unchanged at 150% of salary. However, under the new policy 30% is deferred into shares on a rolling basis in contrast with the current policy under which the bonus is paid entirely in cash, reducing the economic value of the bonus for management.
- The previous policy resulted in an option grant worth 404% of salary face value and 121% of salary fair value (annualised) for the CEO. This compares to the new RSP that has a maximum of 100% of salary per annum face value. Therefore, on the basis that market practice generally views equivalent LTIP awards at 50% of option grants; the equivalent LTIP grant would be 200% of salary and therefore the RSP reflects at least a 50% discount in award level from an equivalent LTIP. When considered on a fair value basis, there is a reduction in the economic value of long-term incentive awards for the CEO from 121% of salary under the previous option grant (modelled using a Black-Scholes calculation) to 100% of salary under the new RSP.

Following consultation with shareholders and their representative bodies the CEO has agreed that his current pension contribution should be reduced from 15% to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. The pension contribution for the other Executive Directors, who were appointed in 2019, already aligns to the wider workforce.

DIRECTORS' REMUNERATION REPORT *continued***▶ LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE** *continued*

Shareholder engagement and rationale for the final position in the policy / The Committee consulted with the Company's top 20 shareholders, Glass Lewis, the IA and ISS on the new policy. The following table sets out the main areas of discussion, comments or amendments suggested by shareholders, the Committee's response and rationale for the final position set out in the new remuneration policy:

Areas of discussion	Comments or amendments suggested by shareholders	Committee's response and rationale for final position in policy
Unconventional structure	Some shareholders would prefer a conventional approach to bonus deferral due to perceived complexity of the BBP, and a conventional long-term incentive plan.	<p>As discussed above, a conventional LTIP was considered but deemed inappropriate for Foxtons due to the highly cyclical nature of the market in which the Company operates, and the associated difficulty in accurately setting meaningful long-term financial targets. The RSP was felt to be the most appropriate structure to facilitate the build-up of a material shareholding by the Executive Directors, improving alignment with shareholders and ensuring a focus on long-term sustainable performance throughout the business cycle, which is essential in the highly cyclical market in which Foxtons operates.</p> <p>The RSP and BBP together provide significant lock in and retention of the Executive Directors who are critical to the successful delivery of the business strategy. The Committee believes that the smoothing effect on payments over time under the BBP is a more effective tool than standard bonus deferral for this purpose given the highly cyclical market in which Foxtons operates which can lead to volatile payouts.</p> <p>After discussion most shareholders were satisfied that the new structure was appropriate for Foxtons. No changes are therefore being made to the original proposals.</p>
RSP time horizon and quantum	<p>One shareholder wanted to see a longer vesting time horizon beyond 5 years and felt that the level of discount applied to the quantum was too high.</p> <p>Conversely, a governance body expected a larger reduction for RSP awards.</p>	<p>In moving from a remuneration structure where the only payouts have been in cash, to one with significant deferral into shares and an overall reduction in remuneration, the Committee believes it would introduce unacceptable flight risk to expect management to wait for longer than five years to be able to access longer term awards, and therefore on balance would not be in the best interests of shareholders.</p> <p>However, with the full shareholding requirement extending for 2 years post cessation and the Committee's intention to retain vesting RSP shares until it is met, in practice earlier awards are likely to be held for longer than five years (following payment of tax). This ensures a long-term lock in and exposure of the Executive Directors continuing past their employment with the Company. The Committee believes that this combination provides an appropriate level of exposure through the cycle.</p> <p>As discussed above, the CEO's RSP award level of 100% of salary represents a 50% discount to the equivalent LTIP award level for the previous option grant, in line with market practice. Furthermore, the fair value of his long-term incentive award has been reduced.</p> <p>The Committee also considered market data to ensure the proposed quantum was appropriate and concluded that it was given the median FTSE 250 LTIP award level of 200% of salary equates to an RSP award of 100% of salary based on a 50% discount. Despite the cyclical fall in Foxtons' market cap as a result of the prolonged sector downturn, the Committee still believes that the FTSE 250 is an appropriate basis for comparison of the size and complexity of the business and roles at Foxtons.</p> <p>No changes are therefore being made to the original proposals for these comments.</p>
RSP and BBP underpin	A few shareholders were uncomfortable with the discretionary nature of the underpin.	<p>The Committee felt that the introduction of a general underpin provided greater protection for the Company and shareholders because of:</p> <ul style="list-style-type: none"> • the inherent difficulty of setting accurate financial performance conditions for the Company which was one of the reasons for determining that a traditional LTIP was not appropriate. Any attempt to quantify an underpin would lead us back to the same target setting difficulty; • the nature of the market with material upswings and downswings which could make any financial underpins completely irrelevant when viewed at the end of the three-year vesting period; and • the greater protection provided by a general underpin which allowed the Committee to review holistically the overall performance of the Company, individual performance and wider Company considerations. <p>We consulted on the basis that only 50% of the unpaid balance in the BBP would be subject to the underpin, but after discussion with shareholders the underpin will apply to 100% of the unpaid balance. No other changes are being made to the original proposals. A clear explanation will be provided in the relevant reporting year of the Committee's assessment of the underpin.</p>

Areas of discussion	Comments or amendments suggested by shareholders	Committee's response and rationale for final position in policy
Level of bonus deferral	A few shareholders questioned whether a greater level of deferral would be considered.	30% deferral of the bonus is a significant change from the current bonus which is paid immediately entirely in cash. The Committee is reluctant to increase this at this stage as the remuneration of the CEO is already being reduced under the new policy and greater deferral would erode this value even further. It is the Committee's view that, on balance, this would not be in shareholders' interests as the motivation and retention of the CEO is critical for the Company. No changes are therefore being made to the original proposals.
Existing 2017 Share Option Plan awards	One shareholder queried the introduction of the new RSP before the current Share Option Plan awards vest.	<p>The option awards granted to Executive Directors in 2017 are due to vest after a 5-year performance period, however due to the prolonged sector downturn, the options are now significantly underwater due to external factors largely outside of management's control and not expected to vest. This result, following six consecutive years of no vesting of long-term incentive awards since listing, does not reflect management's success in maintaining the Company in a strong position throughout the downturn so as to be able to capitalise on the recovering market, and is therefore demotivational and no longer felt to be fit-for-purpose to attract, retain and motivate the Executive Directors who are key to the success of the strategy at a critical time in the business cycle.</p> <p>As the current policy expires in 2020, the Committee felt it was in shareholders' best interests to consider a more appropriate incentive structure that would address these concerns, albeit with reduced economic value for the Executive Directors. As part of the review, the importance of the Executive Directors building a meaningful shareholding as soon as possible and the lack of lock-in under the current policy were identified as key issues by several shareholders and required urgent attention. No changes are therefore being made to the original proposals.</p>
Minimum shareholding	A small number of shareholders questioned whether the Executive Directors' shareholding requirement could be increased.	Following review, the Committee has increased the CEO's minimum shareholding requirement from 200% to 250%, with the CFO and COO unchanged from 200%. The minimum shareholding requirement is now equal to the maximum variable compensation available for all Executive Directors. The Committee considers this to be adequate considering the raft of improvements in the new policy to ensure greater shareholder alignment and long-term focus on sustainable performance, including the 2-year holding period on RSP awards, the introduction of post-cessation shareholding requirements, and the greater level of deferral in the package. We note that the current Executive Directors have negligible shareholdings and therefore are starting from the lowest possible base. The combined effect of the shareholding requirement and holding period on RSP awards means that the CEO will not be able to sell any shares for the first 8 years of the plan (after payment of tax).
Existing CEO pension level	The IA was unsupportive of the lack of a plan to reduce the existing CEO's pension contribution by 2022.	The CEO has agreed that his current pension contribution should be reduced from 15% to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. The pension contribution for the other Executive Directors, who were appointed in 2019, already aligns to the wider workforce.

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DIRECTORS' REMUNERATION REPORT *continued***LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE** *continued***Shareholder engagement and rationale for the final position in the Policy / continued**

The Committee also used the introduction of a new policy to address the concerns which were raised by shareholders in relation to the 2018 Annual Report on Remuneration which received 78.4% support. The following table sets out the main areas of concern and how the Committee has addressed them in the new policy:

Area of concern	Changes in the new policy
Lack of granularity in the personal performance conditions and explanation of bonus payments made in respect of their satisfaction where the financial performance conditions were not met.	<p>The Committee has adopted measurable performance conditions for the new BBP in 2020:</p> <ul style="list-style-type: none"> • 50% profit; • 10% cost reduction; • 10% sales market share growth; • 10% lettings market share growth; • 10% maintain strong customer service levels; and • 10% maintain strong employee engagement. <p>This is an increase in those measures that are financial to 80% of the bonus with the two stakeholder performance conditions (customers and employees) externally verified and quantifiable.</p>
Lack of disclosure of performance targets and their level of satisfaction.	<p>The Committee is committed to best practice bonus disclosure under the new policy. This is assisted in 2020 by the use of measurable performance conditions which do not require subjective assessment; although the Committee will always be mindful of how the conditions were satisfied in determining the final bonus outcomes.</p>

Wider workforce considerations and fairness / We have taken the opportunity to create a new section in this report which brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our Director pay by explaining our employee policies and our approach to fairness (see page 92).

Executive Board changes and remuneration impact / Mark Berry stepped down from the Board as CFO on 24 June 2019 and was replaced by Richard Harris on 24 June 2019. He was joined by Patrick Franco, COO, who joined the Board as an Executive Director on 1 October 2019.

Leavers – Executive Directors / The treatment of each element of the remuneration for Mark Berry on his cessation of employment was as follows:

Element of remuneration	Position on cessation	Explanation
Salary	3 months' notice being a payment of £71,205	Contractual
2019 bonus	No bonus paid for year of cessation	In line with the remuneration policy
Share awards	<p>Share options will be:</p> <ul style="list-style-type: none"> • Pro-rated to time giving a maximum number of options capable of vesting of 947,720. • Performance will be measured at the end of the normal performance period. 	The Committee felt that it was appropriate to provide good leaver treatment for the CFO on his leaving by mutual agreement with the Company to recognise his performance over his tenure and strong contribution to the Company.

Salary and fee changes for 2020 / For 2020, the CEO's base salary will be increased by 2.5% from £555,500 to £569,400 in line with the increase for the workforce as a whole. As recent appointees, the base salaries of the CFO and COO remain unchanged for 2020 from current levels. The Committee reviewed Non-Executive Director fees during the year, and decided to introduce an additional fee of £10,000 for the Chair of the Audit and Remuneration Committees to recognise their additional responsibilities and align with market practice.

Joiners – Executive Directors / The key elements of the current remuneration packages for the CFO and COO are set out in the table below:

Element of remuneration	Richard Harris (CFO)	Patrick Franco (COO)
Salary	£300,000	£300,000
Pension	3% (in line with the Company contribution for the majority of employees)	3% (in line with the Company contribution for the majority of employees)
Benefits	Standard in line with the policy	Standard in line with the policy
Maximum bonus opportunity under the new BBP	125% of salary	125% of salary
Maximum share award under the new RSP	75% of salary	75% of salary
Share awards granted in the year since joining the Board	Award of 300,000 fair market value options. Based on the same performance targets as the 2017 Share Option Plan award to Executive Directors	None
Buy-outs	None	Internal promotion
Explanation	<p>Richard Harris was initially appointed to the Board on a salary of £275,000, comparable to his previous role and 3.4% below the salary of his predecessor. The Committee set this level of salary recognising this was his first role as a plc CFO with an expectation of a further rise once the Board was confident in him in the role.</p> <p>His salary was then increased to £300,000 on 1 October 2019. The Committee felt that the increased salary was appropriate for the role and responsibilities, reflecting his promotion to a Board-level role from his previous below-Board role and his demonstration of the ability to operate successfully as a public company CFO since joining Foxtons.</p>	<p>This is a new Board role. As Patrick Franco was appointed to the Board late in the financial year it was considered appropriate that his previous annual bonus arrangement of 40% of base salary should continue to apply until the end of 2019.</p>

In conclusion / As noted within the Chairman's statement on pages 8 to 9, 2019 was another challenging year in the London property market. In this context we are pleased with the robustness of the business and to have grown market share in both sales and lettings. We have geared the Group towards our lettings business which is underpinned by strong structural drivers of demand, but as expected, the introduction of the tenant fee ban in June impacted results, particularly in Q3. Our people remain the key to our business, and our powerful culture of sales and service upholds our unique proposition to our customers.

I am grateful to my predecessor Sheena Mackay for her leadership of the Committee since September 2017, and am pleased that she continues as a Committee member. I would like to thank shareholders and their representative bodies for the constructive consultation on the new remuneration policy which has allowed us to improve the alignment of the policy with shareholders' latest expectations. The Committee and I are happy that at the end of the consultation the new policy had broad support from our major shareholders.

I will be available at the Company's AGM on 13 May 2020 to answer any questions in relation to the Directors' remuneration report.

Alan Giles

Chairman of the Remuneration Committee

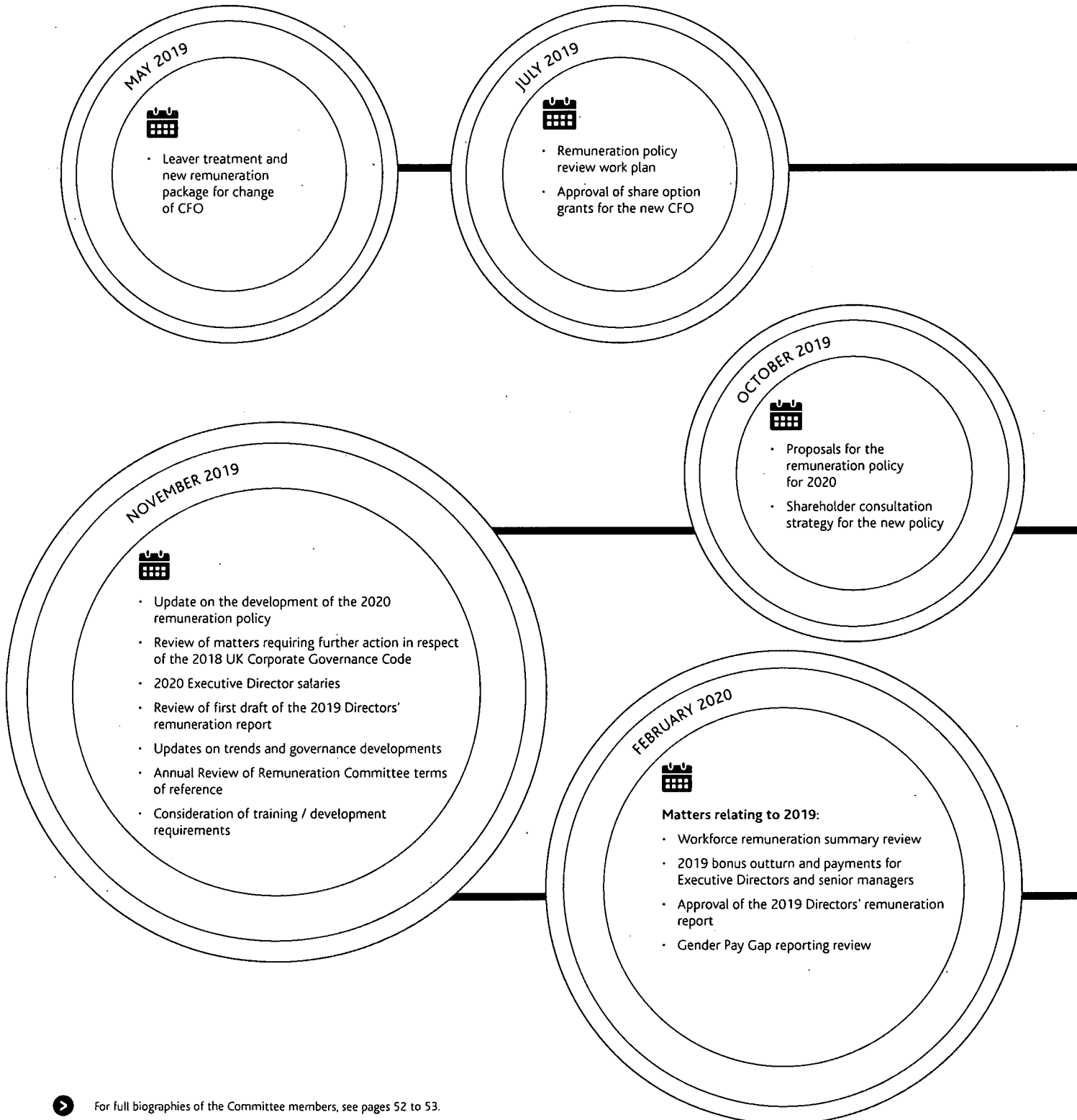
27 February 2020



DIRECTORS' REMUNERATION REPORT *continued*

THE WORK OF THE COMMITTEE

How many times did the Committee meet and what did we do? / We met as a Committee six times since the last Directors Remuneration Report, with three of those meetings being scheduled. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. Below we set out the key activities undertaken during those meetings.



SEPTEMBER 2019



- New remuneration package for appointment of COO to the Board

Who supports the Committee? / During the year, we sought internal support from the CEO whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the senior management team. The Company Secretary acts as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration. Our current adviser is PricewaterhouseCoopers LLP, with further details provided on page 101.

FEBRUARY 2020



Matters relating to 2020, policies and other matters:

- Approval of the remuneration policy for 2020
- Setting annual bonus measures and targets for 2020
- Chairman fees for 2020

What are the Committee's responsibilities?

/ The key responsibilities of the Remuneration Committee are to:

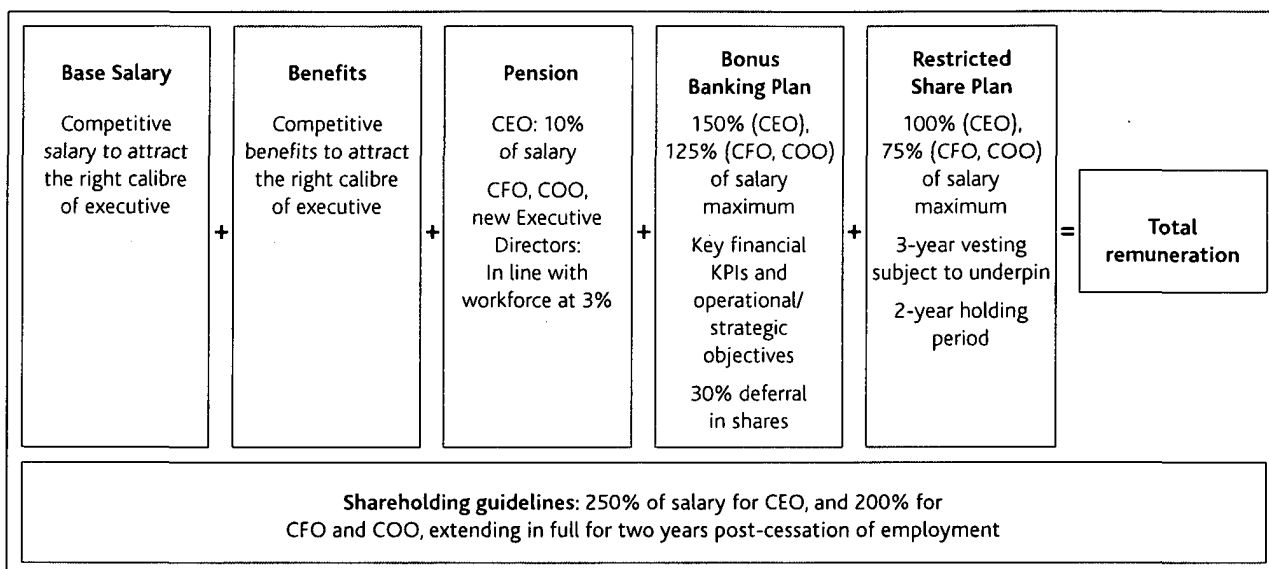
- determine the remuneration policy for Executive Directors and other senior management as it is designated to consider, in the context of pay and conditions across the wider workforce;
- review workforce remuneration and related policies across the Company as a whole;
- design specific remuneration packages which include salaries, bonuses, equity incentives, pension rights and benefits;
- review the Executive Directors' service contracts;
- ensure failure is not rewarded and that steps are always taken to mitigate loss on termination, within contractual obligations; and
- approve the terms of and recommend grants under the Group's incentive plans.

The Committee's terms of reference, which are reviewed regularly, are set out on the Company's website (www.foxtonsgroup.co.uk). The Committee has revised its terms of reference for 2019 to reflect the broader responsibilities under the new UK Corporate Governance Code in relation to wider workforce remuneration and the operation of incentive plans throughout the Company.

DIRECTORS' REMUNERATION REPORT *continued*

DIRECTORS' REMUNERATION REPORT AT A GLANCE

Executive Director remuneration under the new 2020 remuneration policy / Components of remuneration (the colour coding below is used throughout the Directors' remuneration report).



