Foxtons Group plc
FINAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2018
28 FEBRUARY 2019

Foxtons Group plc, London's leading estate agent, today announces its financial results for the year ended 31 December 2018.

Financial summary

Year ended 31 December	2018	2017
Group revenue	**£111.5m**	£117.6m
Group Adjusted EBITDA[1,3]	**£3.6m**	£15.1m
Adjusted EBITDA margin	**3.2%**	12.8%
(Loss)/Profit before tax	**(£17.2m)**	£6.5m
Net cash from operating activities	**£1.8m**	£13.5m
Net free cash inflow[2]	**£0.1m**	£11.3m
Basic (loss)/earnings per share	**(6.3p)**	1.9p
Adjusted (loss)/earnings per share	**(0.8p)**	2.6p
Full year dividend per share – ordinary	**Nil**	0.70p
Year end cash balance	**£17.9m**	£18.6m

Financial summary:

- Group revenue declined by 5% as a resilient lettings performance was offset by ongoing weakness in the London sales market.
- Adjusted EBITDA £3.6m (2017: £15.1m). Loss before tax £17.2m (2017: Profit before tax £6.5m).
- Decline in profitability was driven by lower revenue in the sales business and additional planned investments in people, brand and technology.
- The lettings business continues to demonstrate resilience, with revenue of £67.0m up 1% versus prior year and with improving H2 performance.
- Sales revenue was £36.2m, down 15%, reflecting continued market weakness due to lower sales transactions.
- Alexander Hall mortgage revenue £8.3m, down 6%. A solid performance in the context of the wider London Sales market, driven by re-mortgages.
- Adjusted items charge of £15.7m, £12.5m of which is non-cash. Mainly relates to write down of the goodwill in the sales segment and closure of six branches in Q4.
- Strong balance sheet maintained with no debt and cash balance of £17.9m at 31 December 2018.
- There will be no final dividend in this financial period in line with our policy.

Operational highlights:

- Strong single brand, clear proposition and exceptional service continues to drive listings. Maintained No 1 market listings position in both sales and lettings.
- Ongoing improvements to My Foxtons including tenants' issue tracker and app have been well received.
- Took action to align cost base with market conditions by closing six branches largely in the network's periphery.
- Continued focus on efficiency with marketing spend refocused towards digital channels, reducing cost of acquisition.

Commenting on the results, Nic Budden, CEO, said:

"Our performance in 2018 was impacted by a further deterioration in the sales market, with transaction levels falling for another year from their already low levels. We are pleased with the lettings business and the investment we made earlier in the year helped to drive a good second half performance.

We are managing the business for these conditions with a focus on cost control and appropriate investment to improve efficiency and reinforce our customer focused offering. Our brand and its associated characteristics of high service levels, professionalism and delivering for customers, resonates in the market as evidenced by the thousands of customers who continue to trust Foxtons to sell or let their property. We will continue to evolve and enhance our offer in a way that builds on this and maintains our differentiation.

The outlook for sales remains unchanged with a range of factors, including political uncertainty, likely to contribute to ongoing low transaction levels in the short to medium term. There is momentum in the lettings business and we are pleased with how that business is progressing.

The overall fundamentals of Foxtons and our market are attractive. London is a desirable global city with a sophisticated and varied residential property market. Our brand is synonymous with London property and we have enhanced our offer in order to reinforce our lettings business and position our sales business for any upturn. We remain confident of our long term prospects."

For further information, please contact:

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The Company will host a conference call today at 10:30am for analysts and investors - dial in details: UK: +44 (0)330 336 9411, US: +1 323 794 2093, Confirmation code: 5417638. There will also be a replay of the call: UK: +44 (0)207 660 0134. US: +1 719 457 0820.

The presentation will be webcast live. To access you will be required to pre-register using the following link:

https://globalmeet.webcasts.com/starthere.jsp?ei=1232872&tp_key=2687876423

1 Adjusted EBITDA is defined by the Group as profit before tax, depreciation, amortisation, finance costs, finance income, other gains, Adjusted items, profit on disposal of assets, and share based payments. A definition of Adjusted items is included in Note 4.

2 Net free cash flow is defined as net cash from operating activities less net cash used in investing activities.

3. A number of alternative performance measures are used by the Board as they provide additional understanding of the underlying operations of the Group. See Financial Review.

Performance at a Glance

	2018	2017	
Income statement			
Revenue	£111.5m	£117.6m	(5%)
Adjusted EBITDA	£3.6m	£15.1m	(76%)
Adjusted EBITDA margin	3.2%	12.8%	
(Loss)/Profit before tax	(£17.2m)	£6.5m	
Earnings per share			
Basic and fully diluted EPS	(6.3p)	1.9p	
Adjusted EPS	(0.8p)	2.6p	
Dividends			
Interim paid	--	0.43p	
Final proposed	--	0.27p	
Total Dividend for the period	-	0.70p	
Cash flow			
Operating cash conversion[1]	117.5%	91.8%	
Net cash from operating activities	£1.8m	£13.5m	
Net free cash flow	£0.1m	£11.3m	
Net free cash flow as a percentage of Adjusted EBITDA	2.7%	75.2%	
Year end cash balance	£17.9m	£18.6m	
KPIs			
Sales revenue	£36.2m	£42.6m	
Sales units	2,529	2,962	
Revenue per sales unit	£14,324	£14,376	
Lettings revenue	£67.0m	£66.3m	
Lettings units	19,621	19,806	
Average revenue per lettings unit	£3,415	£3,348	
Mortgage broking revenue	£8.3m	£8.7m	
Units	4,318	4,243	
Average revenue per broking unit	£1,915	£2,062	

Definitions:

1. Operating cash conversion is computed as Adjusted operating cash flow/Adjusted EBITDA. Adjusted operating cash flow is defined as the summation of Adjusted EBITDA, change in working capital and net capital spend excluding Adjusted items. See Note 13.

