LEI: 5493001HCMG6R1MYKC59

Foxtons Group plc
FINAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2019
28 FEBRUARY 2020

Foxtons Group plc, London's leading estate agent, today announces its results for the year ended 31 December 2019.

Financial summary

	2019	2018
Group revenue	**£106.9m**	£111.5m
Group Adjusted EBITDA[1]	**£13.4m**	-
Group Adjusted EBITDA (pre-IFRS 16)[2]	**£2.5m**	£3.6m
Statutory loss before tax[3]	**(£8.8m)**	(£17.2m)
Net free cash flow[4]	**(£2.6m)**	£0.1m
Basic (loss)/earnings per share	**(2.8p)**	(6.3p)
Full year dividend per share – ordinary	**Nil**	Nil
Year end cash balance	**£15.5m**	£17.9m

Financial highlights

- Group revenue £106.9m, down 4% on the prior year (2018: £111.5m)
- Robust performance in difficult market conditions with market share improvements in sales and lettings and growth in revenues from landlords:
  - Lettings revenue fell 2%, to £65.7m (2018: £67.0m) including a £2.7m impact of the tenant fee ban, driven by our decision not to increase our fees
  - Sales revenue fell 10% to £32.6m (2018: £36.2m). Transaction volumes and prices were impacted by ongoing political uncertainty, particularly towards the top end of the market
  - Mortgage revenue grew by 3% to £8.5m (2018: £8.3m), with strong growth in re-mortgages outweighing lower new mortgage volumes
- Adjusted EBITDA of £13.4m. On a pre-IFRS 16 basis, £2.5m (2018: £3.6m), with cost savings largely offsetting reduced sales revenue
- Statutory loss before tax of £8.8m (2018: £17.2m loss), after charging £5.7m of Adjusted items
- Strong balance sheet maintained: no external borrowings and cash balance of £15.5m (2019: £17.9m)
- There will be no final dividend in line with our policy

Operational highlights

- Brand positioning continues to be strong, with a clear focus on delivering exceptional service and leveraging the expertise of our professional and knowledgeable people
- Maintained No. 1 market listings position in London, with service investments converting to improved market share
- Continued investment in technology and data to deliver further enhancements to My Foxtons and digital marketing capabilities
- Cost savings of £4.0m in response to market conditions. Four underperforming branches closed in the period with those territories now being served by other branches in the Foxtons network
- Build to Rent and Institutional PRS lettings pipeline and key relationships continues to strengthen

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

"In 2019 sales transactions continued to fall from the historic lows we saw the previous year. In addition, we saw fewer high value sales at the top end of the market, which impacted sales revenue.

In lettings, where our focus remains, we delivered another solid performance, despite the impact of the tenant fee ban which came into place in June 2019. The decision not to offset this through increased landlord fees, like some of our competitors, has further improved the attractiveness of our excellent offer and our market share. We continue to build our proposition for the growing institutional PRS segment.

Selling or finding a property is more challenging than ever before, whilst landlords are facing increasing legal risks through tighter regulation. These factors create even more relevance and demand for our high service models across both sales and lettings, which are built on the expertise and commitment of our people.

Overall, we are pleased with our resilience in this prolonged downturn. The business and our people have proved adaptable and resilient, delivering stable results. We continue to maintain a strong balance sheet with no external borrowings.

Looking forward, with the uncertainty of the general election removed, early signs are that the sales market may improve during 2020. Our sales pipeline is currently ahead of last year, however we are well prepared for further challenging conditions in the sales market in the run up to Brexit and will continue to build our lettings business and manage our cost base in line with trading conditions. In the medium-term, 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."

For further information, please contact:

Foxtons Group plc	
Richard Harris, Chief Financial Officer Muhammad Patel, Investor Relations Manager	+44 20 7893 6484
Teneo	
Robert Morgan / Anthony Di Natale	+44 20 7420 3194

The Company will host a conference call at 9:00am (GMT) for analysts and investors on the following numbers:

UK: +44 (0)330 336 9411
US: +1 323-794-2094

Confirmation Code: 9150781

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=1282411&tp_key=6810b0e8e1

[1] Adjusted EBITDA is defined as profit before tax, finance costs, finance income, other gains/losses, depreciation, amortisation, profit on disposal of fixed assets, share-based payments and Adjusted items. The Group transitioned to IFRS 16 *'Leases'* on 1 January 2019 using the modified retrospective approach with no restatement of prior year comparatives. Refer to Note 1 for details of the impact of IFRS 16 on the Group's 31 December 2019 financial position and performance. The Group's APMs are defined, purpose explained and reconciled to statutory measures within Note 11.

[2] Adjusted EBITDA (pre-IFRS 16) is defined as 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. Refer to Note 1 for further details of the impact of IFRS 16.

[3] The application of IFRS 16 has increased the Group's 2019 statutory loss before tax by £1.3m, with no restatement of the prior year comparative. Refer to Note 1 of the financial statements for further details of the impact of IFRS 16.