Key policy changes from 2019 / There are five key changes within the 2020 policy compared to the 2017 policy. The changes are described below for each of the relevant components of remunerations.

Pension	<p>The CEO has agreed that his current pension contribution should be reduced from 15% to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. The pension contributions for the new CFO and COO are already in line with the wider workforce at 3% of salary and contributions for new Executive Directors will be in line with the wider workforce.</p>	
Bonus Banking Plan Introduced bonus deferral (via a BBP)	<ul style="list-style-type: none"> • Frequency: Annual contribution to bonus account based on the following performance conditions for 2020: <ul style="list-style-type: none"> - 50% profit; - 10% cost reduction; - 10% sales market share growth; - 10% lettings market share growth; - 10% maintain strong customer service levels; and - 10% maintain strong employee engagement. • Maximum: 150% of salary. • Deferral: 70% of account balance pays out in cash each year until year 4, where full balance is paid in shares and the cycle starts again. Unpaid balance is deferred in shares. • Underpin: The unpaid balance is subject to an annual underpin; the Committee can adjust the unpaid balance if business performance, individual performance or wider Company considerations mean in their view that an adjustment is required. 	Why should shareholders support the BBP? <p>The introduction of the BBP introduces an element of deferral into the Company bonus:</p> <ul style="list-style-type: none"> • this brings the bonus into line with the IA Guidelines on the maximum amount of cash bonus payable; • it provides an element of lock-in and retention not currently present; • the rolling deferral in shares provides an alignment of interests with shareholders; • the smoothing effect on payments over time is a more effective retention tool than standard bonus deferral given the highly cyclical market in which Foxtons operates; • the deferred balance is subject to an annual forfeiture underpin unlike standard deferred bonus shares which, once granted typically vest regardless of performance over the vesting period; and • the performance conditions selected are in line with the strategy and capable of granular disclosure ensuring all stakeholders understand the basis on which bonus has been paid.

<p>Restricted Share Plan</p> <p>Replaced LTIP with an RSP, with annual awards vesting after 3 years plus a 2-year holding period</p>	<ul style="list-style-type: none"> • Frequency: Annual, rolling awards. • Maximum award level: 100% of salary per annum. Reduced from a face value of 404% of salary for the CEO (annualised) under the current Share Option Plan (annualised fair value of the option grant to the CEO is 121% of salary). • Performance conditions: Performance underpin on vesting; the Committee can adjust the level of award vesting if business performance, individual performance or wider Company considerations mean in their view that an adjustment is required. • Vesting: Minimum 3 years with a 2-year holding period post-vesting. 	<p>Why should shareholders support the RSP?</p> <p>The Committee viewed the full range of incentive arrangements including performance on grant, options and a traditional long-term incentive plan before determining that an RSP was the most appropriate. The introduction of the RSP provides:</p> <ul style="list-style-type: none"> • the buildup of a long-term locked in shareholding by the Executive Directors ensuring a focus on the long-term sustainable performance of the business which is essential in the highly cyclical market in which Foxtons operates; • a removal of the "boom" or "bust" effect of a traditional long-term incentive plan where the point in the cycle makes a bigger difference on the pay-out than the performance of the Company; • removes the inherent inaccuracy of the Committee trying to set performance conditions three years in advance which is extremely challenging given the external market factors acting on the Company and the cyclical market it operates in; • allows flexibility in the implementation of the strategy without the requirement to continually review subsisting and new long-term incentive plan performance conditions; • results in an overall reduction in remuneration for the Executive Directors; and • ensures management have the same ownership experience as shareholders. 	<p>The Committee considered very carefully the nature of the underpin for the RSP. The Committee took the following approach:</p> <ul style="list-style-type: none"> • the inherent difficulty of setting accurate financial performance conditions for the Company as set out above which was one of the reasons for the Committee determining a traditional long-term incentive plan was not appropriate; • the nature of the market with material upswings and downswings which could make any financial underpins completely irrelevant when viewed at the end of the three-year vesting period; and • the greater protection provided by a general underpin which allowed the Committee to review holistically the overall performance of the Company, individual performance and wider Company considerations. <p>The Committee, therefore, felt that the introduction of a general underpin provided greater protection for the Company and shareholders because, whereas a specific financial underpin could be met but there still be a misalignment with overall performance, this approach allowed the Committee to take all factors into account on vesting.</p>
<p>Total remuneration</p>	<p>Enhanced malus and clawback provisions, with additional triggers (material failure of risk management, corporate failure and reputational damage).</p>		
<p>Shareholding guidelines</p>	<p>Introduced a post-cessation shareholding requirement, extending in full for two years post-cessation of employment, and increased the CEO's shareholding guideline from 200% to 250% of base salary.</p>		

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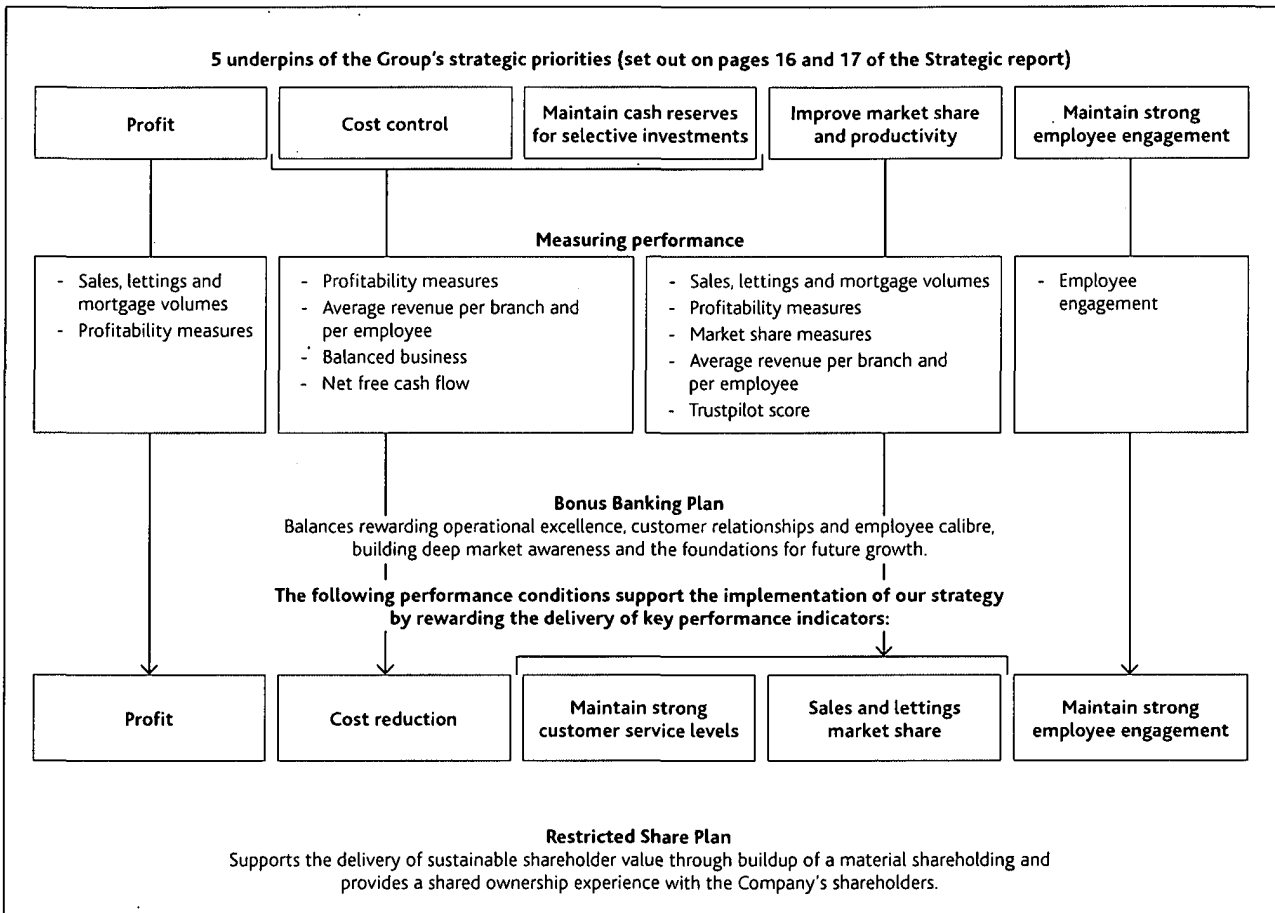
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DIRECTORS' REMUNERATION REPORT *continued*

DIRECTORS' REMUNERATION REPORT AT A GLANCE *continued*

→ **How our new BBP performance measures in 2020 under the new remuneration policy support the implementation of our strategy /** In executing our strategy, we aim to create sustainable value and positive outcomes for our shareholders and all other stakeholders. We have reviewed the performance measures we use for our incentives to ensure that they support the delivery of our strategy. The diagram below demonstrates how our incentive measures align to our strategy.



→ **How we propose to implement the new policy in 2020 /** The following table sets out the key components of remuneration and proposed operation under the new policy:

Executive Directors

Fixed components

Nic Budden, CEO	Richard Harris, CFO	Patrick Franco, COO
Salary: £569,400 (2.5% rise)	Salary: £300,000 (0% rise)	Salary: £300,000 (0% rise)
Pension: 10% of base salary	Pension: 3% of base salary	Pension: 3% of base salary
Benefits: Company car (or allowance), life assurance and private medical insurance	Benefits: Company car (or allowance), life assurance and private medical insurance	Benefits: Company car (or allowance), life assurance and private medical insurance

Variable components

Bonus: 150% salary maximum	Bonus: 125% salary maximum	Bonus: 125% salary maximum
RSP: 100% of salary maximum	RSP: 75% of salary maximum	RSP: 75% of salary maximum

➤ See page 78 for details of the performance conditions for the BBP for 2020.

Non-Executive Directors

Chairman and Non-Executive Director fees are as follows:

- Chairman fee: £184,000 (2019: £184,000)
- Non-Executive Director base fee: £63,000 (2019: £63,000)
- Chair of Audit or Remuneration Committee fee: £10,000 (introduced for 2020)

→ **Remuneration in respect of 2019** / The following table sets out what our Executive Directors earned during the year:

Fixed components

Nic Budden, CEO	Richard Harris, CFO (from 24 June 2019: £275,000)	Patrick Franco, COO (from 1 October 2019)
Salary: £555,500	Salary: £300,000 (from 1 October)	Salary: £300,000 (from 1 October)
Pension: 15% of base salary	Pension: 3% of base salary	Pension: 3% of base salary (from 1 October)
Benefits: Company car (or allowance), life assurance and private medical insurance	Benefits: Company car (or allowance), life assurance and private medical insurance	Benefits: Company car (or allowance), life assurance and private medical insurance

See the Chairman's statement on page 75 for further information on the CFO's salary.

Variable components

2019 annual bonus outcome

	CEO outcome % of salary	CFO outcome % of salary	COO outcome % of salary	CEO actual (£'000)	CFO actual ² (£'000)	COO actual ³ (£'000)
Adjusted EBITDA ¹	67.5% (of a total 90% opportunity)	56.3% (of a total 75% opportunity)	12.0% (of a total 16% opportunity)	375.0	83.9	9.0
Other financial objectives	0% (of a total 15% opportunity)	12.5% (of a total 12.5% opportunity)	n/a	–	18.6	n/a
Stakeholder objectives	37.5% (of a total 45% opportunity)	25.0% (of a total 37.5% opportunity)	22.0% (of a total 24% opportunity)	208.3	37.3	16.5
Total	105% / 150%	93.8% / 125%	34% / 40%	583.3	139.8	25.5

¹ Adjusted EBITDA is on a pre-IFRS 16 basis. Refer to Note 1 of the financial statements for discussion of the impact of IFRS 16 on 2019 Adjusted EBITDA.

² CFO bonus calculated as 93.75% of annual salary pro-rated from 24 June 2019. CFO's annual salary was £275,000 from 26 June 2019 to 30 September 2019, and £300,000 thereafter.

³ COO bonus calculated as 34% of an annual salary of £300,000 reflecting his time as a Board director following his appointment to the Board on 1 October 2019. The COO's bonus entitlement remained in line with his arrangement prior to his appointment to the Board (40% of base salary) and will move to 125% of base salary in line with the policy from 1 January 2020.

⁴ For 2019 the threshold level of payout is equivalent to target and there is no bonus payout below target.

The maximum bonus opportunities for the CEO, CFO and COO in 2019 are 150%, 125% and 40% of salary respectively.

More detail on the outcomes against the other financial and stakeholder objectives are set out on pages 97 and 98.

LTIP	CEO actual (£'000)	CFO actual (£'000)	COO actual (£'000)
No LTIP awards were due to vest based on a performance period ending in the year	–	–	–
Total single figure of remuneration	CEO actual (£'000)	CFO actual¹ (£'000)	COO actual² (£'000)
2019	1,257	298	105
2018	910	n/a	n/a

¹ The CFO, was appointed on 24 June 2019 and therefore no 2018 figure is presented. The CFO's predecessor's total single figure of remuneration for 2019 was £200,000 (2018: £480,000).

² The COO was appointed to the Board on 1 October 2019 as a new Board position and therefore no 2018 figure is presented.

DIRECTORS' REMUNERATION REPORT *continued***OUR NEW 2020 REMUNERATION POLICY**

The Remuneration Committee is required to put the new 2020 remuneration policy to a binding shareholder vote at the next AGM to be held on 13 May 2020, as the current policy that was approved at the May 2017 AGM is approaching the end of its three-year approval period. This new policy, set out below, will take effect from the date of that meeting and is intended to apply for three years.

Our remuneration principles / The Company applies the following remuneration principles throughout the organisation at all levels:

- the Company's policy is to target a remuneration package that is at around median, for median performance, and in the upper quartile for exceptional performance, and which is closely linked with the Company's strategic objectives;
- in setting all elements of remuneration the Company seeks to benchmark itself against comparable companies; and
- the aim of the Company's policy is to attract, retain and continue to motivate talented employees while aligning remuneration with the achievement of the Company's strategic objectives.

In line with this, our key objective for the Executive Director remuneration policy is to help promote the long-term sustainable success of the Company by providing fair and competitive remuneration packages that attract, retain and motivate Executive Directors and senior managers of the right calibre to deliver the Company's strategy, while aligning remuneration with shareholder interests. This is achieved by a significant proportion of remuneration being in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals, as well as a significant proportion of remuneration delivered in long-term equity to encourage sustainable shareholder value creation. The Committee aims to ensure that remuneration arrangements are clear, simple, not excessive and are aligned with the Company's purpose, values and culture, with mechanisms in place to ensure there are no rewards for failure. When setting the policy for Executive Director remuneration, the Committee takes into account remuneration across the organisation as a whole.

How did the Committee determine the new remuneration policy? / The process the Committee went through in determining the new remuneration policy was as follows:

The process the Committee went through in determining the new remuneration policy was as follows:

- the Committee considered the Company's strategy, how the current remuneration policy related to and supported the strategy, and formed its own views on the changes (if any) required to the policy to align with the strategy;
- the Committee considered feedback from shareholders and investor bodies on the 2018 Directors' remuneration report;
- the Committee sought advice from its independent remuneration consultant on the impact of the 2018 UK Corporate Governance Code, regulations and current investor sentiment in formulating the new remuneration policy;
- the Committee reviewed the wider workforce remuneration and incentives to ensure the approach to executive remuneration is consistent;
- the Committee consulted with Executive Directors and other relevant members of senior management on the proposed changes to the remuneration policy; and
- the Committee conducted a full consultation exercise with major shareholders and investor bodies on the changes.

The Committee was mindful in its deliberations on the new remuneration policy of any potential conflicts of interest and sought to minimise them through an open and transparent internal consultation process; by seeking independent advice from its external advisers and by undertaking a full shareholder consultation exercise.

In determining the new remuneration policy, the Committee paid attention to Provision 40 of the 2018 UK Corporate Governance Code, as follows:

Factor	How our new remuneration policy aligns
<p>Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</p>	<p>The BBP performance conditions are based on the core KPIs (which includes employee engagement and customer service levels) of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management.</p> <p>The RSP provides annual grants of shares which must be retained for the longer-term to ensure a focus on sustainable performance in an inherently cyclical market. This provides complete clarity of the alignment of the interests of management and shareholders.</p>
<p>Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</p>	<p>The performance conditions for the BBP are based on the Company's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity.</p> <p>Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.</p>
<p>Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.</p>	<p>The new policy includes:</p> <ul style="list-style-type: none"> • requiring the deferral of a substantial proportion of the incentives in shares for a material period; • aligning the performance conditions with the strategy of the Company; • ensuring a focus on long-term sustainable performance through the RSP; • forfeiture thresholds; and • ensuring there is enough flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. <p>These elements mitigate against the risk of target-based incentives by:</p> <ul style="list-style-type: none"> • deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours; • aligning any reward to the agreed strategy of the Company; • the use of an RSP supports a focus on the sustainability of the performance over the longer term; • reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and • reducing the awards or cancelling them if it appears that the criteria on which the award was based do not reflect the underlying performance of the Company.
<p>Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy.</p>	<ul style="list-style-type: none"> • The new policy sets out clearly the range of values and discretions in respect of the remuneration of management. • The introduction of an RSP increases the predictability of the rewards received by Executive Directors, and the BBP, being based on annual targets, operates over a time cycle where performance is more predictable compared with traditional LTIP schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes for all stakeholders.
<p>Proportionality The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.</p>	<ul style="list-style-type: none"> • The BBP provides a clear link between the reward provided to management and the delivery of the strategy through incentivising management to deliver the KPIs. • The RSP provides a focus on the long-term sustainable performance of Foxtons through the build-up of a long-term locked in shareholding. • Both the BBP and the RSP include performance underpins that allow the Remuneration Committee to exercise its discretion to override formulaic outcomes.
<p>Alignment to culture Incentive schemes should drive behaviours consistent with company purpose, values and strategy.</p>	<ul style="list-style-type: none"> • The BBP drives behaviours consistent with Foxtons' strategy. • The RSP drives behaviours consistent with the Company's purpose and values which are focused on the long-term future of the business throughout the business cycle.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

DIRECTORS' REMUNERATION REPORT *continued***OUR NEW 2020 REMUNERATION POLICY** *continued*

What changes are there between the new policy and the old policy? / The main changes to the new policy, and alignment with key remuneration aspects of the 2018 UK Corporate Governance Code, are as follows:

Current policy	Change to proposed policy	Key element of the 2018 Code requirement introduced
<i>Bonus paid immediately in cash</i>	Introduced bonus deferral in shares (subject to a forfeiture underpin) via a BBP.	• Discretion to override formulaic outcomes.
<i>Share Option Plan</i> <i>Previous LTIP (vesting and released after 3 years)</i>	Replaced with an RSP, with annual awards of restricted shares vesting after 3 years subject to an underpin, with a 2 year holding period post-vesting.	• Five-year period between the date of grant and realisation for equity incentives. • Phased release of equity awards via annual rolling vesting. • Discretion to override formulaic outcomes.
<i>200% of salary shareholding guideline</i>	Introduced a 2 year post-cessation shareholding requirement and increased the CEO's shareholding guideline to 250%.	• Post-cessation shareholding requirement of two years for the full shareholding guideline.
<i>Executive Director pension contributions of 15% of salary (policy limit of 20% of salary)</i>	Employer pension contributions for new Executive Directors will be in line with the wider workforce. The CEO has agreed that his current pension contribution should be reduced to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. Pension contributions for the new CFO and COO are already in line with the wider workforce at 3% of salary. Reduction in policy limit to 10% of salary.	• Pension contributions for new Executive Directors align with those available to the workforce.
<i>Malus and clawback: misconduct, miscalculation or material misstatement of results</i>	Enhanced malus and clawback provisions, with additional triggers (material failure of risk management, corporate failure, and reputational damage).	• Malus and clawback provisions in the BBP and RSP align with the FRC's guidance on board effectiveness.

Total incentive opportunities have been reduced on a face value and fair value basis:

- Bonus maximum remains at a face value of 150% of salary but the inclusion of mandatory deferral in shares has reduced the fair value.
- The maximum face value of an award under the RSP is 100% of salary. Under the previous Share Option Plan the maximum face value of the option granted to the CEO was 404% of salary and 121% of salary on a fair value basis (both on an annualised basis). Therefore, the RSP maximum reflects a reduction on both a face value and fair value basis.

Policy for Executive Directors / Details of the remuneration policy for Executive Directors under the new policy are provided below.