CHAIRMAN'S STATEMENT

Overview

Group revenues were £111.5 million (2017: £117.6 million), due to continued weakness in the London sales market with 2018 volumes at around record lows. Following the completion of our branch rollout we took the decision, in the first quarter of the year, to shift our investment from capex into other areas including people, brand and technology. We made a number of planned Investments in the year, including launching a targeted brand advertising campaign. We are confident these investments will enhance the long term prospects of the business, however the net impact was to increase our cost base in the year. These actions, and the lower revenue in the sales business, resulted in a decline in Adjusted EBITDA to £3.6 million (2017: £15.1 million).

In addition, we recognised a non-recurring charge of £15.7 million: In the second half of the year we took further steps to maintain efficiency by ensuring our cost base reflects market conditions and recent technological advances. Following a review of all our sites we took the decision to close six branches, Beckenham, Enfield, Loughton, Ruislip, Park Lane and Barnes. We continue to cover over 85% of London from 61 branches and have no current plans for further closures. This action resulted in a charge to the income statement of £5.9 million. The remaining £9.8 million of the charge comprised the write down of the sales business goodwill, which we consider to be an appropriate course of action given the prolonged nature of the current sales market downturn.

As a result Loss before tax was £17.2 million (2017: Profit £6.5 million). The branch closures and other cost saving initiatives undertaken are expected to deliver circa £3 million savings during 2019.

Board and governance

The Board places significant importance on corporate governance and compliance with the UK Corporate Governance Code. Full details are set out in the Corporate Governance section of our Annual Report and accounts.

Board update

Very sadly Andrew Adcock, a Non-Executive Director of the Company, passed away in January 2019 following a period of illness. Andrew joined Foxtons in August 2013 at the time of the Company's flotation and was a very kind and thoughtful colleague and friend. Andrew made a significant contribution to the Foxtons Board and we will deeply miss his experience, guidance and humour. We send our sincere condolences to Andrew's wife and family.

Michael Brown retired as a Non-Executive Director of the Company on 18 September 2018. Michael made a significant contribution to Foxtons over a career which started in 2002 and included seven years as Chief Executive. On behalf of the Board, I'd like to acknowledge Michael's contribution to Foxtons and to thank him for his help and support as a fellow director. We wish him well for the future.

Dividend

We have a policy of returning 35% to 40% of profit after tax as an ordinary dividend but as the company did not make a profit this period the Board has taken the decision to not pay a final dividend.

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

Operating cash conversion in the year was 117% and we ended the year with £17.9 million cash.

Summary

The London sales market is in a prolonged downturn and the current uncertainty surrounding Brexit is clearly impacting consumer confidence. We are managing the business to reflect this and ensure we are well prepared for any change in market conditions. Foxtons retains a strong balance sheet with no debt and has a powerful, high service model, which is increasingly relevant to our clients who want an agent that delivers results. Technology is improving our business both by making it more efficient and enabling clients to interact in a way that is most convenient for them.

We believe that close management of the agency process through personal relationships combined with excellent technology is the most successful and sustainable business model. We continue to have excellent coverage in London which, in the long-term, is a highly attractive property market. On behalf of the Board thank you to everyone at Foxtons for their hard work this year. Their passion, dedication and commitment is what differentiates us and is why our clients choose Foxtons.

Garry Watts
Chairman

CHIEF EXECUTIVE'S REVIEW

Review of the year

2018 was one of the toughest sales markets we have ever had in London with transactions falling from last year's historically low levels. Though our lettings business continues to provide a steady income stream the sales market remains weak. Low consumer confidence due to ongoing political uncertainty, the impact of stamp duty changes introduced in 2016 and affordability concerns in London have led to a sustained period of very low activity levels which have clearly impacted our business.

Foxtons 2018 Group revenue was £111.5 million (2017: £117.6 million) comprising lettings revenue of £67.0 million (2017: £66.3 million), sales revenue of £36.2 million (2017: £42.6 million) and mortgage broking revenue of £8.3 million (2017: £8.7 million).

Revenue from lettings grew 1% on the prior year as it continued to provide a resilient, less cyclical revenue stream which now represents 60% of Group revenue. The people investment we made earlier in the year was a success and enabled us to better manage demand particularly over the peak summer period. The 15% decrease in sales revenue is a result of continued market weakness which results in lower transaction volumes. Revenue at Alexander Hall, our mortgage broker, comprised a higher proportion of re-mortgage business, though decreased by 6% overall as the result of lower average revenue per deal.

For 2018, our Group Adjusted EBITDA reduced to £3.6 million (2017: £15.1 million) driven principally by lower revenues in the sales business and our planned investments in people, brand and technology. As expected these targeted investments have impacted profitability in the short term but are designed to enhance our differentiated model. We continue to review our cost base to reflect market conditions.