[4] 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. Refer to Note 11 for a reconciliation of the measure.

PERFORMANCE AT A GLANCE

	2019	2018	% change
Income statement			
Revenue	**£106.9m**	£111.5m	(4%)
Adjusted EBITDA[1]	**£13.4m**	-	
Adjusted EBITDA (pre-IFRS 16)[1]	**£2.5m**	£3.6m	(32%)
Statutory loss before tax	**(£8.8m)**	(£17.2m)	(49%)
Loss per share			
Basic and fully diluted loss per share	**(2.8p)**	(6.3p)	56%
Adjusted EPS[1]	**(1.1p)**	(0.8p)	(38%)
Dividends			
Total dividend for the period	**-**	-	-
Cash flow			
Net cash from operating activities	**£9.8m**	£1.8m	-
Net free cash flow[1]	**(£2.6m)**	£0.1m	-
Year end cash balance	**£15.5m**	£17.9m	(13%)
KPIs			
Sales revenue	**£32.6m**	£36.2m	(10%)
Sales units	**2,423**	2,529	(4%)
Revenue per sales unit	**£13,463**	£14,324	(6%)
Lettings revenue	**£65.7m**	£67.0m	(2%)
Lettings units	**19,844**	19,621	1%
Average revenue per lettings unit	**£3,313**	£3,415	(3%)
Mortgage broking revenue	**£8.5m**	£8.3m	3%
Units	**4,442**	4,318	3%
Average revenue per broking unit	**£1,921**	£1,915	-
Average revenue per branch	**£1,762k**	£1,742k	1%
Average revenue per employee	**£94k**	£95k	(1%)

[1]These measures are APMs used by the Group. The Group's APMs are defined, purpose explained and reconciled to statutory measures within Note 11.

CHAIRMAN'S STATEMENT

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 it 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.

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

CHIEF EXECUTIVE'S REVIEW

Review of the year

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.

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.

Sales market

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.

Lettings market

In the current market environment our focus remains on the lettings business, where ongoing improvements to our offer has 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.

Outlook

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

FINANCIAL REVIEW

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.

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 11.

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 19,844 (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

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%
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 11.

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 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%

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)
- 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
- 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, and 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.

Richard Harris

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 Group and its shareholders in the constantly changing environment in which it operates. 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 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 the Group
Market Risk	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: • 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.
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 sanctions for non-compliance.

Internal factors

Risk	Impact on the Group
IT systems and cyber risk	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. 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. Such a failure or loss could also result in reputational damage, fines or other adverse consequences.
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.
Reputation and brand	Foxtons is a strong, single network brand with a reputation of delivering exceptional service. Our reputation and brand provides a competitive advantage and is critical to maintaining and growing market share. There is a risk our reputation and brand could be damaged through negative press coverage due to customer service falling below expectations. This could adversely impact our ability to retain and attract new customers and damage the future prospects of the business.

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 2020. 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 2019 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 return of the Group 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 Group 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 Directors confirm 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 Group's position and performance, business model and strategy.

On behalf of the Board

Chief Executive Officer	Chief Financial Officer
Nic Budden	Richard Harris
27 February 2020	27 February 2020

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
Directly operating costs		**(39,829)**	(40,600)
Other operating costs		**(73,406)**	(88,459)
Operating loss		**(6,341)**	(17,554)
Other losses		**(82)**	291
Finance income		**149**	94
Finance costs		**(2,546)**	(60)
Loss before tax		**(8,820)**	(17,229)
Tax	4	**1,045**	39
Loss and total comprehensive loss for the year		**(7,775)**	(17,190)
Loss per share			
Basic and diluted (pence per share)	6	**(2.8)**	(6.3)
Adjusted (pence per share)[2]	6	**(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 6.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 £'000	2018[1] £'000
Non-current assets			
Goodwill	7	**9,349**	9,349
Other intangible assets		**100,995**	101,455
Property, plant and equipment		**13,020**	17,171
Right-of-use assets	8	**51,404**	-
Contract assets		**564**	255
Interest in associate and investments		**1,274**	1,289
Deferred tax assets		**2,056**	1,341
		178,662	130,860
Current assets			
Trade and other receivables		**13,424**	13,727
Contract assets		**969**	499
Current tax assets		**342**	212
Cash and cash equivalents		**15,482**	17,927
		30,217	32,365
Total assets		**208,879**	163,255
Current liabilities			
Trade and other payables		**(10,479)**	(13,747)
Lease liabilities	8	**(9,690)**	-
Current tax liabilities		**-**	-
Provisions		**(1,426)**	(2,532)
Contract liabilities		**(6,255)**	(5,742)
		(27,850)	(22,021)
Net current assets		**2,367**	10,344
Non-current liabilities			
Lease liabilities	8	**(46,174)**	-
Contract liabilities		**(1,295)**	(1,078)
Provisions		**(949)**	-
Deferred tax liabilities		**(16,830)**	(16,830)
		(65,248)	(17,908)
Total liabilities		**(93,098)**	(39,929)
Net assets		**115,781**	123,296
Equity			
Share capital		**2,751**	2,751
Other capital reserve		**2,582**	2,582
Capital redemption reserve		**71**	71
Own shares held		**(56)**	(720)
Retained earnings		**110,433**	118,612
Total equity		**115,781**	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 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]		**-**	**-**	**-**	**-**	**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	5	**-**	**-**	**-**	**-**	**-**	**-**
Own shares acquired in the period		**-**	**(54)**	**-**	**-**	**-**	**(54)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**735**	**735**
Settlement of share incentive plan		**-**	**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]		-	-	-	-	(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	5	–	–	–	–	(742)	(742)
Credit to equity for share based payments		–	–	–	–	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	3	**4,300**	2,717
Gain on disposal of property, plant and equipment		**(97)**	(166)
Gain on disposal of right-of-use assets		**(253)**	-
Amortisation of intangibles		**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 activities[2]			
Dividends paid	5	**-**	(742)
Interest paid		**(77)**	(60)
Repayment of lease liabilities		**(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 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 8 for a reconciliation of lease liabilities.