	Purpose and link to strategy	Operation	Maximum	Performance framework
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver the Group's strategy.	Typically reviewed on an annual basis considering several factors, including: <ul style="list-style-type: none"> • scope and responsibilities of role; • individual skills, experience and performance; • business performance and the external economic environment; • appropriate market data; and • pay and conditions elsewhere in Foxtons. 	There is no prescribed maximum limit on salaries. However, salary increases will ordinarily be in line with those of the wider workforce. Increases may be made above this in certain circumstances, including (but not limited to): <ul style="list-style-type: none"> • an increase in scale, scope or responsibilities of the role; and • where individuals have been recruited or promoted with salaries below the targeted policy level initially and have become more established in their role. 	Not applicable. No recovery provisions.
Benefits	To provide Executive Directors with market competitive benefits consistent with the role.	Benefits provided to Executive Directors may include (but are not limited to) a company car or cash equivalent, life assurance, private medical insurance, health club membership and other benefits as appropriate. Executive Directors are eligible to participate in any all-employee share plans on the same basis as other employees, should such plans be implemented by the Group. Additional benefits may be offered such as relocation allowances, subject to the maximum period over which allowances shall be provided not exceeding two years. Executive Directors may utilise the services of the Company under the same preferential terms as all other employees.	Benefits may vary by role and individual circumstance and are reviewed periodically. There is no overall maximum.	Not applicable. No recovery provisions.

	Purpose and link to strategy	Operation	Maximum	Performance framework
Pension	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	Executive Directors may receive pension contributions to a personal pension scheme and/or cash allowances in lieu of contributions.	<p>The CEO has agreed that his current pension contribution should be reduced from 15% to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. The current CFO and COO each receive a pension contribution of 3% of base salary, in line with the majority employer contribution for the wider workforce.</p> <p>For any new appointment, pension contributions will be in line with the majority employer contribution for the wider workforce.</p>	Not applicable. No recovery provisions.
Bonus Banking Plan	<p>Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis to enable successful implementation of the Group's strategy.</p> <p>Aligns the interests of Executives with shareholders and contributes to the retention of key individuals by deferring part of the annual bonus in shares or share-linked units.</p>	<p>Annual performance conditions and targets are set at the beginning of the plan year.</p> <p>Upon annual assessment of performance by the Committee, a contribution will be made by the Company into the participant's plan account and up to 70% of the cumulative balance will be paid in cash for each of the first three years of the plan. Any remaining balance will be converted into shares or share-linked units.</p> <p>100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant.</p> <p>The Committee may award dividend equivalents on shares or share-linked units held under the plan to participants to the extent that they vest.</p> <p>The plan contains malus and clawback provisions (see page 86 for details).</p>	<p>Maximum opportunity is 150% of base salary.</p> <p>For threshold performance 25% of the maximum will be payable.</p> <p>For target performance, 50% of the maximum will be payable.</p> <p>For maximum performance 100% of the maximum will be payable.</p>	<p>Performance measures are determined annually with reference to the Group's key strategic business objectives for the year and are measured over a period of one financial year.</p> <p>A minimum of 50% of the bonus is based on financial measures. The remainder is based on non-financial measures aligned to the strategic priorities of the business and may also contain individual performance objectives.</p> <p>The Committee retains discretion to change the performance measures, targets and weightings part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and make downward or upward adjustments to the amount of bonus contribution earned resulting from the application of the performance measures, if the Committee believes due to business performance, individual performance or wider Company considerations that the bonus outcomes should be adjusted.</p> <p>Any adjustments or discretion applied by the Committee will be fully explained in the following year's Directors' remuneration report.</p>
Restricted Share Plan	To encourage and facilitate substantial long-term share ownership and reward the delivery of sustainable value over time in a cyclical business.	<p>An award of conditional shares or nil cost-options may be granted annually. Awards vest after three years, subject to continued employment and assessment of an underpin. Following vesting, an additional two-year holding period will apply, such that shares are not released until five years from grant.</p> <p>The Committee may award dividend equivalents on shares held under the plan to participants to the extent that they vest.</p> <p>The plan contains malus and clawback provisions (see page 86 for details).</p>	Maximum award of 100% of salary.	<p>No performance measures are associated with the grant of awards.</p> <p>Vesting is subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.</p>

DIRECTORS' REMUNERATION REPORT *continued***▶ OUR NEW 2020 REMUNERATION POLICY** *continued*

Legacy arrangements / The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the policy set out in this report where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a Director of the Company. This includes awards under the existing Share Option Plan.

Minimum shareholding requirement / The Committee believes that Directors should build a sizeable shareholding in the Company over time to ensure that they are as closely aligned as possible with the shareholder experience. The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors. Executive Directors are required to retain the post-tax number of vested shares from the RSP until the minimum shareholding requirement is met and maintained.

On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Director's actual shareholding is required to be retained on the same terms and for the same periods. Shares purchased by Executive Directors outside the Company's incentive plans are excluded from this requirement. In addition, the Company is using the Employee Benefit Trust or nominee accounts in which to hold shares to enable the post cessation requirements to be operated.

Malus and clawback policies / Malus is the adjustment of annual bonus contributions or the balance in a participant's plan account, or unvested RSP awards, because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus or vested RSP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's payment or award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- if the assessment of any performance condition or condition was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the plan contribution or RSP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- a material failure of risk management;
- corporate failure; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority which has led to a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	Bonus Banking Plan	Restricted Share Plan
Malus	Up to the date of a payment under the plan	To the end of the 3-year vesting period
Clawback	2 years post the date of any payment under the plan	2 years post vesting

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

Discretion / The Committee will operate all incentive plans according to the rules and discretions contained therein to ensure that the implementation of the remuneration policy is fair, both to the individual director and to the shareholders. The discretions cover aspects such as:

- selection of participants;
- timing of grant and vesting of awards;
- size of awards (subject to the policy limits);
- choice of measures, weightings and targets;
- determining level of payout or vesting based on an assessment of performance;
- settlement of awards in cash or shares;
- treatment of awards on termination of employment and change of control;
- adjustment of awards in certain circumstances, e.g. changes in capital structure, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award;
- adjustment of performance conditions in exceptional circumstances provided the new targets are fair and reasonable and neither materially more or less challenging than the original targets; and
- application of malus and/or clawback.

Any such use of discretion will be fully disclosed in the subsequent Directors' remuneration report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Performance measure selection / Performance measures used under the annual bonus are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities. The performance targets are set to be stretching but achievable, taking into account a range of internal and external reference points and having regard to the particular strategic priorities and economic environment.

Illustrations of total remuneration opportunity / The charts below provide estimates of the potential future reward opportunities under the policy for each of the Executive Directors and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On Target', 'Maximum' and 'Maximum with share price growth of 50% over 3 years'. The 'Minimum' scenario includes base salary, pension and benefits only (i.e. fixed remuneration).

Element	Assumptions
Total fixed pay	Base salary: Effective 1 January 2020 CEO £569,400 CFO £300,000 COO £300,000 <hr/> Pension: 10% of salary for the CEO, 3% of salary for the CFO and COO <hr/> Benefits: As disclosed in single figure table on page 96
Bonus Banking Plan	Minimum: No payout On-target: 50% of maximum (75% of salary for the CEO, 62.5% of salary for the CFO and COO) Maximum: 100% of maximum (150% of salary for the CEO; 125% of salary for CFO and COO)
Restricted Share Plan	Minimum: No vesting due to operation of the underpin On-target: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO and COO) Maximum: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO and COO)
Share price growth	Impact of 50% share price appreciation on maximum remuneration over three years (on restricted shares)

DIRECTORS' REMUNERATION REPORT *continued*➤ **OUR NEW 2020 REMUNERATION POLICY** *continued*

External relativities / The following charts show for the Executive Directors the position of their on-target base salary and total remuneration compared to the FTSE 250. Whilst the Company is not currently in the FTSE 250 it has been in the past and in the opinion of the Committee the size and complexity of the Company and the roles make this an appropriate base for external comparison.

The charts demonstrate that the remuneration packages of the Executive Directors are set at an appropriate level, being positioned below median for salary and total remuneration.

Approach to remuneration on recruitment / In order to maintain the Group's competitive advantage, it is important that we are able to recruit and retain Directors of the calibre required to deliver successfully our strategic priorities. When determining the remuneration arrangements of a new appointment to the Board, the Committee will seek to apply the following principles:

- although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent; and
- the Committee will appoint new Executive Directors with a package that is in line with the policy in place at the time, as indicated in the table below. In particular, the maximum level of variable remuneration will be in line with the limits set out in the policy table.

Approach on recruitment

Salary	The base salary of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data and pay and conditions elsewhere in Foxtons. Base salary may be higher or lower than the previous incumbent. Salary may be set at a lower level initially with the intention of increasing at a higher than usual rate as the executive gains experience in the role.
Pension	New appointees will be eligible to receive pension contributions (or cash in lieu) in line with the policy.
Benefits	New appointees will be eligible to receive benefits in line with the policy, including relocation benefits if appropriate.
Bonus Banking Plan	The structure described in the policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
Restricted Share Plan	New appointees will be eligible for awards under the RSP which will normally be on the same terms as other executives, as described in the policy table.

- To facilitate recruitment, it may be necessary to "buy-out" remuneration arrangements forfeited on leaving a previous employer. This will be considered on a case-by-case basis and may comprise cash or performance and non-performance related share awards and would be in such form as the Committee considers appropriate considering all relevant factors such as the form, performance conditions, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be no more than the commercial value of the awards forfeited.
- For internal promotions, the approach will be consistent with the policy for external appointees. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Similarly, if an Executive Director is appointed following Foxtons acquisition of or merger with another company, legacy terms and conditions would be honoured.

Service contracts / The current Executive Director service contracts can be terminated by not less than 12 months' notice respectively given in writing by either party to the contract. For any new appointments, an Executive Director may initially be hired on a contract requiring 24 months' notice, which then reduces pro-rata over the course of the first year of the contract to 12 months' notice. The Directors are subject to annual re-election at the AGM. Executive Directors' contracts are available to view at the Company's registered office.

Policy on payment for loss of office / Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- the Committee's objective is to find an outcome which is in the best interests of both the Group and its shareholders, while considering the specific circumstances of cessation of employment. There should be no element of reward for failure;
- the Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations being in line with the policy set out in this report, except where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a director of the Company;
- other than in circumstances where the Company is entitled to terminate employment summarily, if the employment of an Executive Director is terminated with immediate effect, a payment in lieu of notice may be made which would not exceed 12 months' base salary. This payment may be subject to mitigation if alternative employment is taken up during this period; and
- the Committee may authorise payments for statutory entitlements in the event of termination, reasonable settlement of potential legal claims, and payment of reasonable reimbursement of professional fees in connection with such agreements.

The treatment of outstanding incentive awards will be governed by the relevant plan rules as set out in the table below:

Plan	Good leavers ¹	All other leavers	Change of control
Bonus Banking Plan	<p>Contribution for the year of cessation</p> <ul style="list-style-type: none"> • Performance conditions will be measured at the normal measurement date and that year's bonus contribution normally pro-rated for the period worked during the financial year. • The Committee has the following elements of discretion: <ul style="list-style-type: none"> - to determine that an Executive Director is a good leaver (refer to footnote 1); and - to determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Deferred balance in the plan account</p> <ul style="list-style-type: none"> • The balance in the participant's plan account will be payable according to the original payout profile. • The Committee has the following elements of discretion: <ul style="list-style-type: none"> - to determine that an Executive Director is a good leaver (refer to footnote 1); and - to determine whether to pro-rate the balance of the participant's plan account payable on cessation for time. As the plan account balance reflects prior year achievement, subject to any malus or clawback, the Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure. 	<p>Contribution for the year of cessation</p> <ul style="list-style-type: none"> • No bonus contribution payable for year of cessation. <p>Deferred balance in the plan account</p> <ul style="list-style-type: none"> • The balance in the participant's plan account will be forfeited on cessation of employment. 	<p>Contribution for the year of change of control</p> <ul style="list-style-type: none"> • Performance conditions will be measured at the date of the change of control, and the bonus contribution normally pro-rated to the date of the change of control. • The Committee has discretion to determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Deferred balance in the plan account</p> <ul style="list-style-type: none"> • The balance in the participant's plan account will be payable on the change of control. • The Committee has the following elements of discretion: <ul style="list-style-type: none"> - to determine whether the payment of the balance of the participant's plan account should be in cash or shares or a combination of both; and - to determine whether to pro-rate the balance of the participant's plan account for time. As the plan account balance reflects prior year achievement, subject to any malus or clawback, the Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control.

¹ The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing Company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

DIRECTORS' REMUNERATION REPORT *continued***▶ OUR NEW 2020 REMUNERATION POLICY** *continued*

Plan	Good Leavers ¹	All other leavers	Change of control
Restricted Share Plan	<p>For the year of cessation</p> <ul style="list-style-type: none"> The award will normally be pro-rated for the period worked during the financial year. The Committee has the following elements of discretion: <ul style="list-style-type: none"> to determine that an Executive Director is a good leaver (refer to footnote 1); to determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders; to determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; and to determine whether the holding period will apply in full or in part. The Committee will make its determination based amongst other factors on the reason for the cessation of employment. <p>Subsisting awards</p> <ul style="list-style-type: none"> Unvested awards will usually vest on the original vesting date (except on death, when awards may vest immediately), subject to assessment of the underpin, and are normally prorated for time. The Committee has the following elements of discretion: <ul style="list-style-type: none"> to determine that an Executive Director is a good leaver (refer to footnote 1); to determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure; to determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment; and to determine whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment. 	<p>For the year of cessation</p> <ul style="list-style-type: none"> No award for the year of cessation. <p>Subsisting awards</p> <ul style="list-style-type: none"> Unvested awards will be forfeited on cessation of employment (unless otherwise determined by the Committee). Vested awards will remain subject to the holding period. 	<p>For the year of Change of Control</p> <ul style="list-style-type: none"> The award will normally be pro-rated to the date of the change of control. The holding period applicable to any awards will end at the time of change in control. The Committee has discretion to determine whether to pro-rate the award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Subsisting awards</p> <ul style="list-style-type: none"> Awards will vest on the date of the change of control pro-rated to time and the holding period will not apply. The Committee has the following elements of discretion: <ul style="list-style-type: none"> to determine whether the satisfaction of awards should be in cash or shares or a combination of both. to determine whether to pro-rate the award to time. The Committee's normal policy is that it will pro-rate for time. The Committee will determine whether to pro-rate based on the circumstances of the change of control. <p>Alternatively, awards may be exchanged for new equivalent awards in the acquiring company.</p>

Details of the Share Option Plan, which was part of the Company's previous remuneration policy, are set out below:

Plan	Good Leavers ¹	All other leavers	Change of control
Share Option Plan	<ul style="list-style-type: none"> Awards will usually vest on the normal vesting date (except on death, when awards may vest immediately), subject to performance, and are normally prorated for time. The Committee has discretion to allow awards to vest earlier at the date of cessation, and to not apply time pro-rating where there is an appropriate business case which will be explained in full to shareholders. On vesting, participants will normally have up to six months from the date of vesting to exercise their awards (12 months in the case of death). 	<ul style="list-style-type: none"> Awards will normally lapse in full (unless otherwise determined by the Committee). 	<ul style="list-style-type: none"> Awards vest and are immediately exercisable on the date of change of control, normally pro-rated for time and subject to performance. The Committee has discretion to not apply time pro-rating where there is an appropriate business case which will be explained in full to shareholders. Alternatively, awards may be exchanged for new equivalent awards in the acquiring company.

¹ The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing Company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

Differences in remuneration policy for Executive Directors compared with other employees / See our new section headed "Our approach to fairness and wider workforce considerations" on page 92.

External appointments / It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director.

Consideration of employment conditions elsewhere in the Group / Currently, the Remuneration Committee does not formally consult with employees on the executive remuneration policy and framework. However, when making decisions on Executive Director remuneration, the Committee considers pay and conditions across the business. The Committee Chairman will discuss the remuneration policy and practice for Executive Directors with the Group's Employee Engagement Committee on 1 May 2020.

Policy for Chairman and Non-Executive Directors / The Non-Executive Directors, including the Chairman, do not have service contracts. The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of up to three years, which is renewable, and is terminable by the Chairman/Non-Executive Director (as applicable) or the Company on 3 months' notice. No contractual payments would be due on termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Non-Executive Directors do not receive benefits from the Company, and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plans. Where specific cash or share arrangements are delivered to the Chairman or Non-Executive Directors, these will not include share options or any other performance related elements. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

Details of the policy on Non-Executive Director fees are set out in the table below:

Purpose and link to strategy	Operation	Fee levels
To enable the Group to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	<p>The Chairman is paid an annual all-inclusive fee for all Board responsibilities.</p> <p>Non-Executive Directors receive a basic annual Board fee. Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a Committee, or the role of Senior Independent Director.</p> <p>The Chairman's fee is determined by the Committee, and fees to Non-Executive Directors are determined by the Board. Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data.</p> <p>Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.</p>	<p>Fee increases are typically expected to be in line with wider employee rises. In exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role) the Board may make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director.</p> <p>The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Company's articles of association.</p>

Minor amendments / The Committee may make minor amendments to the policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for that amendment.

Consideration of shareholder views / The Committee takes an active interest in the views of shareholders and is always open to feedback. This feedback helps shape the structure of the Group's remuneration policy. During 2019 and 2020, the Committee consulted extensively with major shareholders, Glass Lewis, the IA and ISS on the new policy. The consultation exercise and its results are set out in the letter from the Chairman of the Remuneration Committee on pages 72 to 74.

DIRECTORS' REMUNERATION REPORT *continued***2019 ANNUAL REPORT ON REMUNERATION**

→ **Our approach to fairness and wider workforce considerations** / We have taken the opportunity to create a new section in this report which brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our Director pay by explaining our employee policies and our approach to fairness, including the following:

- the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;
- general pay and conditions in the Group;
- gender and diversity; and
- comparison metrics on executive and employee remuneration.

In order for the Committee to carry out its oversight review of wider work force pay, policies and incentives the Committee receives a report annually from the Company setting out key details of remuneration throughout the Company. Details of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review / The table below summarises the Group's approach to workforce remuneration across five employee groups.

Employee group	% of workforce	Average increase in base salaries ¹	Variable pay ²				
			Commission schemes	Annual cash bonus	Share plans ³	Pension ⁴	Benefits ⁵
Executive Directors	<1%	1%	No	All	Yes	Yes	Yes
Senior Management	2%	3%	Revenue earners only	Majority	Yes	Yes	Yes
Senior Sales Staff	18%	5%	Yes	Sales directors only	Yes	Yes	Yes
Sales and Sales Support Staff	66%	10%	Revenue earners only	No	No	Yes	Yes
Administrative Staff	14%	5%	No	Role dependent	No	Yes	Yes

¹ Base salaries

- Base salaries are market competitive and determined with reference to role type, experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type. The base salaries of sales focused employees are subject to periodic market benchmarking rather than annual salary reviews due to the commission structures in place.
- Average increase in base salaries include increases for the same role, changes due to promotions/demotions and changes in fixed vs variable pay arrangements. Analysis excludes new joiners and Executive Director appointments in the last 12 months.

² Variable pay

- In line with our approach to Executive Director remuneration, a significant proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
- Over 85% of the workforce benefit from variable pay which is linked to the Group's performance in the form of commission schemes or annual cash bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities (refer to pages 16 and 17 of the Strategic report).
- For Sales and Sales Support Staff variable pay represents approximately 50% of base salary compared to 15% to 30% for Senior Sales Staff. This is due to Senior Sales Staff having managerial responsibilities, whilst Sales and Sales Support Staff are primarily sales focused.

³ Share plans

- Historically equity participation has been limited since the Group's variable pay arrangements provide strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities. Certain members of Senior Management and Senior Sales Staff participate in the Share Option Plan. The Company will continue to review the use of share plans for the wider workforce.

⁴ Pension

- Employer contributions are consistent across the Group (3% employer contribution), with minor deviations appropriate for role type.

⁵ Benefits

- Consistent approach applied and determined with reference to role type, market practice and seniority.

Clearly the levels of remuneration and the types offered will vary across the Company depending on the employee's level of seniority and role. The Committee is not looking for a homogeneous approach; however, when conducting its review, it is paying particular attention to:

- whether the element of remuneration is consistent with the Company's remuneration principles (see page 82);
- if there are differences, whether they are objectively justifiable; and
- whether the approach is fair and equitable in the context of other employees.

The key findings of the Committee's review for 2019 are as follows:

- Average salary increases for employees across the Company are being applied on an equitable and objective basis.
- The majority of our employees have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance.
- Executive Directors are required to adhere to minimum shareholding guidelines.
- All employees are eligible for enrolment in a defined contribution pension arrangement. The CEO has agreed that his current pension contribution should be reduced from 15% to 10% of base salary for 2020, with a view to achieving alignment with the wider workforce by the end of 2022. The pension contributions for the other Executive Directors already align to the wider workforce. Pension contributions for any new Executive Director will align with the majority employee contribution.
- Benefits are offered according to the level of seniority of the role in line with market practice.

The Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. Further, that in the Committee's opinion the approach to executive remuneration aligns with the wider Company pay policy and that there are no anomalies specific to the Executive Directors.

Communication and engagement with employees / The Board is committed to ensuring there is an open dialogue with our employees over various decisions and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities.