In addition, we recognised a non-recurring charge of £15.7 million in respect of Adjusted items in the year with £12.5 million of the charge being non-cash. £5.9 million of the charge related mainly to the closure of six branches, four of which were in the outskirts of our network. Having reviewed these areas closely we concluded that customers there could be served equally well from other nearby branches. The branches we have closed are in Loughton, Enfield, Beckenham and Ruislip and followed earlier closures in Barnes and Park Lane. Today we continue to cover over 85% of London with 61 branches and have no immediate plans for further closures. We remain focussed on driving efficiency and ensuring we have a cost base which reflects market conditions and accounts for the fact that technology now allows us to extend branch reach.

The remaining £9.8 million of the charge comprised the write down of the goodwill in the sales segment, which we consider to be an appropriate course of action given the prolonged nature of the current downturn in the sales market. The £3.2 million of the non-recurring charge which is cash related, all of which relates to branch closures, is expected to be spent over a three year period. The branch closures and other cost saving initiatives undertaken in the second half are expected to deliver circa £3 million of cost savings during 2019.

Overall the loss before tax was £17.2 million (2017: £6.5 million profit before tax).

Despite the market backdrop, we have been able to maintain our sales infrastructure and have taken steps to ensure the business is best prepared for these conditions. The Group continues to be cash generative before dividend and tax payments made in respect of previous years. After allowing for these, net free cash inflow during the year was £0.1 million. At year-end the Group held a cash balance of £17.9 million and remains debt free.

Property sales market

Our listings share remains at consistent levels and we are confident that our differentiated proposition is even more relevant in today's challenging market. In the medium term we believe transaction levels will improve because London has strong fundamentals as a global hub, a growing population and structural demand driven by limited housing stock. We will continue to manage the business such that we are well placed to benefit from any improvements in market conditions.

Lettings market

Lettings continues to deliver a consistent and stable revenue stream for the Group. It is a market with good long-term fundamentals, particularly in London where more than one million households now rent. In the near term we believe we have a good opportunity to do more with existing landlords and in 2018 introduced enhanced dedicated account management to help target this group. In addition, we have upgraded the My Foxtons portal so it now incorporates a tenants' issue tracker and app which enables tenants to easily log their property issues, and provides landlords with more visibility.

Our lettings business is the largest single brand portfolio in London and during 2018 the proportion of actively managed properties in the portfolio increased to 33% (2017: 32%).

Whilst demand for rental properties remains high, the year saw broadly flat average rental prices representing a stabilisation versus the prior year as the supply of rental properties has returned to more normal levels.

As the lettings market grows, landlords are faced with increased regulatory risk and seek an agent that can navigate this complexity, maximise the value of their property and secure high quality tenants. Foxtons reach, which covers nearly all of London, combined with our exceptional service offering positions us well to benefit from these trends over the longer term.

We anticipate the implementation of the Tenant Fees Bill in June 2019. Internally management has been focusing on how best to mitigate the impact of the ban in various scenarios and we will update the market in due course of the actions we propose to take.

Investing for future growth

Over the past four decades, Foxtons has built a distinctive business that covers nearly all of London with its leading brand, exceptional service and innovative application of technology. Our ambition is to build on this through selective investment in order to create the most resonant customer offering in the marketplace.

In February 2018 we laid out plans to shift investment away from branch roll outs and into other areas of our business including our brand. Foxtons is the most recognised estate agent in London and we feel our proposition – of excellent service which delivers results – is highly relevant in today's market and yet not as well understood as it could be. To address this, in 2018 we embarked on a series of brand building initiatives to reinforce our proposition amongst potential customers, buyers and tenants.

Maintaining our leadership in technology is vital as it will play an increasingly important role in enabling us to deliver exceptional service to our customers. As part of our strategy to identify future growth areas within residential property, Foxtons regularly considers partnerships with companies that potentially offer diversified income streams, complementary technology, and access to new customer segments. In 2018 we made a strategic investment in Propoly, a young company providing business to business white label digital estate agency software services, currently focused on lettings. This investment gives us access to nascent technology, which we may potentially leverage in the future. We also invested in a partnership with Zero Deposit, a service which offers an alternative to traditional cash deposits for tenants when renting a property. It gives renters greater choice and flexibility while helping landlords maximise the marketing of their properties.

Estate agency is a people-based industry and it is therefore important that we attract and retain the best talent, and that our agents stay motivated. In 2018 we invested more heavily in people, including new remuneration structures, a higher number of negotiators focused on lettings and additional property managers to enhance our service to landlords.

We believe our investment in technology, our people, and our brand over the last year has been a key driver of the improved performance in lettings and we expect to continue to see its benefit.

Outlook

Looking ahead, we expect trading conditions to remain challenging in 2019. Whilst our sales pipeline remains at a similar level to the same time last year, the sales market remains very subdued with less visibility on exchanges proceeding. Our less cyclical lettings business provides resilience against sales market cycles and we continue to target growth in this area. Enhanced operational focus, customer initiatives and utilisation of technology and data have already shown some progress; we aim to build on this going forward.

Foxtons remains in an attractive position with a robust balance sheet, good cash generation and with no debt. We will continue to review and optimise our business structure and leverage our proprietary technology and data, in order to make our agents as productive and competitive as possible.

In the longer term, whilst recent political events have produced uncertainty for buyers and sellers, we expect London to remain a highly attractive property market for sales and lettings. We have several initiatives underway to promote growth in our lettings business and remain focused on growing market share in our less mature branches. Our commitment to achieving the best result for our customers and powerful brand continue to be key differentiators. We have become accustomed to operating in these conditions, and are well placed to withstand them given our leaner cost base and continued strong balance sheet with no debt.