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 Basis of preparation

The consolidated preliminary results of the Company for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2019 were approved by the Directors on 27 February 2020. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 13 May 2020. 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 2019.

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.

The financial information contained in the announcement for the year ended 31 December 2019 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 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting convened for 13 May 2020. 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.

1.3 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.

1.4 Adoption of new and revised standards

The accounting policies applied by the Group in these consolidated preliminary results are the same as those applied in the 2019 Annual Report and Accounts. 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.

The adoption of IFRS 16 had a significant impact on reported assets, liabilities and the income statement of the Group, as well as the classification of cash flows relating to lease contracts and a number of APMs used by the Group.

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. The Group's IFRS 16 accounting policy is presented below.

1.5 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.

1.6 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.

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.

1.7 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 recognised	(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 8 and 11 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.

1.8 Change in revenue recognition policy

In the period, the Group has updated its lettings commission revenue recognition policy following a post-implementation review of IFRS 15 'Revenue from Contracts with Customers'. Lettings commission for securing a letting for the 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.

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.

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.

1.9 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty within these consolidated preliminary results are the same as those within the 2019 Annual Report and Accounts: 'Useful economic life of the brand intangible' and 'Impairment of goodwill and intangibles with an indefinite life'.

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 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 segment 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 7.

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 below). This is the measure reported to the directors for the purpose of resource allocation and assessment of segment performance. Refer to Note 11 for details of the Group's APMs.

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.

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.

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 (£'000)	**Sales**	**Lettings**	**Mortgage broking**	**Consolidated**
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 EBITDA[1]	**(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 (refer to Note 3)				**(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 11.

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 £9.8 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).

2019 (£'000)	**Sales**	**Lettings**	**Mortgage broking**	**Consolidated**
2019 Adjusted EBITDA (pre-IFRS 16)	(4,984)	5,997	1,444	2,457

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2018:

2018 (£'000)	**Sales**	**Lettings**	**Mortgage broking**	**Consolidated**
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 (refer to Note 3)				(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 11.

3. 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 11. 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).

Cash outflow from these 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.

4. TAXATION

Recognised in the Group income statement
The components of the tax charge/credit recognised in the Group income statement are as the below:

	2019 £'000	2018 £'000
Current tax		
Current period UK corporation tax	**-**	-
(Credit)/charge in respect of prior periods	**(333)**	239
Total current tax 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)/charge on profit 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.

5. DIVIDENDS

	2019 £'000	2018 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 Dec 2018: Nil (2017: 0.27p) per ordinary share (declared and paid in the following year)	**-**	742
Interim dividend year ended 31 Dec 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.

6. 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 earnings 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: 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 3, 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 earnings 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 earnings per share	**274,922,915**	276,034,951

Basic loss 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-IFRS16 (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.

7. GOODWILL AND OTHER INTANGIBLES

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	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
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

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 cash generating unit (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, 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 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.

8. 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.

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)
Impairment charge	(2,951)	-	(2,951)
At 31 December 2019	47,274	4,130	51,404

The assets associated with four closed branches and a small number of other underperforming branches were 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 3).

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 charge 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

9. 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.

10. 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 the Company and the Group's Chief Operating Officer.

	2019	2018
	£'000	£'000
Short-term employee benefits	**2,355**	2,003
Post-employment benefits	**117**	125
Share-based payments	**612**	673
	3,084	2,801

11. 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 2). 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 reduced relevance of the metric following the application of IFRS 16 from 1 January 2019.

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.

31 December 2019	**Sales £'000**	**Lettings £'000**	**Mortgage broking £'000**	**Consolidated £'000**
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	Sales £'000	Lettings £'000	Mortgage broking £'000	Consolidated £'000
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 of the Group and operating segments 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 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 the Group's underlying loss per share.

The closest equivalent IFRS measure is basic loss per share. Refer to Note 6 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 reduced relevance of the metric following the application of IFRS 16 from 1 January 2019.