The Employee Engagement Committee (EEC) was established in 2019 to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives. The EEC supports the Group in satisfying Provision 5 of the UK Corporate Governance Code published in July 2018, as well as capturing meaningful input and feedback from staff. The EEC meets quarterly and a Non-Executive Director attends each meeting alongside staff representatives. The EEC is made up from staff representatives across all areas of the business and includes individuals from each of our diversity and inclusion communities.

Alongside the EEC, we commission an Employee Engagement Survey, which is independently administered by Willis Towers Watson, as a platform for employee voice and feedback. The output from each Employee Engagement Survey is reviewed by the Board and appropriate actions taken in response to any findings.

Additionally, monthly communication meetings are held across each of our territories which act as a forum to discuss matters raised at the EEC or through the Employee Engagement Survey.

Once the Committee has conducted its review of the wider workforce remuneration and incentives it considers the approach applied to the remuneration of the Executive Directors and senior management. In particular, the Committee is focused on whether, within the framework set out above, the approach to the remuneration of the Executive Directors and senior management is consistent with that applied to the wider workforce.

The Committee Chairman will discuss the remuneration policy and practice for Executive Directors with the Group's Employee Engagement Committee on 1 May 2020.

Living wage, equal opportunities and diversity initiatives / A summary of the Company's general policies in relation to living wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living wage employer	The National Living Wage is the amount of money all employees aged over 25 are legally entitled to. Our policy is to ensure that all employees, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details are provided in the Strategic report on pages 26 to 29.

Gender Pay Gap / We feel strongly about the importance of having a workforce which represents the city we operate in. We hire from diverse backgrounds, employing 54% men and 46% women across our business, and our recruitment policies, salary and bonus structures are designed to be gender neutral.

The Group recognises that the key driver behind both our hourly and bonus gap is a higher proportion of male employees in senior roles, and so we continue to remain focused on initiatives to increase female representation at senior management and leadership level. More information can be found in our Gender Pay Gap report which is available at www.foxtonsgroup.co.uk/about/gender-pay.

DIRECTORS' REMUNERATION REPORT *continued*▶ **2019 ANNUAL REPORT ON REMUNERATION** *continued*

CEO pay ratio / We have set out the ratio of CEO pay (based on the single total figure of remuneration) to that of UK employees for 2019, in the table below. The calculation has been performed in line with 'Option A' under the new Regulations in line with best practice and is based on the total single figure of remuneration methodology.

Financial year	Method used	CEO pay ratio			CEO total pay (£000)	Employee total pay and benefits			CEO salary (£000)	Employee salary		
		25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio		25th percentile pay (£000)	50th percentile pay (£000)	75th percentile pay (£000)		25th percentile pay (£000)	50th percentile pay (£000)	75th percentile pay (£000)
2019	Option A	48:1	37:1	22:1	1,257	26.0	34.3	56.0	556	24.5	20.4	55.0

Total remuneration for each UK employee was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile employees identified as at 31 December 2019. The hourly rates were annualised using the same number of contractual hours as the CEO. Employee total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus, commissions earned and benefits. The total remuneration for the relevant employees was compared to that of the CEO.

The Company believes that the median pay ratio for 2019 is consistent with the pay, reward and progression policies for the Company's employees.

In assessing our pay ratio versus likely ratios from industry peers, we believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst this group. In our case, the CEO single figure comprises fixed pay, taxable benefits, pension benefits and bonus only, given that no long-term incentive vested in respect of performance in 2019, or in any of the prior years. We also recognise that ratios will be influenced by levels of employee pay, and in the real estate sector, employee pay will be lower than in many other sectors of the economy.

Over time, we expect that there may be significant volatility in this ratio, and we believe that this will be caused by the following:

- our CEO pay is made up of a higher proportion of incentive pay than that of our employees, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio; and
- we recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees, as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. Where the structure of remuneration is similar, as for senior management and the CEO, the ratio is likely to be much more stable over time.

CEO and average employee pay against total shareholder return (TSR) / The chart below shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to September 2013 (date of listing). We have also included our TSR performance over this period against the FTSE 250 and FTSE All Share indices, based on £100 invested at listing. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate base for comparison, and the FTSE All Share was chosen as the Company is a constituent of that index.

Pay performance: TSR chart
(£'000)

	2013	2014	2015	2016	2017	2018	2019
Incumbent ¹	M. Brown	M. Brown / N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden
CEO single figure of remuneration (£'000)	624	257 / 327	856	982	914	910	1,257
Annual bonus payout (% of maximum)	n/a	n/a / 20%	51.5%	36.5%	26.1%	30%	70%
LTIP vesting (% of maximum)	n/a	n/a / n/a	n/a	0%	0%	0%	0%

¹ Michael Brown stepped down as CEO on 30 June 2014 and was replaced by Nic Budden on 1 July 2014.

The CEO's remuneration has increased overall over the period whilst Foxtons' TSR has decreased. The reduction in Foxtons' TSR has been significantly influenced by the prolonged sector downturn over the last 6 years which is due to external factors largely outside of management's control. This does not reflect the strong performance and success of the CEO in maintaining the Company in a strong position throughout the downturn so as to be able to capitalise on the recovering market, which has been reflected in his annual bonus payouts (although no LTIP awards have vested).

The new incentive structure developed as part of the 2020 Policy has been designed to ensure that the Executive Directors are able to build a material shareholding, which we expect to improve alignment with the shareholder experience over time. The chart shows that our average employee pay has similarly trended upwards over the period. The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our employees, which introduces a higher degree of variability in his pay each year versus employees.

Percentage change in CEO's remuneration / The Committee monitors the changes year-on-year between our CEO pay and average employee pay. As per our policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce. The table below shows the percentage change in CEO remuneration, comprising salary, taxable benefits and annual bonus, and comparable data for the average of employees within the Company. The comparator group is based on all employees.

	CEO			All other employees	
	2019 (£'000)	2018 (£'000)	% change		% change
Salary	556	550	1%		7%
Taxable benefits	34	29	17%		14%
Short-term variable pay*	583	248	135%		23%
Total	1,173	827	42%		11%

* Short-term variable pay includes annual bonus and commission payments.

The Committee is pleased to note the correlation between the CEO and other employees in terms of the change in the remuneration above; which supports the Committee's conclusion that there is alignment between executive remuneration and wider workforce pay principles.

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DIRECTORS' REMUNERATION REPORT *continued***2019 ANNUAL REPORT ON REMUNERATION** *continued*

→ **How we implemented the current policy in 2019** / This section provides details of how our remuneration policy was implemented during the financial year ended 31 December 2019.

Single figure of the Executive Directors (audited) / The table below sets out a single figure for the total remuneration received by each Director for the year ended 31 December 2019 and the prior year:

		Salary / fees	Taxable benefits ¹	Annual bonus ²	LTIP ³	Pension ⁴	Total	Total fixed remuneration	Total variable remuneration	Amount attributable to share price appreciation
Executive Directors										
Nic Budden	2019	556	34	583	–	84	1,257	674	583	–
	2018	550	29	248	0	83	910	662	248	–
Richard Harris ⁵	2019	149	5	140	–	4	298	158	140	–
	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Patrick Franco ⁶	2019	75	2	26	–	2	105	79	26	–
	2018	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mark Berry ⁷	2019	166	9	–	–	25	200	200	–	–
	2018	282	15	141	–	42	480	339	141	–
Non-Executive Directors										
Garry Watts	2019	184	–	–	–	–	184	184	–	–
	2018	184	–	–	–	–	184	184	–	–
Ian Barlow	2019	63	–	–	–	–	63	63	–	–
	2018	63	–	–	–	–	63	63	–	–
Sheena Mackay	2019	63	–	–	–	–	63	63	–	–
	2018	63	–	–	–	–	63	63	–	–
Alan Giles ⁸	2019	37	–	–	–	–	37	37	–	–
	2018	–	–	–	–	–	–	–	–	–
Andrew Adcock ⁹	2019	5	–	–	–	–	5	5	–	–
	2018	63	–	–	–	–	63	63	–	–

¹ Benefits received in 2019 include a car or car allowance, medical and life assurance.

² This is the total bonus earned in respect of performance during the relevant year, and was payable entirely in cash for 2018 and 2019. Further details of the performance criteria, achievement and resulting awards for the 2019 bonus are set out below. The Committee agreed that Patrick Franco's bonus should be determined on his maximum bonus entitlement prior to his appointment to the Board (40% of base salary) for 2019, with the move to 125% of base salary taking effect from 1 January 2020.

³ No LTIP awards were due to vest based on a performance period ending during 2019. The 2018 figure for Nic Budden is based on the 2016 LTIP award, which lapsed as the performance conditions for the three-year period ending 31 December 2018 were not met.

⁴ During 2018 and 2019, the Executive Directors received a pension contribution or cash allowances in lieu of a pension contribution. For 2019, this was 15% of salary for Nic Budden, and 3% of salary for Richard Harris and Patrick Franco.

⁵ Richard Harris joined the Board as CFO on 24 June 2019. He was appointed to the Board initially on a salary of £275,000, which was increased to £300,000 from 1 October 2019. See the Remuneration Committee Chairman's statement on page 75 for further details.

⁶ Patrick Franco joined the Board as COO with effect from 1 October 2019.

⁷ Mark Berry stepped down from the Board on 24 June 2019. Details of his termination payments are included in the 'Letter from the Chairman of the Remuneration Committee' on page 74.

⁸ Alan Giles joined the Board as a Non-Executive Director with effect from 1 June 2019.

⁹ Andrew Adcock remained on the Board until he sadly passed away on 26 January 2019.

The following charts show the total single figure of remuneration for the CEO, CFO and COO compared to the remuneration policy scenarios under the 2017 remuneration policy which applied during the year.

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Annual bonus payout in respect of 2019 (audited) /

Adjusted EBITDA performance condition / See page 81 for details of the assessment of the Adjusted EBITDA performance conditions.

Other financial and stakeholder objectives / Executive Directors' financial and stakeholder objectives continue to be linked to the delivery of the Group's strategic priorities. By their nature, some objectives require a more subjective assessment than others and this is done by the Committee following the input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision-making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed:

Measure	Weighting	Objectives	Summary performance	Assessment	Outcome (% of maximum)
CEO (Nic Budden)					
Financial objective: Gross margin growth	10%	To improve gross margin	Four under-performing branches were closed in 2019 and whilst this action is expected to improve future profit margins, the further deterioration of the sales market in 2019 meant that this could not be achieved within the year.	Not met	0%
People: Employee engagement	10%	Strengthen workforce engagement following 2018 restructuring activities	A highly engaged workforce is key to Foxtons long term success and during 2019 the CEO inspired high levels of employee engagement; maintained a dynamic sales culture and was voted a top 50 UK CEO in Glassdoor's Employee's Choice Awards with an employee approval rating of 91%. Foxtons measures employee engagement through an independent survey, which in 2019 returned exceptionally good results including: 83% overall employee engagement; 93% of employees believe the company supports a diverse and inclusive workplace; 95% of employees believe they are encouraged to act ethically and adhere to the highest standards at all times.	Met in full	10%
People: Teams and succession	10%	Build and execute critical leadership and succession options	During 2019 an integrated people strategy was implemented covering talent acquisition, learning and development and HR alongside a comprehensive senior management succession plan all of which improved the Company's bench strength. Key senior people have been recruited across key functions including strategy, finance, human resources and IT. A new digital blended learning and development platform has been launched alongside management and leadership development programmes. Additionally, efficiency and productivity has been increased through a new absence management programme. The Employment Engagement Committee was launched to further strengthen the Board's engagement with the workforce.	Met in full	10%
Customer service and experience	10%	Delivery of key strategic priorities, including development of new capabilities in response to competitor actions	Foxtons strengthened its customer proposition in 2019. The success of its customer strategy was reflected in increasing market share; reduced landlord attrition; increased penetration of lettings managed services; high levels of positive customer feedback ('Excellent' Trustpilot customer rating) and the strength of the Foxtons brand, which continues to be the most recognised in the sector. 2019 also saw the continued refinement of Foxtons digital marketing strategy with improved marketing effectiveness across a number of channels in support of brand development and customer acquisition as demonstrated by a number of relevant marketing performance metrics (for example, a 9% increase in digital enquiries; 24% reduced cost of enquiry; and 19% increase in the web valuation conversion rate). A new data services team has been embedded with a customer data platform under development.	Met partially	5%

DIRECTORS' REMUNERATION REPORT *continued***2019 ANNUAL REPORT ON REMUNERATION** *continued***Other financial and stakeholder objectives / continued**

Measure	Weighting	Objectives	Summary performance	Assessment	Outcome (% of maximum)
CFO (Richard Harris)					
Financial objective: Deliver further efficiencies to improve profitability	10%	Review branch profitability and implement further cost efficiencies	Successfully executed the closure of four under-performing branches which will improve future profit margins. Strong progress has been made on minimising the exposure on vacant property and wider profit improvement plans executed for other trading branches.	Met in full	10%
Debt facility	10%	Arrange appropriate debt facility with improved terms compared with current arrangements	This objective was met in full by the previous CFO, and therefore not achieved by the current CFO.	Not met (met in full by previous CFO)	0%
Strategic initiatives, including improved management information systems and delivering cost savings	10%	Manage cost base tightly in light of market conditions Improve management reporting to drive better decision making	The Group's financial position has been strengthened by the CFO through targeted cost reduction programmes delivering £4.0m of additional cost savings in 2019 and strong control of capital expenditure. A strong balance sheet has been maintained in a challenging environment with a cash position of £15.5m at 31 December 2019 and no external borrowings. New management reporting has been implemented in the period to help drive business decision making and financial performance.	Met in full	10%
People	10%	Strengthen the Group's financial and commercial expertise	Improved finance capabilities were embedded to enhance finance support for commercial and strategic decisions. New capability has resulted in stronger business partnering and enhancements to the Group's control and financial reporting environment. These changes will support the delivery of key strategic programmes.	Met in full	10%
COO (Patrick Franco)					
Customers: Marketing	20%	Implement digital marketing	Strengthened brand awareness through the execution of digital marketing strategies resulting in improved conversion efficiency, reduced valuation costs and improved customer experience metrics (for example, a 9% increase in digital enquiries; 24% reduced cost of enquiry; and 19% increase in the web valuation conversion rate).	Met in full	20%
Customers: New revenue and product streams	20%	Establish new revenue and product streams	Strategic progress across lettings, sales and ancillary revenue streams, including developing new sales propositions and capabilities. All new revenue streams have grown over the course of 2019, including growth in conveyancing services, Zero Deposits service and the professional PRS and build-to-rent lettings revenues.	Met partially	15%
Regulation and compliance	10%	Implement recommendations from external compliance audits and enhance the Group's compliance competitive advantage	With the work completed in 2019 the Group's compliance environment has been strengthened. No major regulatory or compliance issues were experienced in 2019. We successfully completed an HMRC anti-money laundering audit; implemented numerous new policies and procedures and integrated separate legal and compliance teams under a single Head of Legal and Compliance role to improve accountability and strengthen governance.	Met in full	10%
People	10%	Implement integrated people strategy	An integrated people strategy has been implemented across talent acquisition, learning and development and human resources. Key deliverables have been diversity and inclusion networks, such as 'Women@Foxtons', 'Foxtons LGBTQ+' and 'Afro at Foxtons', all of which have been very successful as demonstrated by the feedback received in our employee engagement survey. Efficiency and productivity has been increased through a new absence management programme. A new digital blended learning and development platform has been launched along with a new coaching and performance management platform to support the delivery of strategic priorities. Our employer value proposition has been strengthened, including new salary packages and working hours. The Employment Engagement Committee was launched to further strengthen the Board's engagement with the workforce.	Met in full	10%

The Committee reviewed the overall bonus outcomes and total remuneration for the Executive Directors versus overall business performance and concluded that the resulting outcome is appropriate especially given the strong progress made on key strategic objectives. Bonuses for 2019 are paid entirely in cash.

Scheme interests granted during 2019 (audited) / Following his appointment to the Company and Board, Richard Harris received a one-off award of 300,000 market value share options under the Foxtons Group plc Share Option Plan on 13 August 2019. The award was granted with an exercise price equal to the share price at grant (52.38p) less cumulative dividends per share between grant and exercise. The awards vest based on five-year absolute TSR, with an exercise window of 5 to 10 years from grant. Details of the award and performance conditions are summarised in the table below. No other Executive Directors received any long-term incentive awards during the year.

Executive	Number of options	Face value	Exercise price	Performance conditions	Performance period
Richard Harris	300,000	£154,800 ¹	52.38p ²	Threshold: 25% vesting for absolute TSR of 10% growth per annum. Stretch: 100% vesting for absolute TSR of 16% growth per annum or more. Straight-line vesting between threshold and stretch.	13 August 2019 to 13 August 2024

¹ This is based on the closing share price of 51.60p on the date of grant of 13 August 2019.

² Average share price over the three trading days immediately preceding the date of grant.

Statement of Directors' shareholding and share interests (audited) / The table below shows the interests of the Directors and connected persons in shares (owned outright or vested) as at 31 December 2019. There have been no changes in Directors' interests in the period between 31 December 2019 and 27 February 2020.

	Outstanding scheme interests							
	Shares owned outright	Unvested shares not subject to performance	Unvested shares subject to performance	Unvested share options subject to performance	Total scheme interests	Shareholding guideline (% of salary) ⁴	Current shareholding (% of salary) ⁵	Guideline met
Nic Budden	304,660	–	–	6,500,000 ⁶	6,500,000	200%	48%	No
Richard Harris ¹	–	–	–	300,000 ⁶	300,000	200%	nil	No
Patrick Franco ²	–	–	–	1,000,000 ⁶	1,000,000	200%	nil	No
Garry Watts	43,477	–	–	–	–	–	–	–
Ian Barlow	117,987	–	–	–	–	–	–	–
Sheena Mackay	–	–	–	–	–	–	–	–
Alan Giles ³	35,557	–	–	–	–	–	–	–

¹ Richard Harris joined the Board as an Executive Director on 24 June 2019.

² Patrick Franco joined the Board as an Executive Director on 1 October 2019.

³ Alan Giles joined the Board as a Non-Executive Director on 1 June 2019.

⁴ The shareholding guideline for the CEO (Nic Budden) will increase from 200% of salary to 250% of salary from 1 January 2020.

⁵ Based on the share price on 31 December 2019 of 88p. Shares owned outright have been included. None of the Executive Directors have met their shareholding guideline.

⁶ Market value options include awards under the 2017 Share Option Plan.

Rosie Shapland, who was appointed on 5 February 2020, currently holds no shares.

External appointments / The only Executive Director to hold any external appointments is Patrick Franco, COO. Patrick serves as a trustee of the charity, Global Heritage Fund, and does not receive a fee for this position.

DIRECTORS' REMUNERATION REPORT *continued*➔ **2019 ANNUAL REPORT ON REMUNERATION** *continued*

Relative importance of spend on pay / The chart below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2018 and 31 December 2019.

Relative importance of spend on pay
(£m)

➔ **Additional information /** The following table sets out the other elements of the Annual Report on Remuneration and where in the Directors' remuneration report they can be found (where relevant).

Element	Page
No LTIP award vested for performance ending in the 2019 financial year (audited)	71
Payment for loss of office (audited)	74
How we will apply the policy in 2020	80
LTIP awards were granted during the 2019 financial year (audited)	99
No payments to former Directors during the 2019 financial year (audited)	n/a

Service contracts / The Executive Directors are employed under contracts of employment with Foxtons Group plc. The principal terms of the Executive Directors' service contracts are as follows.

Executive Director	Position	Effective date of contract	Notice period	
			From Company	From Director
Nic Budden	CEO	1 July 2014	12 months	12 months
Richard Harris	CFO	24 June 2019	12 months	12 months
Patrick Franco	COO	1 October 2019	12 months	12 months

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment	Date of appointment/last reappointment at AGM	Notice period
Garry Watts	23 August 2013	20 May 2019	3 months
Ian Barlow	23 August 2013	20 May 2019	3 months
Sheena Mackay	14 September 2017	20 May 2019	3 months
Alan Giles	1 June 2019	–	3 months
Rosie Shapland	5 February 2020	–	3 months

Who are the Committee's advisers? / The Remuneration Committee received advice on executive remuneration from Mercer | Kepler ("Kepler") until June 2019. From July 2019, PricewaterhouseCoopers LLP ('PwC') was appointed by the Remuneration Committee as independent adviser following a formal selection process. PwC and Kepler are founding members of the Remuneration Consultants Group and voluntarily operate under its Code of Conduct in its dealings with the Committee. The fees charged for the provision of independent advice to the Committee during the year were £6,000 from Kepler and £83,500 from PwC. Other than in relation to advice on remuneration, PwC provides support to management in relation to tax compliance, IT and internal audit and ad-hoc tax and accounting advice. The Committee is satisfied that both the Kepler and PwC engagement partners and teams, which provided remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

Shareholder voting at the Company's AGMs / The table below sets out the results of the most recent shareholder votes on the policy report (2017 AGM) and the advisory vote on the 2019 Annual Report on Remuneration at the 2019 AGM on 20 May 2019.