Nic Budden
Chief Executive Officer

FINANCIAL REVIEW

Overview

Total revenue fell by 5% during the period and whilst our cost base remains under constant review, we made a number of planned investments in key areas during the period. These included increased targeted spend in marketing and branding; a new negotiator pay scheme to improve the incentivisation and retention of our best people; and specific investments to enhance our Lettings customer service offering. Each of these investments will enhance the long term prospects of the business, however the net impact was to increase our cost base in the short term.

Administrative expenses excluding Adjusted items in the period were £4.6 million higher than prior year with planned new investments and general cost inflation, being partially offset by lower net commissions and lower depreciation. Taken together with the lower sales revenue achieved in the period, this led to an £11.5 million fall in Adjusted EBITDA. The Group remains profitable at the Adjusted EBITDA level and remains debt-free with £17.9 million cash as at 31 December 2018 (31 December 2017: £18.6 million).

Summary income statement

Year ended 31 December	**2018**	2017	% change
Group revenue	**£111.5m**	£117.6m	(5%)
Group Adjusted EBITDA	**£3.6m**	£15.1m	(76%)
Depreciation, amortisation, share based payments and profit on disposal of fixed assets	**(£5.4m)**	(£6.2m)	
Adjusted items	**(£15.7m)**	(£2.3m)	
Other gains	**£0.3m**	-	
(Loss)/profit before tax	**(£17.2m)**	£6.5m	
Net cash inflow from operating activities	**£1.8m**	£13.5m	
Net free cash inflow	**£0.1m**	£11.3m	
Basic (loss)/earnings per share	**(6.3p)**	1.9p	
Dividend per share	**-**	0.7p	

In reporting financial information the Group presents Alternative Performance Measures (APMs) such as Adjusted EBITDA, Contribution and Net Free Cash Flow 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 year and the comparability between periods.

Group Adjusted EBITDA, net cashflow from operating activities and net free cash inflow are APMs. See notes 3 and 13 respectively.

Revenue

The Foxtons Group comprises three business segments: Sales, Lettings and Mortgage broking. The majority of operations are in the London area with two branches in the adjacent area of Surrey.

£m	**2018**	2017	% variance
Sales	**36.2**	42.6	(15%)
Lettings	**67.0**	66.3	1%
Mortgage broking	**8.3**	8.7	(6%)
Total revenue	**111.5**	117.6	(5%)

Sales
The London property sales market worsened year on year as continued market weakness caused lower transaction volumes. Revenues fell by 15% versus the prior year, reflecting a 15% fall in volumes to 2,529 (2017: 2,962). “Average revenue per transaction” decreased marginally versus the prior year to £14.3k. The decrease was a reflection of a combination of factors with a slightly higher proportion of higher value transactions in the period being offset by lower overall prices. The average price of a Foxtons property sale was £581k (2017: £582k).

Lettings
The Lettings segment continues to provide a consistent recurring revenue stream which comprises 60% of Group revenues. Lettings revenue was up 1% versus prior year driven by increased revenue per deal resulting from longer deal length and broadly flat deal volumes. The Lettings business is seasonal with the peak period occurring in the second half of the year.

Mortgage broking
Revenue at our mortgage business, Alexander Hall, decreased by 6%. In the context of the wider London Sales market, this was a solid performance driven by a higher proportion of re-mortgage deals which typically attract a lower margin. Overall volumes were 4,318 (2017: 4,243).

Balanced business
A key strategic priority for the Company is to maintain a balanced business. This balance across the Sales and Lettings segments enables the Group to withstand fluctuations in the property market.

% of total revenue	**2018**	2017
Sales	**32%**	36%
Lettings	**60%**	57%
Mortgage broking	**8%**	7%
Total revenue	**100%**	100%

Segmental Contribution and Adjusted EBITDA

A key metric for management is the contribution generated by the three business segments. Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. Contribution and contribution margin % are used as APMs as they are both measures of the profitability and efficiency of the operating business segments. The Group contribution margin was lower than in the prior year mainly due to the fall in sales revenue. We maintained headcount levels in the period in order to re-build our under offer sales pipeline with a view to increasing sales exchanges in the second half of the year. Our front office headcount remains under constant review.

Contribution	**2018 £m**	**2018 margin**	2017 £m	2017 margin
Sales	**19.2**	**53.0%**	25.1	59.0%
Lettings	**47.8**	**71.4%**	48.6	73.3%
Mortgage broking	**3.9**	**47.1%**	4.4	49.8%
Group contribution	**70.9**	**63.6%**	78.1	66.4%

Adjusted EBITDA comprises contribution less shared costs and before Adjusted items:

Adjusted EBITDA	2018 £m	2018 Margin	2017 £m	2017 margin
Sales	**(4.5)**	**(12.3%)**	1.2	2.8%
Lettings	**6.7**	**10.0%**	12.1	18.3%
Mortgage broking	**1.4**	**16.7%**	1.8	20.0%
Group Adjusted EBITDA	**3.6**	**3.2%**	15.1	12.8%

The integrated nature of the business model means that a relatively large proportion of the cost base is shared between the sales and lettings segments.

Sales Adjusted EBITDA and margin reduced versus prior year driven primarily by lower revenue.

Lettings Adjusted EBITDA and margin reduced versus prior year driven primarily by an increased apportionment of shared costs, which for the purposes of segmental reporting are allocated between the sales and lettings segments according to headcount. As 2018 headcount was higher in the lettings business than in the sales business, a higher proportion of shared cost has been allocated to Lettings than in the prior year. A full reconciliation of these items to (Loss)/Profit before tax is included in Note 3.

Adjusted items
We incurred a £15.7 million charge in respect of Adjusted items in the year, £12.5m of which is non-cash.

£5.0m of the charge related to the closure of six branches in the second half of the year. A further four branches had their net assets impaired by £0.9m. The remaining £9.8m of the charge comprised the write down of the goodwill in the sales segment, which we consider to be an appropriate course of action given the prolonged nature of the current downturn in the sales market. The £3.2m of the non-recurring charge which is cash related is expected to be spent over a three-year period.

We remain focussed on driving efficiency and ensuring we have a cost base which reflects market conditions The branch closures and other cost saving initiatives undertaken in the second half are expected to deliver circa £3m of cost savings during 2019.

Loss/Profit before tax
The Loss before tax in the period was £17.2 million (2017: Profit before tax £6.5 million) and was after charging:

- Direct salary costs of front office staff of £40.6 million (2017: £39.5 million)
- Shared costs of £67.3 million (2017: 63.0 million)
- Depreciation, amortisation and profit on disposal of fixed assets of £4.1 million (2017: £4.9 million)
- Share based payment charge of £1.3 million (2017: £1.3 million)
- Adjusted items £15.7 million (2017: £2.3 million)
- Other gains (£0.3m) (2017: £nil); and
- Net finance costs £nil (2017: £0.1 million)

The Loss before tax arose due to lower Group revenue and specific long term investments in marketing, people and brand, and general inflation which was partially offset by underlying cost savings.

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. Foxtons effective tax rate for the period was 0.2% (2017: 17.0%). This compares to the statutory corporation tax rate of 19.0% (2017: 19.25%).

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

Tax payments during the year totalled £1.5 million (2017: £2.1 million). The 2017 figure included a £0.4 million refund in respect of prior years.

Earnings per share (EPS)

Basic (loss)/earnings per share was (6.3p) (2017: 1.9p) and diluted (loss)/earnings per share was (6.3p) (2017: 1.9p) both driven by reduced profitability. Adjusted (loss)/earnings per share was (0.8p) (2017:2.6p).

Cash flow

The operating cash inflow before movements in working capital in the period was £1.9m (2017: £14.2m). A normal working capital inflow of £1.3m and income taxes paid of £1.4m in the period, gave rise to a net cash inflow from operating activities of £1.8m (2017: £13.5m).

After deducting £0.4m net capital expenditure and the £1.3m investment in associate, the net free cash inflow for the period was £0.1m (2017: £11.3 million inflow). The reduction versus prior year of £11.2 million was due to reduced cash generated by operations of £12.3 million, partially offset by and £0.7 million lower tax payments, and £0.4 million lower capital spend.

The Group held net cash of £17.9m as at the period end (31 December 2017: £18.6m).

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 Company did not make a profit this period the Board has taken the decision to not pay a final dividend.

Share buy-backs

No share buy-backs were undertaken during the period (2017: £nil).

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 is debt-free;
- 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 £10 million Revolving Working Capital Facility which remains undrawn. The facility expires in July 2019 and the Board has a reasonable expectation that the Group will be able to enter into a new appropriate facility upon expiry.

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

Mark Berry

Chief Financial Officer

PRINCIPAL RISKS

Risk management

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 Company and its Shareholders in the constantly changing environment in which it operates. The Board regularly reviews the principal risks facing the Company together with the relevant mitigating controls and undertakes a robust assessment. In reviewing the principal risks the Board considers emerging risks and significant changes to existing risk ratings. In addition the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

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.

The principal risks table below sets out the risks facing the business at the date of this Report analysed between external and internal factors. These 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.

External factors

Risk	Impact on company
Market Risk	Continuous high property price inflation may impact affordability which in turn may reduce transaction levels in the market. The market may also be affected by a reduction in London's standing as a major financial city caused by the UK's decision to leave the EU. The market is also reliant on the availability of mortgage finance, a deterioration in which may adversely affect Foxtons. The market may also be impacted by any changes in government policy such as increases in stamp duty taxes or increased regulation in the lettings market.
Competitor challenge	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.
Compliance with the legal and regulatory environment	Breaches of laws or regulations could lead to financial penalties and reputational damage. The Mortgage broking division is authorised and regulated by the FCA and could be subject to sanction for non-compliance.

Internal factors

Risk	Impact on company
IT systems and cyber risk	Foxtons business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service or corruption of data or theft of personal data.

People	There is a risk that Foxtons may not be able to recruit and retain sufficient people to achieve its operational objectives as competition for talent increases due to challenging market conditions.

Forward looking statements:

This preliminary announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the Directors' current views and information known to them at 27 February 2019. The Directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

Responsibility statement:

The following statement will be contained in the 2018 Annual Report and Accounts:

Each of the Directors confirms that to the best of their knowledge:

- the consolidated financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole;
- 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; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

Chief Executive Officer
Nic Budden
27 February 2019

Chief Financial Officer
Mark Berry
27 February 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

Continuing operations	Notes	**2018 £'000**	2017 £'000
Revenue	3	**111,505**	117,648
Administrative expenses		**(129,059)**	(111,055)
Operating (loss)/profit		**(17,554)**	6,593
Other gains		**291**	-
Finance income		**94**	1
Finance costs		**(60)**	(70)
(Loss)/Profit before tax		**(17,229)**	6,524
Tax	5	**39**	(1,175)
(Loss)/Profit and total comprehensive (loss)/ income for the year		**(17,190)**	5,349
Earnings per share			
Basic (pence per share)	7	**(6.3)**	1.9
Diluted (pence per share)	7	**(6.3)**	1.9
Adjusted (pence per share)[1]	7	**(0.8)**	2.6