Resolution	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld ¹
Policy report (2017 AGM)	72.0%	28.0%	149,696,924	58,161,478	1,435,751
Annual Report on Remuneration (2019 AGM)	78.4%	21.6%	179,445,331	49,531,967	1,189,454

¹ A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

At the 2019 AGM, the Annual Report on Remuneration received a 78.4% 'for' vote, which the Board acknowledged was influenced to a large extent by shareholder concerns regarding the FY2018 bonus outcomes. As set out in our update statement, published on 13 November 2019 in line with the regulations, the Committee subsequently conducted a detailed review of the current Remuneration Policy, as part of which it considered the particular concerns raised by shareholders in relation to the 2018 bonus outcomes, namely:

- the payment of bonus on personal and strategic objectives despite not achieving the financial targets;
- the weighting of the bonus to personal and strategic objectives;
- the selection of some of the personal and strategic objectives and their level of granularity; and
- insufficient disclosure of the personal and strategic objectives and their basis of satisfaction.

The Committee has addressed all the above issues in the new proposed remuneration policy, in addition to changes to align with the 2018 UK Corporate Governance Code and shareholder and UK remuneration governance guidelines. A comprehensive consultation was conducted with all of the Company's major shareholders, Glass Lewis, the IA and ISS, to gain their input on the new proposed remuneration policy before its finalisation. Refer to the Chairman's statement on pages 72 to 74 for full details of shareholder engagement.

The Director's Remuneration Report was approved by the Board on 27 February 2020.

On behalf of the Board

Alan Giles

Chairman of the Remuneration Committee

27 February 2020



DIRECTORS' REPORT /

Corporate structure / Foxtons Group plc is the holding company of the Foxtons group of companies. It is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the main market of the London Stock Exchange. The Company has no branches outside the UK.

Corporate governance / A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on pages 54 to 101 and forms part of this report by reference.

Effectiveness of the risk management and internal control systems / As set out in the Audit Committee's report on page 67, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

The Board of Directors / The members of the Board of Directors and their biographical details are shown on page 52 and 53 and are incorporated into this report by reference. As reported in last year's Annual Report and Accounts, during the year, Andrew Adcock sadly passed away and ceased to be a Director on 26 January 2019. Mark Berry stepped down from the Board on 24 June 2019. Alan Giles, Richard Harris and Patrick Franco were appointed as Directors on 1 June 2019, 24 June 2019 and 1 October 2019 respectively. Subsequent to the year end, Rosie Shapland was appointed as a Director on 5 February 2020.

Appointment and replacement of Directors / The appointment and replacement of Directors is governed by the Company's Articles of Association (the "Articles"), the Companies Act 2006 and related legislation. The Articles provide that the Directors may be appointed by ordinary resolution of the shareholders or by the Board. The Company must have not less than two, or more than 12 Directors. Where Directors are appointed by the Board, they may only hold office until the next AGM of the Company where they will be eligible for election. Each Director must then retire from office at the third AGM after the AGM at which he was last elected. However, the Board has decided that all Directors will seek re-election at each AGM in accordance with the Code. The Company may remove a Director by special resolution or by ordinary resolution where special notice has been given and the necessary statutory procedures are complied with.

Powers of Directors / Subject to the Articles, the Companies Act 2006 and related legislation, and any directions given by special resolution of the shareholders, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Articles of Association / The Company may alter its Articles by special resolution at a general meeting of the Company. The Company's Articles are available on the Company's website www.foxtongroup.co.uk.

Directors' indemnity / The Company has granted a third party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law, in connection with the discharge of their duties as a Director of the Company and its subsidiaries. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against the Directors.

Compensation for loss of office / The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' remuneration report on pages 70 to 101.

Dividends / In line with the Group's policy the Directors are not recommending the payment of any dividend on its ordinary shares for the year ended 31 December 2019 (2018: nil) but will consider future dividend policy in the light of results from the business going forward.

Post balance sheet events / There are no post balance sheet events to report.

Future developments in the business of the Company / Details of the Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic report on pages 1 to 49 and form part of this report by reference.

Greenhouse gas emissions / Information on the Group's greenhouse gas emissions is set out in the Corporate social responsibility statement on page 47 and forms part of this report by reference.

Research and development / The Group does not undertake any material activities in the field of research and development.

Political donations / No political donations were made in 2019 (2018: nil).

Employee involvement and policy regarding disabled persons / The Group provides employees with information on the Group's performance and on matters concerning them on a regular basis. Considerable value is placed on the involvement of employees, which is reflected in the principles of Foxtons' corporate practices and related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

Foxtons operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or any other basis. The Company's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Further information on the Company's policies on diversity, inclusion and career progression are contained in the Strategic report on pages 26 to 29. This section also includes details of the Directors' engagement with employees during the year.

Directors' interests / The beneficial interests of the Directors of the Company and their closely associated persons in the issued ordinary shares of the Company at 31 December 2019 are provided on page 99, within the Directors' remuneration report. Details of any changes in those interests between 31 December 2019 and 27 February 2020 are also shown on page 99.

Share capital / At 31 December 2019 and the date of this report, there were 275,104,391 ordinary shares of £0.01 each in issue. Each ordinary share carries one vote; therefore, the total votes in issue at 31 December 2019 were 275,104,391.

Details of the Company's issued share capital can be found in Note 18 of the financial statements.

Rights and obligations attaching to shares / The Company has a single class of ordinary shares in issue. Holders of the ordinary shares are entitled to receive dividends (when declared) and a copy of the Company's Annual Report and Accounts, attend and speak at general meetings of the Company and appoint proxies and exercise voting rights or the transfer of voting rights. At any general meeting, on a show of hands, every shareholder present in person or by proxy shall have one vote and, on a poll, every shareholder present in person or by proxy shall have one vote for every share of which they are the holder. Subject to certain thresholds being met, holders of ordinary shares may requisition the Board to convene a general meeting or propose resolutions at AGMs. On liquidation, holders of ordinary shares may share in the assets of the Company.

None of the ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights or the transfer of voting rights. Major shareholders have the same voting rights per share as all other shareholders. The Company is not aware of any arrangements under which financial rights are held by a person other than the holder of the shares.

Major interests in shares / Information on major interests in shares provided to the Company under the Disclosure Guidance and Transparency Rules (DTRs) of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website www.foxtongroup.co.uk.

The table below shows notifications received by the Company in accordance with DTR 5. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Institution	Voting rights at 31 December 2019	% of capital at 31 December 2019	Nature of holding
Caledonia (Private) Investments Pty Ltd	61,381,354	22.31%	Direct
Platinum Investment Management Limited	29,953,820	10.89%	Direct – 10.80% Indirect – 0.09%
UBS Investment Bank – UBS AG	18,643,725*	6.78%	Indirect – 6.78%
The Capital Group of Companies, Inc.	17,881,785	6.50%	Indirect
Russell Investments Group Ltd	17,723,934	6.44%	Indirect
Michael Brown	16,282,935	5.92%	Direct
Invesco Ltd	14,699,146	5.34%	Indirect
Franklin Templeton Institutional, LLC	14,149,800	5.14%	Indirect
Highclere International Investors	13,906,308	5.05%	Indirect
Hosking Partners LLP	13,732,806	4.99%	Indirect

* 86,515 shares (0.03%) are held as a right to recall lent shares at any time and 18,289,625 shares (6.65%) are held in equity swaps.

As at 27 February 2020, the date of this report, the Company had received notification that UBS Investment Bank (UBS AG) now holds 24,872,510 of the ordinary shares, being 9.04% of the issued shares (74,514 of these shares (0.03%) are held as a right to recall lent shares at any time and 23,678,346 (8.61%) are held in equity swaps). There have been no further changes to the above since 31 December 2019 as at the date of this report.

The Foxtons Group Employee Benefit Trust is an Employee Benefit Trust which holds ordinary shares in the Company in trust for employees within the Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the ordinary shares subject to the Trust in such manner as the Trustee in its absolute discretion thinks fit. The Trustee of the Employee Benefit Trust has waived its rights to dividends on ordinary shares held by the Trust as these have not yet vested unconditionally in employees. Details of the ordinary shares held by the Trust can be found in Note 19 of the financial statements.

Restrictions on transfers of securities / There are no restrictions on the transfer of securities in the Company and no requirement for any person to obtain the approval of the Company, or other holders of the Company's securities, in order to transfer securities. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Authority to allot shares / The Company was granted a general authority by its shareholders at the 2019 AGM to allot shares up to 33.33% of the Company's issued share capital as at 26 March 2019. The Company also received authority to allot shares for cash on a non pre-emptive basis up to 5% of the Company's issued share capital as at 26 March 2019. As at the date of this Report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2020 AGM. Resolutions will be proposed at the 2020 AGM to renew these authorities.

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DIRECTORS' REPORT *continued***Authority for the Company to purchase its own shares /**

The Company was granted authority by its shareholders at the 2019 AGM to purchase up to 27,510,439 of its ordinary shares, being 10% of the issued share capital as at 26 March 2019. This authority will expire at the conclusion of the 2020 AGM. No shares have been bought under this authority.

The Company does not have any current intention to purchase any of its own ordinary shares, however, in order to retain flexibility, the Company will propose a resolution at the 2020 AGM to renew the Company's authority to purchase up to 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority, which will lapse at the conclusion of the AGM on 13 May 2020.

Significant agreements / With the exception of the revolving credit facility agreement with Barclays Bank plc, which may be terminated by Barclays and all outstanding loans declared immediately due and payable following a change of control, the Company is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Company.

Principal risks and uncertainties / The Board has carried out a robust assessment of our current key risks and these are summarised in the Strategic report on pages 36 to 41.

Financial risk management / The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in Note 20 of the Group's consolidated financial statements.

Information presented in other sections / Certain information is required to be included in the Annual Report and Accounts by Listing Rule 9.8.4. The following table provides references to where this information can be found. If a requirement is not shown, it is not applicable to the Company.

Section	Listing Rule Requirement	Location	Page
12 and 13	Shareholder waivers of dividends and future dividends	Directors' report	103

Going concern / The financial position of the Group, its cash flows and liquidity position are set out in the consolidated financial statements. Furthermore, Note 20 of the financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Directors believe the Group has adequate resources to continue in operation for the foreseeable future due to its existing, and forecast, availability of cash resources. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions and in accordance with the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" published by the FRC in September 2014.

Auditor / As explained in the Audit Committee report on page 69, Deloitte LLP will not seek re-appointment when their term of office expires at the end of the forthcoming AGM. Following a competitive tender process, and on the recommendation of the Audit Committee, the Board intends to appoint BDO LLP as the Company's auditor. Accordingly, the appointment of BDO LLP is recommended to shareholders for approval at the forthcoming AGM.

Statement on disclosure to the auditor / Each of the persons who is a Director at the date of approval of the Annual Report and Accounts 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AGM / The Company's AGM will take place at 10am on 13 May 2020 at the Company's registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The Notice of Meeting, which sets out the resolutions to be proposed at the forthcoming AGM, accompanies the Annual Report and Accounts can also be found on the Company's website at www.foxtongroup.co.uk.

The AGM is the Company's principal forum for communication with shareholders. The Chairman of the Board and the Chairs of the Committees, together with the other Directors, will be available to answer shareholders' questions at the meeting.

The Directors look forward to meeting shareholders at the meeting.

On behalf of the Board



Nic Budden
Chief Executive Officer



Richard Harris
Chief Financial Officer

27 February 2020

DIRECTORS' RESPONSIBILITIES STATEMENT /

The Directors are responsible for preparing the Annual Report and Accounts 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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts 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 the Parent Company 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' has 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.

In preparing the Group's financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for preparing the Directors' report, the Strategic report, the Directors' remuneration report and the Corporate governance report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA.

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

Responsibility statement / We confirm that to the best of our knowledge:

- the consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and return of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and the Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 February 2020 and was signed on its behalf by:



Nic Budden
Chief Executive Officer



Richard Harris
Chief Financial Officer

27 February 2020

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC

Report on the audit of the financial statements /

Opinion

In our opinion:

- the financial statements of Foxtons Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss 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 United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; 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 which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and Parent Company statements of financial position;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 30.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 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 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 Financial Reporting Council's (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	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> • Impairment of goodwill and other intangible assets; • Adjusted items; and • Lettings commission revenue recognition. <p>Within this report, key audit matters are identified as follows:</p> <ul style="list-style-type: none"> 🚩 Newly identified ⬆️ Increased level of risk ➡️ Similar level of risk ⬇️ Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £1.0 million which was determined on the basis of a blended benchmark approach taking into account a five year average PBT before adjusted items, EBITDA and revenue for the year ended 31 December 2019.
Scoping	Our Group audit scope covers 100% of the Group companies, with each entity audited to a statutory materiality appropriate for the individual entity.
Significant changes in our approach	In the current year we have identified Lettings commission revenue recognition as a key audit matter due to the post-implementation review of IFRS 15 <i>Revenue from Contracts with Customers</i> conducted by management and the level of audit focus required.

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the Directors' statement in Note 1 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's and Company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the Directors' plans for future actions in relation to their going concern assessment.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

Going concern is the basis of preparation of the financial statements that assumes an entity will remain in operation for a period of at least 12 months from the date of approval of the financial statements.

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

Principal risks and viability statement

Based solely on reading the Directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the Directors' assessment of the Group's and the Company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 36 to 41 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated;
- the Directors' confirmation on page 67 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' explanation on pages 40 and 41 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.

We are also required to report whether the Directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

Viability means the ability of the Group to continue over the time horizon considered appropriate by the Directors.

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

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC *continued***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.

Impairment of goodwill and other intangible assets **Key audit matter description**

The carrying value of the Group's goodwill and other intangible assets as at 31 December 2019 totalled £110.3 million (2018: £110.8 million), of which £99.0 million (2018: £99.0 million) relates to the Foxtons brand and £9.3 million (2018: £9.3 million) relates to lettings goodwill. In combination, these assets represent 94% (2018: 89%) of the Group's net asset value.

Assessment of impairment of goodwill and other intangible assets is a process involving key sources of estimation uncertainty, which requires consideration of the value in use of the cash generating units (the sales and lettings businesses).

Calculating the value in use requires estimates of future cash flows of these businesses and associated discount rates and growth rates. The length of the forecast period remains at five years given the cyclical nature of the business and expected timing of market recovery.

The continuing weak sales market means that the headroom available on the brand asset remains sensitive.

Given the significant level of estimation uncertainty, we identified the assessment of impairment of goodwill and other intangible assets as a potential fraud risk area.

Further information in this area is discussed in the Audit Committee report on page 65, the significant accounting policies and critical accounting judgements and key sources of estimation uncertainty in Note 1 and the disclosures in Note 9.

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

We have challenged management's key assumptions relating to the estimated future cash flows, growth rates and the discount rate applied through assessment of cash flow forecasts against historical performance and forecast accuracy and consideration of available third party market forecast data.

The assumptions that underpin management's sales recovery and lettings plan are inherently judgemental. Our audit work therefore assessed the reasonableness of management's assumptions regarding growth rates and discount rates when calculating the headroom on the brand asset intangible.

Specifically our work included but was not limited to:

- benchmarking the five year forecast growth in sales and lettings through comparison to industry expert forecasts and historical external and internal data;
- testing whether the impact of recent legislation and economic uncertainty is appropriately included in the model;
- challenge of management to demonstrate the reasonability of cost savings assumed in the model;
- consideration of the long term growth rate in light of historical and macro-economic trading performance in the UK;
- using our valuation specialists to produce an independent benchmark calculation of the discount rate against which we assessed management's assumptions; and
- consideration of evidence of management bias in the assumptions used and the application of professional scepticism to address the risk of fraud.

We also considered the appropriateness of the sensitivities applied by management, recalculated the headroom available under the sensitised positions and assessed the associated disclosures in the financial statements in relation to the impairment review.

Key observations

Based upon the work performed, we concur with the Directors' conclusions that the carrying values of the lettings goodwill and the brand asset are appropriate.

We are satisfied that the key assumptions management used to calculate the value in use of the brand asset fall within a reasonable range and that the value in use supports the carrying value. Whilst headroom exists over the carrying value of the brand asset, this is highly sensitive to the ongoing performance of the lettings business and the timing of the expected sales market recovery.

The disclosures made in this respect in Note 9 to the financial statements are appropriate.

Adjusted items 

Key audit matter description	<p>The Group has recognised £5.7 million (2018: £15.7 million) of Adjusted items, including branch impairments of £4.3 million, which have been excluded from Adjusted EBITDA of £13.4 million (2018: £3.6 million).</p> <p>In Q4 2019 management announced the closure of four branches which was completed by 31 December 2019. Property restructuring costs of £1.2 million have been recognised, based on the assumption that it will take an average of three years to exit the leases. Branch asset impairments relating to the closed branches, and a number of trading branches, totalled £4.3 million. An additional £0.2 million of reorganisation costs have been incurred.</p> <p>There continues to be challenge and focus by the FRC on the presentation of non-GAAP measures and adjusted performance measures (APMs). We have identified a key audit matter in relation to the valuation and classification of Adjusted items due to the quantum of the adjusted items in the current year and the level of management judgement in relation to the branch impairments.</p> <p>Given the level of management judgement involved, we identified this key audit matter as a potential fraud risk area.</p> <p>Further information in this area is included in the Audit Committee report on page 66, significant accounting policies in Note 1 and the disclosures in Note 4.</p>
How the scope of our audit responded to the key audit matter	<p>We evaluated the Group's accounting policy for Adjusted items against guidance issued by the FRC and European Securities and Markets Authority (ESMA) regarding the publication of transparent, unbiased and comparable financial information.</p> <p>We considered management's rationale for the treatment of Adjusted items and performed our own independent assessment of the selection and presentation of each item against the Group's accounting policies and relevant regulatory guidance.</p> <p>Our work on the valuation of the Adjusted items included but was not limited to:</p> <ul style="list-style-type: none"> • obtaining evidence of the value of termination and property costs; • discussing the basis of the branch impairments and property costs with a third party property consultant; • challenging management as to the timing and cost of expected lease exits; and • agreement to carrying value of assets written off. <p>We reviewed the presentation and disclosure of these items in the financial statements to assess whether the disclosure is consistent with the Group's policy, in line with FRC and ESMA guidance, and understandable to readers.</p>
Key observations	<p>We are satisfied that the amounts presented as Adjusted items in the financial statements are in compliance with the Group's accounting policies, which have been applied consistently with prior periods and that disclosure is appropriate.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC *continued***Key audit matters** *continued***Lettings commission revenue recognition** **Key audit matter description**

Lettings commission revenue arises when Foxtons secures a tenant for a property on behalf of a landlord. During the year, management has conducted a post-implementation review of IFRS 15 'Revenue from Contracts with Customers' and as a result has updated its policy to recognise lettings commission revenue as a 'cancellable contract' rather than as 'variable consideration'. Further details are set out in Note 1 and in the Audit Committee report on page 65.

Lettings revenue has historically been recognised on an 'as charged' basis, regardless of whether there is a break clause in a contract or not. A separate lettings commission refund liability was also recognised, restricting the revenue recognised based on historical refund experience data.

Under IFRS 15, due to the existence of the break clause, these are considered 'cancellable contracts'. This has not had any material impact on the revenue recognised by Foxtons, however, as a result of the timing differences between cash received and revenue recognised, contract assets and liabilities have been recognised. The 2018 financial statements have been restated to allow use of the transitional provisions of IFRS 15 adoption. The impact on the opening balance sheet for 2018 is to recognise a contract asset of £0.6 million and a contract liability of £1.7 million in excess of the previously recognised break clause provision.

As a result of this restatement, we have included this as a key audit matter for 2019.

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

We have assessed management's post implementation review of IFRS 15 as follows:

- together with our IFRS 15 technical specialists we have assessed the Foxtons lettings revenue streams against the requirements of IFRS 15;
- we have reviewed a sample of lettings contracts to establish the performance obligations in the contracts;
- traced a sample of lettings contract data within the Foxtons Business Operating System back to underlying contracts;
- calculated an independent expectation of the revenue recognised under the new policy;
- agreed a sample of the contract assets and liabilities back to underlying contract and invoices issued at the balance sheet date; and
- reviewed the disclosure of the change in accounting treatment and the restatement of the 2018 balance sheet in these financial statements.

Key observations

Based upon the work performed, we concur that the new lettings commission revenue recognition policy is in line with the requirements of IFRS 15 'Revenue from Contracts with Customers' and that management has recognised revenue in accordance with the accounting policy.

We are satisfied that restatement has been correctly presented and the details have been appropriately disclosed in Notes 1 and 16 to the financial statements.