[1]Adjusted earnings per share is defined as earnings per share excluding Adjusted items. See note 7.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018 £'000**	2017 £'000
Non-current assets			
Goodwill	10	**9,349**	19,168
Other intangible assets		**101,455**	100,975
Property, plant and equipment		**17,171**	24,009
Interest in associate and investment		**1,289**	-
Deferred tax assets		**1,158**	1,015
		130,422	145,167
Current assets			
Trade and other receivables		**7,532**	7,082
Current tax assets		**212**	-
Prepayments		**6,195**	6,341
Cash and cash equivalents	8	**17,927**	18,630
		31,866	32,053
Total assets		**162,288**	177,220
Current liabilities			
Trade and other payables		**(13,747)**	(12,634)
Current tax liabilities		**-**	(1,003)
Provisions		**(2,532)**	(1,307)
Deferred revenue and lettings refund liability		**(4,988)**	(4,524)
		(21,267)	(19,468)
Net current assets		**10,599**	12,585
Non-current liabilities			
Deferred tax liabilities		**(16,830)**	(16,830)
		(16,830)	(16,830)
Total liabilities		**(38,097)**	(36,298)
Net assets		**124,191**	140,922
Equity			
Share capital		**2,751**	2,751
Own shares held		**(720)**	(720)
Other capital reserve		**2,582**	2,582
Capital redemption reserve		**71**	71
Retained earnings		**119,507**	136,238
Total equity		**124,191**	140,922

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 27 February 2019.

Signed on behalf of the Board of Directors

Mark Berry
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		**2,751**	**(720)**	**2,582**	**71**	**136,238**	**140,922**
(Loss) and total comprehensive (loss) for the year		**-**	**-**	**-**	**-**	**(17,190)**	**(17,190)**
Dividends	6	**-**	**-**	**-**	**-**	**(742)**	**(742)**
Credit to equity for share based payments		**-**	**-**	**-**	**-**	**1,201**	**1,201**
Balance at 31 December 2018		**2,751**	**(720)**	**2,582**	**71**	**119,507**	**124,191**

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017		2,751	(1,540)	2,582	71	132,777	136,641
Profit and total comprehensive income for the year		–	–	–	–	5,349	5,349
Dividends	6	–	–	–	–	(2,089)	(2,089)
Exercise of shares from EBT		-	820	–	-	(820)	-
Credit to equity for share based payments		-	–	–	–	1,021	1,021
Balance at 31 December 2017		2,751	(720)	2,582	71	136,238	140,922

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Operating activities			
Operating (loss)/profit		**(17,554)**	6,593
Adjustments for:			
Other gains		**291**	-
Depreciation of property, plant and equipment		**4,100**	4,847
Impairment of goodwill	4	**9,819**	-
Loss on adjusted items	4	**2,717**	447
Gain on disposal of property, plant and equipment		**(166)**	(59)
Amortisation of intangibles		**206**	101
Increase in provisions		**1,225**	1,021
Share based payment charges		**1,303**	1,292
Operating cash flows before movements in working capital		**1,941**	14,242
(Increase)/decrease in receivables		**(304)**	11
Increase in payables		**1,609**	1,334
Cash generated by operations		**3,246**	15,587
Income taxes paid		**(1,453)**	(2,136)
Net cash from operating activities	13	**1,793**	13,451
Investing activities			
Interest received		**94**	1
Proceeds on disposal of property, plant and equipment		**504**	340
Purchases of property, plant and equipment		**(317)**	(1,507)
Purchases of intangibles		**(686)**	(972)
Purchases of investments		**(1,289)**	-
Net cash used in investing activities		**(1,694)**	(2,138)
Financing activities			
Dividends paid	6	**(742)**	(2,089)
Interest paid		**(60)**	(70)
Net cash used in financing activities		**(802)**	(2,159)
Net (decrease)/increase in cash and cash equivalents		**(703)**	9,154
Cash and cash equivalents at beginning of year		**18,630**	9,476
Cash and cash equivalents at end of year		**17,927**	18,630

NOTES TO THE FINANCIAL STATEMENTS

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.

2. Significant accounting policies

The consolidated preliminary results of the Company for the year ended 31 December 2018 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2018 were approved by the Directors on 27 February 2019. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 20 May 2019. These consolidated preliminary results have been prepared in accordance with the recognition and measurement criteria of IFRS. They do not include all the information required for full annual financial statements to comply with IFRS, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The Financial Review also includes a summary of the Group's financial position and its cash flows.

After making enquiries, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, having considered the Group and 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.

The financial information for the year ended 31 December 2018 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting convened for 20 May 2019. The Auditor has reported on these accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies applied by the Group in these consolidated preliminary results are the same as those applied by the Group in the Foxtons Group plc annual financial statements for the year ended 31 December 2017 with the exception of certain new standards and interpretations adopted in the current period which had no significant effect on the Group's results.

3. 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.

The Sales segment generates commission on sales of residential property. The Lettings segment earns fees from the letting and management of residential properties and income from interest earned on tenants' deposits. As these two 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.

The Mortgage Broking segment receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Adjusted EBITDA represents the profit before tax for the period earned by each segment before allocation of finance costs, finance income, depreciation, amortisation, profit on disposal of fixed assets, share based payments and Adjusted items. This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance.

Adjusted items include costs or revenues which due to their size, incidence and departure from the Group's strategy require disclosure in the financial statements to give a true representation of the underlying performance of the Group and allow comparability of performance from one period to another.

All revenue for the Group is generated from within the UK and there is no intra-group revenue.

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 2018:

	Notes	**Sales £'000**	**Lettings £'000**	**Mortgage Broking £'000**	**Consolidated £'000**
Revenue		**36,227**	**67,009**	**8,269**	**111,505**
Contribution[1]		**19,191**	**47,819**	**3,896**	**70,906**
Contribution margin[2]		**53.0%**	**71.4%**	**47.1%**	**63.6%**
Adjusted EBITDA		**(4,457)**	**6,693**	**1,377**	**3,613**
Adjusted EBITDA *margin*[3]		**(12.3%)**	**10.0%**	**16.7%**	**3.2%**
Depreciation					**(4,100)**
Amortisation					**(206)**
Profit 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)**

1. Contribution is defined as revenue less directly attributable salary costs and bad debts in each business unit.
2. Contribution margin is defined as Contribution divided by revenue.
3. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by 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.

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2017:

	Notes	Sales £'000	Lettings £'000	Mortgage Broking £'000	Consolidated £'000
Revenue		42,583	66,314	8,751	117,648
Contribution[1]		25,107	48,633	4,362	78,102
Contribution margin[2]		59.0%	73.3%	49.8%	66.4%
Adjusted EBITDA		1,182	12,120	1,749	15,051
Adjusted EBITDA *margin*[3]		2.8%	18.3%	20.0%	12.8%
Depreciation					(4,847)
Amortisation					(101)
Profit on disposal of property, plant and equipment					59
Adjusted items	4				(2,277)
Finance income					1
Finance cost					(70)
Share based payment charge					(1,292)
Profit before tax					6,524

1. Contribution is defined as revenue less directly attributable salary costs and bad debts in each business unit.
2. Contribution margin is defined as Contribution divided by revenue.
3. Adjusted EBITDA margin is defined as Adjusted EBITDA divided by 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.

4. Adjusted items

	2018 £'000	2017 £'000
Impairment of goodwill	**9,819**	-
Property restructure costs	**2,442**	771
Reorganisation costs	**744**	1,059
Branch asset impairments	**2,717**	447
	15,722	2,277

Adjusted items comprise the following:

- £9,819k relating to the impairment of goodwill in respect of the sales cash generating unit (refer to note 10).
- £2,442k (2017: £771k) of Property restructure costs comprising £601k (2017:£244k) dilapidation costs, and £1,841k (2017: £527k) onerous contract costs;
- £744k (2017:£1,059k) in respect of reorganisation costs relating to a limited number of senior management changes; and
- £2,717k (2017:£447k) associated with branch asset impairments.

5. Tax

	2018 £'000	2017 £'000
Current tax		
Current period UK corporation tax	**-**	1,874
Adjustments in respect of prior periods	**239**	81
Total current tax charge	**239**	1,955
Deferred tax		
Origination and reversal of temporary differences	**(521)**	(749)
Impact of change in tax rate	**67**	67
Adjustment in respect of prior periods	**176**	(98)
Total deferred tax credit	**(278)**	(780)
Tax (credit)/charge on profit on ordinary activities	**(39)**	1,175

Corporation tax for the year ended 31 December 2018 is calculated at 19% (year ended 31 December 2017: 19.25%) 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 £437k (2017: £572k) representing the recognition that it is probable that there will be future taxable profits available to be utilised against certain tax losses brought forward.

6. Dividends

	2018 £'000	2017 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 Dec 2017: 0.27p (2016: 0.33p) per ordinary share (declared and paid in the following year)	**742**	908
Interim dividends year ended 31 Dec 2018: Nil (2017: 0.43p) per ordinary share	**-**	1,181
	742	2,089

For 2018, the company did not make a profit after tax and the Board has proposed not to pay a final dividend.

7. Earnings per share

	2018 £'000	2017 £'000
(Loss)/Earnings for the purposes of basic and diluted earnings per share being profit for the half year	**(17,190)**	5,349
Adjusted for:		
Adjusted items[1]	**15,111**	1,909
Adjusted earnings	**(2,079)**	7,258

[1] Adjusted items totalling £15,722k (2017: £2,277k) per note 4, less associated tax of £611k (2017: £368k), resulting in an after tax cost of £15,111k (2017: £1,909k).

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**274,870,477**	274,791,016
Effect of potentially dilutive ordinary shares	**1,164,474**	727,703
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**276,034,951**	275,518,719
Basic (loss)/earnings per share (in pence per share)	**(6.3)**	1.9
Diluted (loss)/earnings per share (in pence per share)	**(6.3)**	1.9
Adjusted earnings per share (in pence per share)	**(0.8)**	2.6

As there is a loss in 2018, the diluted loss per share is equal to the basic loss per share.

8. 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. See note 12.