Our application of materiality

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 financial statements	Parent Company financial statements
Materiality	£1.0 million (2018: £1.1 million)	£0.7 million (2018: £0.6 million)
Basis for determining materiality	<p>Materiality was determined on the basis of a blended benchmark approach taking into account a five year average PBT before adjusted items, EBITDA and revenue for the year.</p> <p>Group materiality equates to 0.94% of revenue. (2018: 5% of the Group's average profit before tax, before non-adjusting items, over a five year period).</p>	<p>Parent Company materiality is 3% of net assets, capped at 70% (2018: 55%) of Group materiality.</p>
Rationale for the benchmark applied	<p>Professional judgement was applied in determining an appropriate level of materiality and we considered a number of measures with reference to the Group's performance.</p> <p>As a trading entity, a profitability metric is considered the most relevant for assessing the entity's performance.</p> <p>In previous years, due to the cyclical nature of the business, we have considered a five year average of the Group's PBT before adjusted items.</p> <p>In the current year, we additionally considered revenue and EBITDA so that our overall determined materiality was appropriate for the scale of the business.</p>	<p>The Parent Company does not trade and as a result a profitability metric is not key to understanding the performance of the business. The Parent Company holds material investments in subsidiaries and intercompany receivables. As a result in our professional judgement the net assets of the Parent Company are the key metric of the Parent Company.</p>

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered the following factors:

- the control environment and the lack of significant control deficiencies identified;
- the lack of changes in the business; and
- the limited number of significant risks of material misstatement.

Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £50,000 (2018: £54,600), 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC *continued***An overview of the scope of our audit****Identification and scoping of components**

Our Group audit scope covers 100% (2018: 100%) of the Group companies, all of which are UK legal entities, with the full scope of audit procedures performed entirely by the central audit team. We used a statutory materiality appropriate for each entity, which was lower than Group materiality and ranged from £0.2 million to £0.7 million (2018: £0.3 million to £1.0 million). At the Parent Company level, we also tested the consolidation process. All work was performed by the central audit team.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, 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.

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 Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and 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.

We have nothing to report in respect of these matters.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and involving relevant internal specialists, including tax, valuations and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: Impairment of goodwill and other intangibles and Adjusted items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006, the UK Corporate Governance Code, the Listing Rules of the UK Listing Authority and the relevant tax compliance regulations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included compliance with Financial Conduct Authority regulations, the Estate Agents Act 1979, Money Laundering Regulations 2007 and Proceeds of Crime Act, the Data Protection Act 2018, and the EU Insurance Distribution Directive.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC *continued***Extent to which the audit was considered capable of detecting irregularities, including fraud** *continued***Audit response to risks identified**

As a result of performing the above, we identified Impairment of goodwill and other intangibles and Adjusted items as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC and the FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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 Company to audit the financial statements for the year ending 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 31 December 2009 to 31 December 2019.

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).

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 (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, UK

27 February 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

Continuing operations	Notes	2019 £'000	2018 ¹ £'000
Revenue	2	106,894	111,505
Direct operating costs		(39,829)	(40,600)
Other operating costs		(73,406)	(88,459)
Operating loss		(6,341)	(17,554)
Other (losses)/gains		(82)	291
Finance income	5	149	94
Finance costs	5	(2,546)	(60)
Loss before tax		(8,820)	(17,229)
Tax	6	1,045	39
Loss and total comprehensive loss for the year	3	(7,775)	(17,190)
Loss per share			
Basic and diluted (pence per share)	8	(2.8)	(6.3)
Adjusted (pence per share) ²	8	(1.1)	(0.8)

¹ The Group has applied IFRS 16 'Leases' using the modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and therefore comparative information has not been restated as a result of the application of IFRS 16. Refer to Note 1 for details of the impact of IFRS 16.

² Adjusted loss per share is an alternative performance measure and is reconciled to statutory loss per share in Note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 £'000	2018 ¹ £'000
Non-current assets			
Goodwill	9	9,349	9,349
Other intangible assets	9	100,995	101,455
Property, plant and equipment	10	13,020	17,171
Right-of-use assets	11	51,404	–
Contract assets	16	564	255
Interest in associate and investments	12	1,274	1,289
Deferred tax assets	6	2,056	1,341
		178,662	130,860
Current assets			
Trade and other receivables	14	13,424	13,727
Contract assets	16	969	499
Current tax assets		342	212
Cash and cash equivalents		15,482	17,927
		30,217	32,365
Total assets		208,879	163,225
Current liabilities			
Trade and other payables	15	(10,479)	(13,747)
Lease liabilities	11	(9,690)	–
Current tax liabilities		–	–
Provisions	17	(1,426)	(2,532)
Contract liabilities	16	(6,255)	(5,742)
		(27,850)	(22,021)
Net current assets		2,367	10,344
Non-current liabilities			
Lease liabilities	11	(46,174)	–
Contract liabilities	16	(1,295)	(1,078)
Provisions	17	(949)	–
Deferred tax liabilities	6	(16,830)	(16,830)
		(65,248)	(17,908)
Total liabilities		(93,098)	(39,929)
Net assets		115,781	123,296
Equity			
Share capital	18	2,751	2,751
Other capital reserve	30	2,582	2,582
Capital redemption reserve		71	71
Own shares held	19	(56)	(720)
Retained earnings		110,433	118,612
Total equity		115,781	123,296

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¹ The Group 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 and therefore comparative information has not been restated as a result of the application of IFRS 16. Refer to Note 1 for details of the impact of IFRS 16.

The Group has updated its lettings commission revenue recognition policy following a post-implementation review of IFRS 15 'Revenue from Contracts with Customers'. The new policy has been applied from 1 January 2018, the date at which IFRS 15 became effective, and the comparative balance sheet has been restated to reflect the change in policy, with no change required to the comparative income statement. Refer to Note 1 for further details of the change in policy.

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 27 February 2020.

Signed on behalf of the Board of Directors



Richard Harris
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2018		2,751	(720)	2,582	71	118,612	123,296
IFRS 16 transition impact (net of tax) ¹	1	–	–	–	–	28	28
Balance at 1 January 2019		2,751	(720)	2,582	71	118,640	123,324
Loss and total comprehensive loss for the year		–	–	–	–	(7,775)	(7,775)
Dividends	7	–	–	–	–	–	–
Own shares acquired in the period		–	(54)	–	–	–	(54)
Credit to equity for share-based payments	23	–	–	–	–	735	735
Settlement of share incentive plan	23	–	718	–	–	(1,167)	(449)
Balance at 31 December 2019		2,751	(56)	2,582	71	110,433	115,781

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2017		2,751	(720)	2,582	71	136,238	140,922
IFRS 15 transition impact (net of tax) ²	1	–	–	–	–	(895)	(895)
Balance at 1 January 2018		2,751	(720)	2,582	71	135,343	140,027
(Loss) and total comprehensive (loss) for the year		–	–	–	–	(17,190)	(17,190)
Dividends	7	–	–	–	–	(742)	(742)
Credit to equity for share-based payments	23	–	–	–	–	1,201	1,201
Balance at 31 December 2018		2,751	(720)	2,582	71	118,612	123,296

¹ The Group 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 1 for details of the impact of IFRS 16.

² The Group 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, 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 1 for further details of the change in policy.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

	Notes	2019 £'000	2018 ¹ £'000
Operating activities			
Operating loss		(6,341)	(17,554)
Adjustments for:			
Other gains		–	291
Depreciation of property, plant and equipment		3,191	4,100
Depreciation of right-of-use assets		9,763	–
Impairment of goodwill		–	9,819
Branch asset impairments	4	4,300	2,717
Gain on disposal of property, plant and equipment	10	(97)	(166)
Gain on disposal of right-of-use assets		(253)	–
Amortisation of intangibles	9	563	206
Increase in provisions		838	1,225
Share-based payment charges		685	1,303
Cash settlement of share incentive plan		(449)	–
Operating cash flows before movements in working capital		12,200	1,941
Increase in receivables		(2,902)	(473)
Increase in payables		274	1,778
Cash generated by operations		9,572	3,246
Income taxes received/(paid)		204	(1,453)
Net cash from operating activities		9,776	1,793
Investing activities			
Interest received		87	94
Proceeds on disposal of property, plant and equipment		134	504
Purchases of property, plant and equipment		(426)	(317)
Purchases of intangibles		(103)	(686)
Purchases of investments		(67)	(1,289)
Net cash used in investing activities		(375)	(1,694)
Financing activities²			
Dividends paid	7	–	(742)
Interest paid		(77)	(60)
Repayment of lease liabilities	11	(11,972)	–
Finance sub-lease income received		258	–
Purchase of own shares		(54)	–
Net cash used in financing activities		(11,845)	(802)
Net decrease in cash and cash equivalents		(2,444)	(703)
Cash and cash equivalents at beginning of year		17,926	18,630
Cash and cash equivalents at end of year		15,482	17,927

¹ The Group 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 and therefore comparative information has not been restated as a result of the application of IFRS 16. Refer to Note 1 for details of the impact of IFRS 16.

The Group 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, the date at which IFRS 15 became effective, and the comparative cash flow statement has been restated to reflect the change in policy, with no impact of the policy change on the closing cash balance previously reported for 2018. Refer to Note 1 for further details of the change in policy.

² All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities. Refer to Note 11 for a reconciliation of lease liabilities.

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NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies, judgements and estimates

1.1 General information

Foxtons Group plc ("the Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, "the Group") is the provision of services to the residential property market in the UK.

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

1.2 Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS includes the standards and interpretations approved by the International Accounting Standards Board (IASB) including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2018 and 2019 except where indicated.

1.3 Basis of preparation

These financial statements have been prepared on the historical cost basis as modified by items held at fair value through other comprehensive income. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

1.4 Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.5 Going concern

At 31 December 2019, the Group held a cash balance of £15.5 million, no external borrowings and an £5.0 million revolving credit facility which remained undrawn throughout the period. In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested for reasonable possible changes in trading performance as a result of a deterioration in market conditions.

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operational existence for the foreseeable future. The assessment has taken into consideration the Group's statement of financial position, cash balance and the availability of the revolving credit facility due to expire in June 2022. Further detail is contained in the Directors' report on page 104.

1.6 Adoption of new and revised standards

The Group has adopted IFRS 16 'Leases' with effect from 1 January 2019, which had a significant effect on the Group'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	<i>Uncertainty over Income Tax Treatments</i>
Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
Annual Improvements to IFRSs	<i>2015 – 2017 Cycle</i>

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

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 Group'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 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 Group 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 Group as lessee / The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 for low value assets. For these leases, the Group 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.

- 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 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 rate 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:** 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 presented within property, plant and equipment.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group'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 other operating costs in the statement of comprehensive income.

The Group as lessor / The Group acts as an intermediate sub-lessor for certain properties. The Group 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 Group 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 Group'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 Group's net investment outstanding in respect of the leases.

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies, judgements and estimates** *continued***IFRS 16: Initial application /**

Lease identification / For contracts entered into before 1 January 2019, the Group 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.

- the Group's ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the Group's ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- whether it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

Practical expedients applied / At transition, the Group has applied the following practical expedients:

- using a single discount rate for portfolios of leases with reasonably similar characteristics. The Group 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 Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The effect of adopting IFRS 16 as at 1 January 2019 to the consolidated statement of financial position is as follows:

Consolidated statement of financial position line impacted	£'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 Group's operating lease commitments as at 31 December 2018 to the lease liabilities recognised at 1 January 2019 on adoption of IFRS 16. The Group 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

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 £0.3 million, decrease in rental expenses of £11.3 million, increase in depreciation expense of £9.8 million and an increase in finance costs of £2.5 million.

The application of IFRS 16, compared to IAS 17 lease accounting principles, has had the following impacts on the 31 December 2019 Consolidated Statement of Financial Position: An overall increase in net liabilities following the recognition of right-of-use assets of £51.4 million, lease liabilities of £55.9 million and finance sub-lease assets of £0.7 million recognised.

Refer to Notes 11 and 24 for details information on the impact of the application of IFRS 16 on the consolidated statement of comprehensive income, consolidated statement of financial position and the Group's APMs.

1.7 Revenue recognition

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, when performance obligations are met net of discounts (if any) and VAT. Revenue is generated from the Group'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 Group generates revenue from customers, the majority of which are based in the UK, from three main revenue streams: sales; lettings; and mortgage broking. 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 Group'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 Group 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 Group'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:

(i) Commission for securing a letting for the landlord

In the period, the Group 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 £0.9 million reduction in retained earnings which reflects the recognition of a net contract liability of £1.1 million and associated deferred tax asset of £0.2 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 £6.8 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 £5.0 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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies, judgements and estimates** *continued*

This commission is recognised in line with the contract between the Group 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 Group refunds any initial commissions paid by the landlord on a pro-rata basis.

The Group 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.

Mortgage broking revenue streams / Commission earned on financial services is recognised at a point in time, when either insurance policies go on risk or when mortgage contracts complete. Income from other services is recognised in the period or periods when the services are provided. Commission is recognised at fair value which takes account of expected future cancellations.

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.

1.8 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax / The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax / Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and amended to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1.9 Goodwill and goodwill impairment

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.10 Other intangible assets

Intangible assets, other than goodwill that are acquired by the Group (the acquired Foxtons brand, software and purchased contracts), are stated at cost less accumulated impairment losses. The brand is considered to have an indefinite economic life because of the institutional nature of the brand, its proven ability to maintain market leadership and profitable operations over long periods of time, and the Group's commitment to develop and enhance its value. The carrying value of the brand is subject to an annual impairment review, and adjusted to its recoverable amount if required. 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.

1.11 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Over the term of the lease (lease terms remaining 0-12 years)
Fixtures, fittings and equipment	Between 20% and 25% straight-line
Motor vehicles	25% straight-line

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 scrapping 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.

1.12 Impairment of tangible and intangible assets (refer to section 1.9 for goodwill policies)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents excludes client monies since these funds belong to tenants (refer to Note 22 for details of the client monies held by the Group).

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies, judgements and estimates** *continued***1.14 Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

a) Financial assets

The financial assets held by the Group are classified, at initial recognition, and subsequently measured at amortised cost or fair value through other comprehensive income (OCI). All financial assets are recognised and derecognised on a trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs.

For purposes of subsequent measurement, the financial assets held by the Group are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

All financial assets, other than cash and cash equivalents and investments classified as fair value through OCI, are measured at amortised cost using the effective interest rate (EIR) method, except for short-term receivables when the recognition of interest would be immaterial, and are subject to impairment.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established an ECL model that is based on its historical credit loss experience, adjusted for forward-looking market factors specific to the debtors and the economic environment.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort such as: changes in external or internal credit ratings; deterioration of external market indicators; existing or forecast adverse changes in business; financial or economic conditions; and actual or expected deterioration in the operating results of the debtor.

b) Financial liabilities and equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Investments in unlisted shares

On initial recognition, the Group makes an irrevocable election to designate investments in equity instruments as fair value through OCI (unless held for trading). The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are recognised through OCI.

Dividends on these investments are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group recognises its non-listed equity investments as fair value through OCI.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest rate method

The EIR method is used in calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

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 obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Valuation of share options

Equity-settled share-based payments 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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 23.

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 Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group 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.

1.15 Alternative Performance Measures (APMs)

In reporting financial information the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance. APMs have been defined, explained and reconciled to the nearest statutory measure within Note 24.

Impact of IFRS 16 on APMs / As set out above, IFRS 16 has been applied using the modified retrospective approach on 1 January 2019 and therefore the 2018 comparators have not been restated. To assist with the comparison of 2019 APMs with the 2018 APMs, certain 2019 APMs are presented on both a pre-IFRS 16 basis and an IFRS 16 basis. APMs on a pre-IFRS 16 basis will be presented as an APM in 2019 only (the year of IFRS 16 transition).

Adjusted items / The Group's profit related APM, Adjusted EBITDA, and loss per share APM, Adjusted loss per share, exclude Adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items.

NOTES TO THE FINANCIAL STATEMENTS *continued***1. Accounting policies, judgements and estimates** *continued***1.16 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group'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 to be 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.

Critical accounting judgements in applying the Group's accounting policies / Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below.

- **Useful economic life of the brand intangible asset**

The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings Limited on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. This judgement continues to be appropriate noting the Group's intention and the ability to maintain the brand intangible asset so that there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows. Refer to Note 9 for further consideration of the carrying value of the brand intangible asset.

Key sources of estimation uncertainty / Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

- **Impairment of goodwill and intangibles with an indefinite life**

Determining whether goodwill and intangibles with an indefinite life are impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated, and the group of CGUs to which intangible assets with an indefinite life (i.e. the Foxtons brand) have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amounts of goodwill and the Foxtons brand are £9.3 million and £99.0 million respectively. The key source of estimation uncertainty relates to the forecast cash flows used to determine the value in use. Sensitivity analysis is provided in Note 9.

2. Business and geographical segments

Products and services from which reportable segments derive their revenues / Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Directors are the chief operating decision makers in accordance with the requirements of IFRS 8 '*Operating Segments*'.

The operating and reportable segments of the Group are (i) sales; (ii) lettings; and (iii) mortgage broking.

- (i) Sales segment generates commission on sales of residential property.
- (ii) Lettings earns commission from the letting and management of residential properties and income from interest earned on tenants' deposits.
- (iii) Mortgage broking receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Since the sales and lettings segments operate out of the same premises and share support services, a significant proportion of costs have to be apportioned between the segments. The basis of apportionment used is headcount in each segment.

All revenue for the Group is generated from within the UK and there is no intra-group revenue.

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 9.

Adjusted EBITDA / Adjusted EBITDA represents the profit before tax for the period earned by each segment before allocation of finance costs, finance income, other gains/losses, depreciation, amortisation, profit on disposal of fixed assets, share-based payments and Adjusted items (defined in Note 1). This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance. Refer to Note 24 for additional details.

As set out in Note 1, IFRS 16 has been applied using the modified retrospective approach on 1 January 2019 and therefore the 2018 comparators do not require to be restated. To assist with the comparison of the Group's 2019 Adjusted EBITDA with 2018 Adjusted EBITDA, the Group's 2019 Adjusted EBITDA is presented on both a pre-IFRS 16 basis and an IFRS 16 basis.

Segment revenues and results / The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2019:

2019	Notes	Sales £'000	Lettings £'000	Mortgage broking £'000	Consolidated £'000
Revenue		32,621	65,741	8,532	106,894
Contribution ¹		16,427	46,615	4,023	67,065
Contribution margin ¹		50.4%	70.9%	47.2%	62.7%
Adjusted EBITDA¹		(892)	12,686	1,625	13,419
Depreciation (excluding IFRS 16 right-of-use depreciation)					(3,191)
Amortisation					(563)
Gain on disposal of property, plant and equipment					97
Gain on disposal of right-of-use assets					3
Other losses					(82)
Adjusted items	4				(5,658)
Finance income					149
Finance cost (excluding IFRS 16 finance cost)					(77)
Share-based payment charge					(685)
IFRS 16 right-of-use depreciation					(9,763)
IFRS 16 lease liability finance cost					(2,469)
Loss before tax					(8,820)

¹ Alternative performance measures are defined and reconciled to the nearest statutory measure in Note 24.

Under IFRS 16, the Group's Adjusted 2019 EBITDA is £11.0 million higher than if previous lease accounting principles had been applied. Under previous lease accounting principles, a lease rental expense of £11.3 million and other income of £0.3 million would have been recognised within Adjusted EBITDA. Under IFRS 16, these elements have been replaced by right-of-use asset depreciation of £9.8m million and net finance costs of £2.5 million which are excluded from Adjusted EBITDA. On a pre-IFRS 16 basis, the Group's 2019 Adjusted EBITDA would have been £2.5 million.

The table below summarises the Group's 2019 Adjusted EBITDA on a pre-IFRS 16 basis to enable comparability to 2018 Adjusted EBITDA (pre-IFRS 16).

	Sales £'000	Lettings £'000	Mortgage broking £'000	Consolidated £'000
2019 Adjusted EBITDA (pre-IFRS 16)	(4,984)	5,997	1,444	2,457

NOTES TO THE FINANCIAL STATEMENTS *continued***2. Business and geographical segments** *continued*

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2018:

2018	Notes	Sales £'000	Lettings £'000	Mortgage broking £'000	Consolidated £'000
Revenue		36,227	67,009	8,269	111,505
Contribution ²		19,191	47,819	3,896	70,906
Contribution margin ²		53.0%	71.4%	47.1%	63.6%
Adjusted EBITDA (pre-IFRS 16)²		(4,457)	6,693	1,377	3,613
Depreciation					(4,100)
Amortisation					(206)
Gain on disposal of property, plant and equipment					166
Other gains					291
Adjusted items	4				(15,722)
Finance income					94
Finance cost					(60)
Share-based payment charge					(1,305)
Loss before tax					(17,229)

² Alternative performance measures are defined and reconciled to the nearest statutory measure in Note 24.

3. Income and expenses

Loss for the year is stated after charging/(crediting):

	2019 £'000	2018 £'000
Operating leases	804	12,663
Depreciation of property, plant and equipment	3,191	4,100
Depreciation of right-of-use assets	9,763	–
Amortisation of intangible assets	563	206
Adjusted items (refer to Note 4)	5,658	15,722
Gain on disposal of property, plant and equipment	(97)	(166)
Impairment loss on trade receivables	595	305
Staff costs	64,470	65,536

Auditor's remuneration / The remuneration of the auditor is split as follows:

	2019 £'000	2018 £'000
The audit of the Company	146	120
The audit of the Company's subsidiaries	84	80
Total audit fees	230	200
Audit-related assurance services	22	21
Other assurance services	4	4
Total non-audit fees	26	25

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 69. No services were provided pursuant to contingent fee arrangements.

Staff costs / The average monthly number of full-time equivalent employees (including Executive Directors) was:

	2019	2018
Sales staff	707	690
Administration staff	432	481
	1,139	1,171

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	57,353	58,691
Social security costs	6,357	6,353
Defined contribution pension costs	760	492
	64,470	65,536

The following table details the aggregate amount of emoluments paid to or receivable by the Executive Directors and Non-Executive Directors.

	2019 £'000	2018 £'000
Wages and salaries	2,058	1,651
Short term non-monetary benefits	39	34
Share-based payments	612	592
Pension benefits	117	125
	2,826	2,402

4. Adjusted items

Adjusted EBITDA and Adjusted loss per share, exclude Adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 24. The following items have been classified as Adjusted items in the period.

	2019 £'000	2018 £'000
Impairment of goodwill	–	9,819
Property restructure costs	1,175	2,442
Reorganisation costs	183	744
Branch asset impairments ¹	4,300	2,717
	5,658	15,722

¹ The branch asset impairments charge relates to plant, property and equipment £1,349k (2018: £2,717k) and right-of-use assets £2,951k (2018: £nil). Refer to Notes 10 and 11.

Cash outflow from Adjusted items during the year totalled £1.1 million (2018: £ 1.5 million). Future cash outflows from Adjusted items recognised in both 2018 and 2019 are expected to total £2.7 million.

NOTES TO THE FINANCIAL STATEMENTS *continued***5. Finance income and costs**

	2019 £'000	2018 £'000
Finance income		
Interest income on bank deposits	87	94
Interest income for leasing arrangements	62	–
Total finance income	149	94
Finance costs		
Other interest payable	(77)	(60)
Interest on lease liabilities (see Note 11)	(2,469)	–
Total finance costs	(2,546)	(60)
Net finance (cost)/income	(2,397)	34

6. Taxation

Recognised in the Group income statement / The components of the tax charge/credit recognised in the Group income statement are:

	2019 £'000	2018 £'000
Current tax		
Current period UK corporation tax	–	–
(Credit)/charge in respect of prior periods	(333)	239
Total current tax (credit)/charge	(333)	239
Deferred tax		
Origination and reversal of temporary differences	(1,201)	(521)
Impact of change in tax rate	146	67
Adjustment in respect of prior periods	343	176
Total deferred tax credit	(712)	(278)
Tax credit on loss on ordinary activities	(1,045)	(39)

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.

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.

The origination and reversal of temporary differences includes a credit of £1,360k (2018: £437k) representing the recognition that it is probable that there will be future taxable profits available to be utilised against certain tax losses brought forward.

Reconciliation of effective tax charge / The tax on the Group's loss before tax recognised in the Group's income statements differs from the standard UK corporation tax rate of 19% (2018: 19%), because of the following factors:

	2019 £'000	2018 £'000
Loss before tax	(8,820)	(17,229)
Tax at the UK corporation tax rate (see above)	(1,676)	(3,274)
Tax effect of expenses that are not deductible in determining taxable profit	319	691
Other short-term timing differences – share options	182	255
Adjustment in respect of previous periods	10	415
Impact on deferred tax of change in tax rate	146	67
Impairment of goodwill	–	1,866
Recognition of a deferred tax asset	(26)	(59)
Tax credit on loss on ordinary activities	(1,045)	(39)
Effective tax rate	11.9%	0.2%

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit.

The charge arising from the impairment of intangible fixed assets is non-deductible for UK tax purposes and so is a permanent adjusting item in the reconciliation to profit.

The deferred tax asset that has been recognised in the current year of £26k (2018: £59k) is in respect of interest on the renewal of an inter-company loan where it is probable that there will be future taxable profits available to be utilised against certain tax losses brought forward.

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity is £3k (2018: £135k charge) and relates to deferred tax arising on share option schemes.

Deferred tax / Deferred tax assets and liabilities are only offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 ¹ £'000
Deferred tax assets	2,056	1,341
Deferred tax liabilities	(16,830)	(16,830)
	(14,774)	(15,489)

¹ Deferred tax assets has been restated in line with the application of IFRS 15 from 1 January 2018, the date at which IFRS 15 became effective, in which the comparative balance sheet has been restated to reflect the change in policy. The recognition of contract assets and contract liabilities on the 1 January 2018 resulted in a £1.1m adjustment to retained earnings, in which earnings and tax losses were carried forward, resulting in an increase in the deferred tax asset as at 31 December 2018 of £0.2m. Refer to Note 1 for further details of the change in policy.

Deferred tax liabilities relate to the intangible asset, the Foxtons brand, which has an indefinite life. This deferred tax liability will not reverse unless the Foxtons brand is impaired or sold by the Group.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 31 December 2017	(1)	480	536	(16,830)	(15,815)
IFRS 15 transition impact	-	-	183	-	183
At 1 January 2018	(1)	480	719	(16,830)	(15,632)
(Charge)/credit to profit or loss	92	(165)	351	-	278
Charge to equity	-	(135)	-	-	(135)
At 31 December 2018	91	180	1,070	(16,830)	(15,489)
(Charge)/credit to profit or loss	108	(143)	747	-	712
Credit to equity	-	3	-	-	3
At 31 December 2019	199	40	1,817	(16,830)	(14,774)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that it is probable that these assets will be recovered through future taxable profits.

A deferred tax asset totalling £1.8 million (2018: £0.9 million) has been recognised in relation to tax losses brought forward. This relates to £1.9 million (2018: £2.5 million) of unused tax losses in Foxtons Intermediate Holdings Limited at 31 December 2019 and to £9.8 million (2018: £2.6 million) of unused tax losses generated during 2019 in Foxtons Limited and Foxtons Group plc.

Foxtons Intermediate Holdings Limited has £37.1 million of unused losses (2018: £37.3 million) for which a deferred tax asset has not been recognised on the basis that it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS *continued***7. Dividends**

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends for the year ended 31 December 2018: Nil (2017: 0.27p) per ordinary share (declared and paid in the following year)	–	742
Interim dividend for the year ended 31 December 2019: Nil (2018: Nil) per ordinary share	–	–
	–	742

For 2019, the Group did not make a statutory profit after tax and the Board has proposed not to pay a final dividend in line with the Group's policy.

8. Loss per share

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Company's dilutive potential ordinary shares are in respect of share options granted to employees, which will be settled by ordinary shares held by the Foxtons Group Employee Benefit Trust.

	2019 £'000	2018 £'000
Loss for the purposes of basic and diluted loss per share being loss for the year	(7,775)	(17,190)
Adjusted for:		
Adjusted items ¹	4,713	15,111
Adjusted loss	(3,062)	(2,079)
Adjusted for the impact of IFRS 16:		
Deduct: IAS 17 Lease rental expense under IAS 17 accounting principles for 2019	(11,283)	–
Add back: IFRS 16 right-of-use asset depreciation for 2019	9,763	–
Add back: IFRS 16 lease liability finance cost for 2019	2,469	–
Adjusted loss (pre-IFRS 16)	(2,113)	(2,079)

¹ Adjusted items totalling £5,658k (2018: £15,722k) per Note 4, less associated tax of £945k (2018: £611k), resulting in an after tax cost of £4,713k (2018: £15,111k).

Number of shares	2019	2018
Weighted average number of ordinary shares for the purposes of basic loss per share	274,922,915	274,870,477
Effect of potentially dilutive ordinary shares	–	1,164,474
Weighted average number of ordinary shares for the purpose of diluted loss per share	274,922,915	276,034,951
Basic and diluted loss per share (in pence per share)	(2.8)	(6.3)
Adjusted loss per share (in pence per share)	(1.1)	(0.8)
Adjusted loss per share pre-IFRS 16 (in pence per share)	(0.8)	(0.8)

As the Company made a loss in 2018 and 2019, the diluted loss per share is equal to the basic loss per share, due to the potentially dilutive share options resulting in a reduction in the loss per share and are therefore anti-dilutive.

9. Goodwill and intangible assets

2019	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Cost					
At 1 January 2019	19,168	99,000	2,386	494	121,048
Additions	-	-	103	-	103
At 31 December 2019	19,168	99,000	2,489	494	121,151
Accumulated amortisation and impairment losses					
At 1 January 2019	9,819	-	105	320	10,244
Amortisation	-	-	462	101	563
At 31 December 2019	9,819	-	567	421	10,807
Net carrying value					
At 31 December 2019	9,349	99,000	1,922	73	110,344
At 1 January 2019	9,349	99,000	2,281	174	110,804
2018					
Cost					
At 1 January 2018	19,168	99,000	1,700	494	120,362
Additions	-	-	686	-	686
At 31 December 2018	19,168	99,000	2,386	494	121,048
Accumulated amortisation and impairment losses					
At 1 January 2018	-	-	-	219	219
Amortisation	-	-	105	101	206
Impairment charge	9,819	-	-	-	9,819
At 31 December 2018	9,819	-	105	320	10,244
Net carrying value					
At 31 December 2018	9,349	99,000	2,281	174	110,804
At 1 January 2018	19,168	99,000	1,700	275	120,143

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NOTES TO THE FINANCIAL STATEMENTS *continued***9. Goodwill and intangible assets** *continued***Annual impairment review /****a) Carrying value of goodwill and intangible assets with indefinite lives**

The carrying values of goodwill and intangible assets with indefinite lives are summarised below. These assets have been subject to an annual impairment review.

	2019 £'000	2018 £'000
Lettings goodwill	9,349	9,349
Brand asset – sales and lettings	99,000	99,000
	108,349	108,349

- Lettings goodwill is allocated to the lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the value in use relating to the sales and lettings segments. This grouping of CGUs represents the lowest level at which management monitors the brand internally, and reflects the way in which the brand asset is viewed as relating to the sales and lettings segments as a whole, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

The Group tests goodwill and the indefinite life brand asset annually for impairment, or more frequently if there are indicators of impairment, in accordance with IAS 36 'Impairment of Assets'.

The Group has determined the recoverable amount of each CGU from value in use calculations. The value in use calculations use cash flow projections from formally approved budgets and forecasts covering a five-year period, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant group of CGUs.

Following the annual impairment review, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

The assumptions used in the annual impairment review are as the below:

• Cash flow assumptions

The key assumptions in determining the cash flows are expected changes in sales and lettings volumes throughout the forecast period, together with likely changes to associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of recently observable trends and expectations of future changes in the market.

• Long-term growth rates

To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2018: 2%) into perpetuity.

The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates, external industry forecasts of long-term growth in the housing market and inflation rates and with reference to historical and macro-economic trading performance in the UK.

• Discount rates

In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's Weighted Average Cost of Capital (WACC), and is calculated using a capital asset pricing model. The WACC has been adjusted to reflect risks specific to the CGU not already reflected in the future cash flows for that CGU.

The pre-tax discount rate used to discount lettings cash flows used in the assessment of lettings goodwill is 8.9% (2018: 9.6%). The pre-tax discount rate used to discount aggregated sales and lettings cash flows used in the assessment of the brand asset is 9.2% (2018: 9.9%).

The year-on-year reduction in the discount rates is due to the application of IFRS 16. The reduction in the discount rates has been offset by other modelling changes necessary under IFRS 16. These effects have an equal and offsetting impact, and therefore there has been no significant impact of IFRS 16 on the impairment review outcome.

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying values of goodwill and the brand asset are sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying values. Lettings goodwill showed significant headroom against all sensitivity scenarios, whilst the brand asset is sensitive to reasonable possible changes in key assumptions.

The key assumption in the brand impairment assessment is the forecast revenues for the sales and lettings businesses. The carrying value of the brand asset is not highly sensitive to changes in discount rates or long-term growth rates.

The impairment model indicates brand asset headroom of £66.3 million. Cash flows are sourced from the Group's Board approved plan whilst also complying with the requirements of the relevant accounting standard. Sales revenue is assumed to recover to levels broadly in line with those experienced in 2017 by 2024. Lettings revenue is assumed to grow at an average growth rate of 1.7% over the forecast period which includes the impact of the lettings fee ban and excludes management initiatives which are not permitted under accounting standards.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue CAGR over the forecast period reduces to 2.0%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2017 levels by 2024 (approximately 2.0% average growth over the forecast period), lettings revenue growth is limited to 1.0% and the Group takes appropriate mitigating actions, the brand asset would be impaired by £9.9 million.

10. Property, plant and equipment

2019	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2019	34,347	14,627	1,019	52	50,045
Additions	218	208	–	–	426
Disposals	–	–	(325)	(1)	(326)
Reclassification/transfer	–	–	–	–	–
At 31 December 2019	34,565	14,835	694	51	50,145
Accumulated depreciation and impairment losses					
At 1 January 2019	19,607	12,648	619	–	32,874
Depreciation	1,975	964	252	–	3,191
Disposals	–	–	(289)	–	(289)
Impairment charge	1,288	61	–	–	1,349
At 31 December 2019	22,870	13,673	582	–	37,125
Net carrying value					
At 31 December 2019	11,695	1,162	112	51	13,020
At 1 January 2019	14,740	1,979	400	52	17,171

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 4).

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.

NOTES TO THE FINANCIAL STATEMENTS *continued***10. Property, plant and equipment** *continued*

2018	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2018	34,249	14,343	1,985	154	50,731
Additions	(5)	279	37	6	317
Disposals	–	–	(1,003)	–	(1,003)
Reclassification/transfer	103	5	–	(108)	–
At 31 December 2018	34,347	14,627	1,019	52	50,045
Accumulated depreciation and impairment losses					
At 1 January 2018	14,695	11,165	862	–	26,722
Depreciation	2,322	1,356	422	–	4,100
Disposals	–	–	(665)	–	(665)
Impairment charge	2,590	127	–	–	2,717
At 31 December 2018	19,607	12,648	619	–	32,874
Net carrying value					
At 31 December 2018	14,740	1,979	400	52	17,171
At 1 January 2018	19,554	3,178	1,123	154	24,009

11. Leases

Group as a lessee / The Group 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 Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 10).

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 Group, unless there is a contractual right for the Group to sub-lease the asset to another party. The Group is also prohibited from selling or pledging the leased assets as security.

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)
Depreciation 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 fully/partially impaired during the year. The cost of these assets was £3,402k and accumulated depreciation was £451k. Net book value was £2,951k and comprises the loss on impairment which has been classified as an Adjusted item (refer to Note 4).

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

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments which fall due as follows:

	2019 £'000	2018 ¹ £'000
Maturity analysis – contractual undiscounted cash flows		
Within one year	11,763	11,590
In the second to fifth years inclusive	32,606	35,779
After five years	20,746	28,684
	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.

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), 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 Group had a commitment of less than £0.1 million in relation to short-term leases.

Amounts recognised in the profit or loss / The following are the amounts recognised in profit or loss during the year, in respect to the leases held by the Group as a lessee:

	2019 £'000
Depreciation of right-of-use assets	9,763
Impairment of right-of-use assets	2,951
Interest expense on lease liabilities	2,469
Expenses relating to short-term leases	784
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 £12.7 million.

The Group as lessor /

Finance lease receivables / The Group has entered into various lease arrangements considered to be finance leases, representing rentals payable to the Group 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 £0.4 million.

At the balance sheet date, third parties had outstanding commitments due to the Group 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

12. Interest in associate and investments

Interest in associate / As at 31 December 2019, the closing balance of 'Interest in associate and investments' totalled £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).

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 £1.0 million. Propoly Online Limited is a private entity that is not listed on any public exchange.

Name	Country of incorporation	2019 £'000	2018 £'000
Propoly Online Limited	United Kingdom	957	1,039

NOTES TO THE FINANCIAL STATEMENTS *continued***12. Interest in associate and investments** *continued*

Name	2019 £'000	2018 £'000
Opening balance	1,039	–
Additions	–	1,039
Share of results	(82)	–
Closing balance	957	1,039

The Company has a seat on the Board of Directors of the associate and can exercise significant influence over the business, and as such accounts for its interest in Propoly Online Limited using the equity method. The share of the results of the associate recognised during the year are until 30 September 2019, due to the availability of financial reporting information of the associate.

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.

	2019 £'000	2018 £'000
Opening balance	–	–
Additions	317	–
Closing balance	317	–

The investment is made up of unlisted equity instruments and is carried at fair value, with any fair value movements taken to OCI. Refer to Note 20 for information about methods and assumptions used in determining fair value.

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.

Name	2019 £'000	2018 £'000
Opening balance	250	–
Additions	–	250
Disposals	(250)	–
Closing balance	–	250

13. Subsidiaries

A list of the investments in subsidiaries is included below:

Name	Place of incorporation and operation	Principal activity	Proportion of ownership interest held in ordinary shares %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited ¹	United Kingdom	Holding company	100%	100%
Foxtons Operational Holdings Limited	United Kingdom	Holding company	100%	100%
Foxtons Limited	United Kingdom	Estate agency	100%	100%
Alexander Hall Associates Limited	United Kingdom	Mortgage broker	100%	100%
Alexander Hall Direct Limited ²	United Kingdom	Dormant	100%	100%

¹ Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.

² Alexander Hall Direct Limited registered number 03790471 has taken advantage of the S.479A exemption from audit.

All subsidiaries, with the exception of Alexander Hall Associates Limited, have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Alexander Hall Associates Limited have their registered office at 137-144 High Holborn, London WC1V 6PL.

14. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	10,585	9,089
Less: Provision for impairment of trade receivables	(2,060)	(1,904)
Net trade receivables	8,525	7,185
Prepayments	3,101	6,195
Other receivables	1,798	347
	13,424	13,727

Trade receivables without a significant financing component are classified and held at amortised cost, being initially measured as the transaction price and subsequently measured at amortised cost less any associated ECL allowance.

Trade receivables are considered past due once they have passed their contracted due date. Credit losses are measured at the present value of all cash shortfalls.

Amounts invoiced to customers on exchange of sales contracts or signing of lettings contracts are due immediately, albeit in the case of lettings, they may be collected over time through rental payments received.

For sales, the vast majority of our receivables are received directly from the conveyancing lawyer working on behalf of the vendor. These processes facilitate the prompt collection of receivables. Our negotiators track payment and are incentivised to collect these receivables promptly as commission is based on amounts received in cash. Should a debt become 21 days overdue this is referred to our legal department unless there is a valid reason to the contrary. The Group has recognised a lifetime ECL allowance against all trade receivables over 180 days because historical experience has been that receivables which are past due beyond 180 days are not recoverable. A lifetime ECL allowance is also applied for trade receivables between 30 days and 180 days overdue, when there is an increase in credit risk or a deterioration in market conditions at the period end.

The Group does not hold any collateral or other credit enhancements over any of its trade receivables, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an ECL allowance, as we are not aware of any information to suggest that there has been a significant change in credit quality and consequently the amounts are still considered recoverable.

There were no significant changes made in the gross carrying amount of trade receivables during the period that contributed to changes in the loss allowance recognised.

Trade debtor days at the year end were 27 days (2018: 24 days).

Movement in the provision for impairment of trade receivables

	Provision for impairment of trade receivables £'000
At 31 December 2017	(1,887)
Amounts provided for during the period	(305)
Amounts utilised during the period	288
At 31 December 2018	(1,904)
Amounts provided for during the period	(596)
Amounts utilised during the period	440
At 31 December 2019	(2,060)

The concentration of credit risk is limited due to the customer base being large and unrelated.

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NOTES TO THE FINANCIAL STATEMENTS *continued***14. Trade and other receivables** *continued*

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Ageing of receivables	2019			2018		
	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000
0 – 30 days	4,941	–	4,941	4,278	–	4,278
30 – 60 days	2,165	–	2,165	1,138	–	1,138
61 – 90 days	640	–	640	655	–	655
91+ days	2,839	(2,060)	779	3,018	(1,904)	1,114
	10,585	(2,060)	8,525	9,089	(1,904)	7,185

The analysis of the age of financial assets which are past due at the end of the reporting period is shown above. All of the receivables in the table above are past due, but not impaired, with the exception of those included in the 91+ days category.

15. Trade and other payables

	2019 £'000	2018 £'000
Trade creditors	1,947	2,195
Social security and other taxes	2,880	2,626
VAT	693	812
Accruals	4,295	6,550
Other creditors	664	1,564
	10,479	13,747

Other creditors include a balance relating to Adjusted items of £443k (2018: £1,243k).