9. Financial instruments

The Group does not hold any financial instruments categorised as level 1, 2 or 3 as detailed by IFRS 13.
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, liabilities and derivative financial instruments are as follows:

	2018 £'000	2017 £'000
Cash and cash equivalents	**17,927**	18,630
Trade and other receivables	**7,532**	7,082
Trade and other payables	**(13,747)**	(12,634)

10. Goodwill

a) Carrying value of goodwill and other intangible assets

The components of goodwill and other intangible assets assessed for impairment comprise:

	2018 **£'000**	2017 £'000
Sales goodwill	**-**	9,819
Lettings goodwill	**9,349**	9,349
Brand asset – sales and lettings	**99,000**	99,000
	108,349	118,168

b) Impairment review

Management has historically assessed the Group's intangible assets for impairments using the Group's three year business plan. However, given the extended nature of the current downturn and the associated political environment, the length of the forecast period has been extended from three to five years so as to recognise the potentially prolonged nature of the expected sales market recovery.

The impairment review has been undertaken using cash flow projections from formally approved budgets and forecasts covering a five-year period for each cash generating unit (CGU). 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.

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 2.0% (2017: 2%) into perpetuity. The discount rates used reflect the risks specific to the CGUs. The pre-tax rate used to discount cash flows from Sales is 10.1% (2017: 9.9%), from lettings is 9.6% (2017: 9.4%) and from the aggregation of Sales and Lettings is 9.9% (2017: 9.7%)

The Brand asset has been tested for impairment by aggregating the value in use amounts computed in the goodwill impairment test for Sales and Lettings. The 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.

2018 was one of the toughest sales markets we have ever had in London with transactions falling further from previous years historically low levels. Low consumer confidence due to ongoing political uncertainty, the impact of stamp duty changes introduced in 2016 and affordability concerns in London have led to a sustained period of low activity levels. At the half year review we expected a gradual recovery in the sales market as being likely during full year 2019. Due to ongoing uncertainty, particularly surrounding macroeconomics and political events, we now view this as less likely and have impaired the full goodwill in the sales segment of £9.8m. We consider this to be an appropriate given the prolonged nature of the current downturn in the sales market.

c) Sensitivity analysis

We performed a detailed sensitivity analysis to assess the recoverable amounts of goodwill and other intangible assets, based on changes to key assumptions that we consider reasonably possible, and whether any changes in these assumptions would cause an impairment that would be material to the consolidated financial statements. The sensitivity analysis identified the Brand asset as the asset most sensitive to changes in key assumptions. The lettings goodwill showed significant headroom against all scenarios in the sensitivity analysis.

Given the prolonged nature of the current downturn in the sales market the headroom on the Brand asset is lower meaning that the sensitivity to the lettings growth plan is greater. The key judgement in the impairment assessment relates to the expected lettings growth. The carrying value of the Brand asset is not highly sensitive to changes in discount rates or long term growth rates.

Under management's plan, the headroom in the Brand is £55m. The plan assumes that lettings revenue growth throughout the plan period will be driven by a number of significant investments made over 2017 and 2018 in our service offering. Assuming no improvements in other elements of the plan, the headroom would reduce to zero if the CAGR for lettings over the five year plan period was 1%. If there was no growth in lettings revenue over the five year plan period, this would impair the Brand asset by £24m. Both these downside scenarios to the Plan include controllable cost mitigation in negotiator headcount and reduction in back office costs. Further mitigating actions would be available should these two scenarios arise.

We will continue to monitor the Brand for impairment indicators. It is managements view however, that lettings continues to deliver a consistent and stable revenue stream for the Group with good long term fundamentals.

11. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and 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 Foxtons Group plc and the Chief Operating Officer of Foxtons Limited.

	2018	2017
	£'000	£'000
Short-term employee benefits	**2,128**	2,089
Share-based payments	**673**	398
	2,801	2,487

The 2017 comparative figures have been corrected to reflect the actual short-term employee benefits payable. The disclosure made in 2017 was £1,972k.

Trading transactions
During the period, no Group companies entered into transactions with related parties who are not members of the Group.

12. Client monies

At 31 December 2018, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £90.2 million (31 December 2017: £88.1 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's deposit monies, not the sum total on deposit.

13. Operating cash conversion and net free cash flow

The Group utilises two key performance indicators for cash, namely:

- Operating cash conversion; and
- Net free cash flow

Operating cash conversion is defined as the ratio of Adjusted operating cash to Adjusted EBITDA. Adjusted operating cash is defined as Adjusted EBITDA less the movement in working capital and net capital spend and demonstrates the proxy for cash generation.

	2018 £'000	2017 £'000
Adjusted EBITDA	**3,613**	15,051
(Decrease)/Increase in receivables	**(304)**	11
Other gains included in receivables	**68**	-
Proceeds from other gains	**223**	-
Increase in payables	**1,577**	1,372
Decrease/(increase) in NI accrual on share based payment	**32**	(38)
Increase in Adjusted items included in payables and provisions	**(1,691)**	(1,467)
Increase in provisions	**1,225**	1,021
Purchases of property, plant and equipment	**(317)**	(1,507)
Purchases of intangibles	**(686)**	(972)
Proceeds on disposal of property, plant and equipment	**504**	340
Adjusted operating cash	**4,244**	13,811
Operating cash conversion	**117.5%**	91.8%

Net free cash flow is used as a measure of financial performance. It is defined as net cash from operating activities less net cash used in investing activities.

	2018 £'000	2017 £'000
Net cash from operating activities	**1,793**	13,451
Investing activities		
Interest received	**94**	1
Proceeds on disposal of property, plant and equipment	**504**	340
Purchases of property, plant and equipment	**(317)**	(1,507)
Purchases of investments	**(1,289)**	-
Purchases of intangibles	**(686)**	(972)
Net cash used in investing activities	**(1,694)**	(2,138)
Net free cash flow	**99**	11,313