The Directors consider that the carrying amount of trade payables approximates fair value. The average trade creditor days as at 31 December 2019 were 30 days (31 December 2018: 21 days).

16. Contract assets and liabilities

Contract assets / At 31 December 2019, the Group recognised contract assets of £1.5 million (31 December 2018: £0.8 million). 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 Group for the non-cancellable contract period.

The table below summarises the movement in the contract assets in the period.

	2019 £'000	2018 £'000
At 1 January		–
IFRS 15 transition impact ¹		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 Group 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 £0.6 million of contract assets, £1.7 million of additional contract liabilities and £0.2 million of additional deferred tax assets, with a corresponding adjustment to retained earnings of £0.9 million. Refer to Note 1 for further details of the change in policy.

Contract liabilities / At 31 December 2019, the Group recognised contract liabilities of £7.6 million (31 December 2018: £6.8 million) as summarised and explained below.

	2019 £'000	2018 ² £'000
Lettings: Securing a letting for the landlord	5,265	5,270
Lettings: Rent collection service	1,555	1,093
Other amounts deferred	730	457
	7,550	6,820

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 of 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 £6.8 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 £5.0 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 Group's 2018 reported revenue or profits. Refer to Note 1 for further details of the change in policy.

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

As explained in Note 1, the contracts the Group 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 Group 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 Group'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 'Sales provision' balance, previously presented within provisions, has been reclassified to 'Other amounts deferred' during the year, to reflect the nature of the balance.

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	6,255	5,742
Non-current contract liabilities	1,295	1,078
Total contract liabilities	7,550	6,820

17. Provisions

	Sales provision £'000	Provision for Adjusted items £'000	Legal and other provisions £'000	Total £'000
At 1 January 2019	149	1,916	467	2,532
Impact of application of IFRS 16	–	(994)	–	(994)
Increase/(decrease) in provision	–	1,541	(296)	1,245
Utilisation of provision	–	(187)	(72)	(259)
Reclassification ¹	(149)	–	–	(149)
At 31 December 2019	–	2,276	99	2,375

¹ Reclassification from provisions to contract liabilities (refer to Note 16) to reflect the nature of the balance.

NOTES TO THE FINANCIAL STATEMENTS *continued***17. Provisions** *continued*

The balances are analysed as follows:

	2019 £'000	2018 £'000
Current	1,426	2,532
Non-current	949	–
	2,375	2,532

Provision for Adjusted items / As at 31 December 2018, 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.

Upon transition to IFRS 16, the Group relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review. This resulted in £994k of the provision being offset against the Group's right-of-use assets at 1 January 2019.

During 2019 an additional provision for Adjusted items of £1,541k has been recognised. Refer to Note 4 for further details.

Legal and other provisions / These provisions relate to legal and other costs that are incurred in the ordinary course of business.

18. Share capital

	2019 £'000	2018 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January	2,751	2,751
At 31 December	2,751	2,751

At 1 January 2019, the Company had 275,104,391 ordinary shares (1 January 2018: 275,104,391) with nil (2018: nil) shares repurchased during the year. As at 31 December 2019, the Company has 275,104,391 ordinary shares (2018: 275,104,391).

19. Own shares held

	2019 £'000	2018 £'000
Balance at 1 January	720	720
Acquired during the year	54	–
Utilised during the year	(718)	–
Balance at 31 December	56	720

The own shares reserve represents the cost of shares in the Company purchased in the market and held by the Foxtons Group Employee Benefit Trust to satisfy options under the Group's share options schemes (see Note 23). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2019 was 58,594 (2018: 233,914), with 34,580 of those shares due to be transferred to an employee relating to an exercise of share options recognised in 2019.

20. Financial instruments

Capital risk management / The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, undertake share buy-backs, return capital to shareholders, issue new shares or negotiate debt facilities.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2019, the threshold was £207k (2018: £198k), for which the entity is in compliance.

Gearing ratio / The Group's gearing ratio at each period end is as follows:

	2019 £'000	2018 ¹ £'000
Cash and cash equivalents	15,482	17,927
Net funds	15,482	17,927
Equity	115,781	123,296
Net funds to equity ratio	(13)%	(15)%

¹ Equity has been restated in line with the application of IFRS 15 from 1 January 2018, the date at which IFRS 15 became effective, in which the comparative balance sheet has been restated to reflect the change in policy. Refer to Note 1 for further details of the change in policy.

Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments:

	2019 £'000	2018 £'000
Financial assets		
FVOCI financial assets	317	-
Cash and bank balances	15,482	17,927
Loans and receivables	10,323	7,532
Financial liabilities		
Financial liabilities recorded at amortised cost	(7,600)	(11,121)

Financial risk management objectives / The Group closely monitors cash requirements to ensure sufficient funds are held for the operations of the Group.

Interest rate risk management / The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see Note 22).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this Note.

Interest rate sensitivity analysis / The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole period.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit before tax and total equity for the 12 months ended 31 December 2019 would increase/decrease by £1.0 million (year ended 31 December 2018: decrease/increase by £1.1 million).

NOTES TO THE FINANCIAL STATEMENTS *continued***20. Financial instruments** *continued*

Credit risk management / Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables consist of a large number of customers and are monitored on an ongoing basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 1% of gross monetary assets at any time during the period.

The credit risk on liquid funds is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Client monies (see Note 22) are held with three financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the government guarantees amounts of up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

Liquidity risk management / Ultimate responsibility for liquidity risk management rests with the Directors, which have established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

The Group's non-derivative financial assets and liabilities consist of FVOCI financial assets, trade and other receivables, cash and trade and other payables. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. No maturity date has been listed where there is no contractual maturity for the financial assets and financial liabilities based on the earliest date on which the Group is required to pay.

	No maturity date £'000	Less than 1 month £'000	Total £'000
31 December 2019			
FVOCI financial assets	317	–	317
Cash and cash equivalents	–	15,482	15,482
Trade and other receivables	–	10,323	10,323
Trade and other payables	–	(10,479)	(10,479)
	317	15,326	15,643

	No maturity date £'000	Less than 1 month £'000	Total £'000
31 December 2018			
FVOCI financial assets	–	–	–
Cash and cash equivalents	–	17,927	17,927
Trade and other receivables	–	7,532	7,532
Trade and other payables	–	(13,747)	(13,747)
	–	11,712	11,712

Fair value hierarchy / The Group uses the following hierarchy for determining the fair value of the financial instruments held:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-market observable)

The Group does not hold any financial instruments categorised as Level 1 or 2 by IFRS 13. The Group held £317k of Level 3 financial instruments relating solely to unlisted shares in Global Property Ventures Limited at 31 December 2019. The Group determines that using cost is an appropriate estimate of fair value of the unlisted equity securities.

The following table shows the changes in Level 3 financial assets for the year ended 31 December 2019:

	Unlisted equity securities
Opening balance 1 January 2019	–
Additions	317
Transfers	–
Closing balance 31 December 2019	317

Management considers that the book value of financial assets and liabilities recorded at amortised cost and their fair value are approximately equal. The book value and fair value of the Group's financial assets and liabilities are as follows:

	2019 £'000	2018 £'000
Cash and cash equivalents	15,482	17,927
Amortised cost	10,323	7,532
Trade and other payables	(10,479)	(13,747)

21. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Remuneration of key management personnel / The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: 'Related Party Disclosures'. Our definition of key management personnel in the year includes the Executive and Non-Executive Directors of the Company and the Group's Chief Operating Officer.

	2019 £'000	2018 £'000
Short-term employee benefits	2,355	2,003
Post-employment benefits	117	125
Share-based payments	612	673
	3,084	2,801

22. Client monies

At 31 December 2019, client monies held by Foxtons Limited in approved bank accounts amounted to £87.0 million (31 December 2018: £90.2 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited'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 deposit, not the sum total on deposit.

NOTES TO THE FINANCIAL STATEMENTS *continued***23. Share-based payments**

Equity-settled share option scheme / During 2017 the Company introduced a Share Option Plan (SOP) for executives and a limited number of senior staff. The awards have been made in the form of an option with an option price of 105.67p. The vesting period is circa five years. If the options remain unexercised after a period of 10 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 set out in the table on page 90.

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 with a nil option price. The vesting period is under three years. If the options remain unexercised after a period of 10 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 as set out in the table on page 90.

Employer's National Insurance is being accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised. The total National Insurance gain for the year was £47k (2018: £32k).

Details of the share options outstanding during the year are as follows.

	2019		2018	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	16,881,940	82.00p	18,275,861	77.19p
Granted during the period	300,000	52.38p	–	–
Forfeited during the period	(2,093,937)	(93.86p)	(1,393,921)	(18.95p)
Lapsed during the period	(2,260,969)	–	–	–
Exercised during the period	(1,114,560)	–	–	–
Outstanding at the end of the period	11,712,474	102.75p	16,881,940	82.00p
Exercisable at the end of the period	172,354	nil	110,434	nil

The options outstanding at 31 December 2019 had a weighted average remaining contractual life of seven years (2018: eight years). Of the share options outstanding at the end of the period, there are 11,240,120 (2018: 13,100,000) share options with an exercise price of 105.67p; 300,000 (2018: nil) share options with an exercise price of 52.38p and the balance have a nil cost exercise price.

During the period, 1,176,480 shares vested in June 2019 in relation to the Restricted Share Incentive Plan (RSIP) awards subject to non-market performance conditions that were granted in 2016. At the grant of the awards, the RSIP was accounted for as an equity settled share-based payment scheme under IFRS 2. The RSIP rules provide the Group with discretion not to transfer the vested shares to a participant, but instead pay an equivalent amount of cash. Prior to vesting in June 2019, the Group made enquires with the scheme participants to confirm whether share awards or cash awards would be preferred. Of the vested shares, 1,114,560 shares were exercised during the period resulting in share awards totalling £718k and cash awards totalling £449k to the scheme participants.

In the current year, 300,000 market value share options were granted to the Chief Financial Officer on 13 August 2019. During 2017, share options were granted on 17 May 2017 and 28 July 2017. The aggregate of the estimated fair values of the share options granted in 2019 is £40k. The inputs into the Monte Carlo models were as follows:

	2019	2017
Weighted average share price	52.00p	103.00p
Weighted average exercise price	52.38p	105.67p
Expected volatility	43%	45%
Expected life	7.5 years	6.5 years
Risk-free rate	0.39%	0.63%
Expected dividend yield	1.84%	1.95%

Expected volatility was determined by calculating the historical volatility of the share price of comparable listed companies over the previous three years. This is estimated based on comparable companies in line with IFRS 2 as there was insufficient historical information for the Group as it listed in September 2013. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £684k (net of National Insurance) in the year ended 31 December 2019 (2018: £1,336k) related to equity-settled share-based payment transactions.

A summary of the main features of each scheme is given below.

SOP / Awards are subject to a Total Shareholder Return (TSR) performance condition and vest over a five year period, with discretion available to the Remuneration Committee.

RSIP / Awards are subject to non-market performance conditions and vest over a three year period, with discretion available to the Remuneration Committee.

24. Alternative performance measures

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

Our APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the period and the comparability between periods.

As set out in Note 1, IFRS 16 has been applied using the modified retrospective approach on 1 January 2019 and therefore the 2018 comparators do not require to be restated. To assist with the comparison of the Group's 2019 APMs with the 2018 APMs, certain 2019 APMs are presented on both a pre-IFRS 16 basis and on an IFRS 16 basis. For 2020 onwards, the Group will only report APMs on an IFRS 16 basis, and will introduce an additional profit measure, 'Adjusted operating profit', which will incorporate the depreciation of the IFRS 16 right-of-use assets, but exclude Adjusted items, so that the costs related to the Group's leased assets are appropriately captured in a profitability APM.

The Group reports the following APMs:

a) Adjusted EBITDA

Adjusted EBITDA is defined as profit before tax, finance costs, finance income, other gains/losses, depreciation, amortisation, profit on disposal of assets, share-based payments and Adjusted items (defined within Note 1). This measure is reported to the directors for the purpose of resource allocation and assessing segmental and Group performance.

Share-based payments are excluded from Adjusted EBITDA since they are a non-cash item and vary depending on the share price at the date of grants under the Group's share option schemes, and depending on the assumptions used in valuing these awards as they are granted. Excluding share-based payment charges removes volatility and improves comparability of the Group's results with prior periods. Additionally, excluding the charges improves comparability of the Group's results with peer companies which exclude the charges where applicable.

The closest equivalent IFRS measure to Adjusted EBITDA is profit/loss before tax. Refer to Note 2 for a reconciliation between profit/loss before tax and Adjusted EBITDA.

'Adjusted EBITDA margin' was presented as an APM in the 2018 financial statements. The APM has not been presented in the 2019 financial statements due to the reduced relevance of the metric following the application of IFRS 16 from 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS *continued***24. Alternative performance measures** *continued***b) Contribution and contribution margin**

Contribution is defined as revenue less direct salary costs of front office staff and bad debt charges. Contribution margin is defined as Contribution divided by revenue.

	Sales £'000	Lettings £'000	Mortgage broking £'000	Consolidated £'000
31 December 2019				
Revenue	32,621	65,741	8,532	106,894
Less: Directly attributable salary costs	(15,963)	(18,846)	(4,500)	(39,309)
Less: Bad debt charges	(231)	(281)	(8)	(520)
Contribution	16,427	46,614	4,024	67,065
Contribution margin	50.4%	70.9%	47.2%	62.7%
31 December 2018				
Revenue	36,227	67,009	8,269	111,505
Less: Directly attributable salary costs	(16,859)	(18,987)	(4,369)	(40,215)
Less: Bad debt charges	(177)	(203)	(4)	(384)
Contribution	19,191	47,819	3,896	70,906
Contribution margin	53.0%	71.4%	47.1%	63.6%

Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between revenue and contribution is presented above.

c) Adjusted loss per share

Adjusted loss per share is defined as loss per share excluding Adjusted items. The measure is derived by dividing profit/loss after tax adjusted for Adjusted items by the weighted average number of ordinary shares in issue during the financial period. This APM is a measure of management's view of the Group's underlying loss per share.

The closest equivalent IFRS measure is basic loss per share. Refer to Note 8 for a reconciliation between basic loss per share and Adjusted loss per share.

d) **Net free cash flow**

Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash used in investing activities. The APM definition has been revised in the period as a result of the application of IFRS 16 from 1 January 2019. In order for the net free cash flow to include lease payments, under the revised definition, the repayment of IFRS 16 lease liabilities is deducted from net cash from operating activities. The measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2019 £'000	2018 ¹ £'000
Net cash from operating activities	9,776	1,793
Less: Repayment of IFRS 16 lease liabilities	(11,972)	–
Investing activities		
Interest received	87	94
Proceeds on disposal of property, plant and equipment	134	504
Purchases of property, plant and equipment	(426)	(317)
Purchases of intangibles	(103)	(686)
Purchases of investments	(67)	(1,289)
Net cash used in investing activities	(375)	(1,694)
Net free cash flow	(2,571)	99

¹ The Group 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. Therefore comparative information has not been restated.

'Operating cash conversion' was presented as an APM in the 2018 financial statements. The APM has not been presented in the 2019 financial statements due to the reduced relevance of the metric following the application of IFRS 16 from 1 January 2019.

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PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investment in subsidiaries	27	36,051	35,320
Deferred tax asset		246	96
		36,297	35,416
Current assets			
Trade and other receivables	28	22,964	22,683
Cash and cash equivalents		32	65
		22,996	22,748
Current liabilities			
Trade and other payables	29	(4,534)	(1,503)
		(4,534)	(1,503)
Net current assets		18,462	21,245
Net Assets		54,759	56,661
Equity			
Share capital	18	2,751	2,751
Other capital reserve	30	2,582	2,582
Capital redemption reserve	18	71	71
Own shares reserve	19	(56)	(720)
Retained earnings		49,411	51,977
Equity attributable to owners of the Company		54,759	56,661

The Company reported a loss for the financial year ended 31 December 2019 of £2.1 million (2018: £1.3 million loss).

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 27 February 2020.

Signed on behalf of the Board of Directors



Richard Harris
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital £'000	Own shares reserve £'000	Capital redemption reserve £'000	Other capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2018		2,751	(720)	71	2,582	51,977	56,661
Loss and total comprehensive loss for the year		-	-	-	-	(2,130)	(2,130)
Dividends	7	-	-	-	-	-	-
Capital contribution given relating to share-based payments	27	-	-	-	-	731	731
Settlement of share incentive plan		-	718	-	-	(1,167)	(449)
Own shares acquired in the period		-	(54)	-	-	-	(54)
Balance at 31 December 2019		2,751	(56)	71	2,582	49,411	54,759
	Notes	Share capital £'000	Own shares reserve £'000	Capital redemption reserve £'000	Other capital reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2017		2,751	(720)	71	2,582	52,665	57,349
Loss and total comprehensive loss for the year		-	-	-	-	(1,282)	(1,282)
Dividends	7	-	-	-	-	(742)	(742)
Capital contribution given relating to share-based payments	27	-	-	-	-	1,336	1,336
Balance at 31 December 2018		2,751	(720)	71	2,582	51,977	56,661

At 31 December 2019, retained earnings are fully distributable.

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NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

25. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2018 and 2019. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Basis of preparation / The Company's financial statements are prepared in accordance with the Companies Act 2006 and FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. 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 assets.

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

Investments in subsidiary companies / Investments in subsidiaries are recognised at cost less provisions for impairment.

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 having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements.

26. Loss for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the financial year. The Company's loss for the year was £2.1 million (2018: £1.3 million loss).

The Company has no employees at 31 December 2019 (2018: none).

The auditor's remuneration for audit and other services is disclosed in Note 3 to the consolidated financial statements.

27. Investment in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	£'000
At 31 December 2017	33,984
Capital contribution arising from share-based payments	1,336
At 31 December 2018	35,320
Capital contribution arising from share-based payments	731
At 31 December 2019	36,051

Investments in subsidiaries are stated at cost, less any provision for impairment.

The subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in Note 13 of the consolidated financial statements.

28. Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	22,898	22,649
Prepayments and accrued income	66	34
	22,964	22,683

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

29. Trade and other payables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed to subsidiary undertakings	(3,286)	(891)
Accruals	(1,248)	(612)
	(4,534)	(1,503)

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

30. Other capital reserve

	2019 £'000	2018 £'000
Balance at 1 January and 31 December	2,582	2,582

Prior to the Company's initial public offering, a ratchet mechanism reduced the number of shares in issue resulting in a reduction in share capital and transfer to the other capital reserve.

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INFORMATION FOR SHAREHOLDERS

Company registration number /

07108742

Registered and head office /

Foxtons Group plc, Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE

2020 Financial calendar /

2019 financial year end	31 December 2019.
Year end trading update	30 January 2020
Preliminary announcement	28 February 2020
Publish Annual Report and Accounts	March 2020
Annual General Meeting	13 May 2020
First quarter trading update	May 2020
Interim period end	30 June 2020
Announcement of interim results	July 2020
Third quarter trading update	October 2020

Corporate website /

You can access the corporate website at www.foxtongroup.co.uk. The Foxtons Group plc website provides useful information including annual and half year reports, results announcements and presentations, share price data and financial news.

Shareholder enquires /

For shareholder enquiries please contact our Registrars, Link Asset Services. For general enquiries please call Link Asset Services' Customer Support Centre on: 0371 664 0300 (lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales), or alternatively email: shareholderenquiries@linkgroup.co.uk.

Electronic communications /

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email. To register for electronic communications, visit www.foxtonshares.co.uk. Please note, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

Useful contacts /

Company Secretary /

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W4 5BE

Registrar /

Link Asset Services
The Registry
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Beckenham
BR3 4TU

Legal advisers /

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20 Primrose Street
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EC2A 2EW

Auditor /

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Stockbroker /

Numis Securities
10 Paternoster Square
London
EC4M 7LT

Principal bankers /

Barclays Bank plc
Churchill Place
Canary Wharf
London
E14 5HP

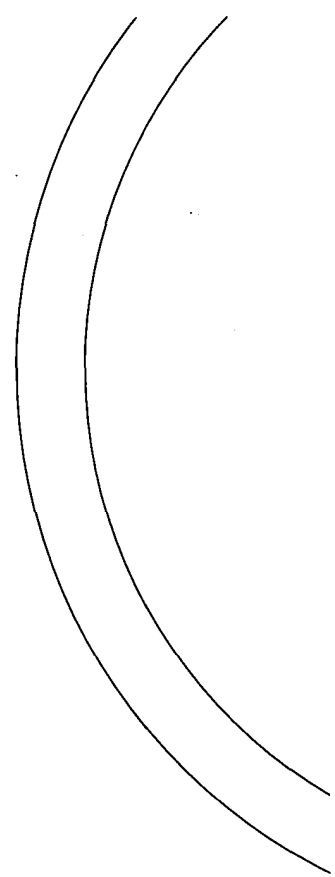
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