Foxtons Group plc

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2014

11 March 2015

Foxtons Group plc, London's leading estate agent, today announces its financial results for the year ended 31 December 2014.

Financial summary

- Group revenue up 3.4% to £143.9m (2013: £139.2m)
- Group Adjusted EBITDA[1] reduced by 6.9% to £46.2m (2013: £49.6m)
- Group Adjusted EBITDA Margin reduced by 360 bps to 32.1% (2013: 35.7%)
- Profit before tax up 8.2% to £42.1m (2013: £38.9m)
- High levels of net free cash flow[2] generation during the year £27.3m (2013: £35.5m)
- Total dividend proposed of 5.16p per share (comprising 3.17p final and 1.99p special) equivalent to £14.5m
- Total dividends for the year (interim, final and two specials) 9.70p per share, equivalent to £27.3m
- £42.7m in total dividends returned to shareholders since IPO in September 2013

Operational summary

- A balanced business[3]: Property Sales: 48.5%, Lettings: 46.8%, Mortgage broking: 4.4%
- Both Sales and Lettings operating at Adjusted EBITDA margins in excess of 32%
- Sales volumes reduced 3.7% for the year due to a market decline in the second half of the year
- Lettings volumes increased 1.7% for year
- Mortgage broking volumes increased 23.4%
- Seven new branches opened in 2014, bringing the total at year end to 51 branches. All new branches are performing in line with expectations
- Seven further branches to open in 2015

Commenting on today's statement, Nic Budden, Chief Executive Officer said:

"2014 was a year of contrasting halves. The first half was characterised by a very strong property sales market with transactions reaching their highest levels since 2008. In the second half we saw a sharp downturn in property sales volumes, particularly in Central London. Despite these challenging conditions in property sales markets during the second half of 2014, our centralised business model, effective expansion strategy and strong position in lettings enabled us to grow revenues and maintain high EBITDA margins.

Whilst we expect property sales activity to remain subdued at levels comparable to those seen in late 2012 and early 2013 until greater political and economic certainty returns, the long term fundamentals of the London market remain sound and attractive. We continue to be confident that our organic expansion strategy, together with our strong lettings business, will enable us to grow revenue and profit even in a flat property sales market. Our new branches are performing well and we are on track to open another seven this year."

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A live webcast of the management team's presentation to analysts and investors at 9:30 a.m. today can be accessed via the Group's website at www.foxtonsgroup.co.uk. An audio dial in will also be available – dial in details: +44(0)20 3427 1908, Confirmation Code: 1861160.

1. Adjusted EBITDA is defined by the Group as profit before tax, depreciation, finance costs, finance income, exceptional items, profit on disposal of assets, costs of the debt repayment incentive scheme and share based payments. Refer to note 4.
2. Net free cash flow is defined by the Group as net cash from operating activities less net cash used in investing activities exclusive of exceptional items.
3. Percentage of total revenue

PERFORMANCE AT A GLANCE

	2014	2013	
Income statement			
Revenue	£143.9m	£139.2m	3.4%
Adjusted EBITDA[1]	£46.2m	£49.6m	(6.9%)
Profit before tax	£42.1m	£38.9m	8.2%
Adjusted EBITDA margin	32.1%	35.7%	(360bps)
Earnings per share			
Basic EPS	11.9p	12.2p	(2.5%)
Adjusted EPS[2]	11.9p	13.3p	(10.5%)
Proposed dividends			
Final	3.17pps	1.70pps	
Second special	1.99pps	3.74pps	
Total proposed final and special dividend	**5.16pps**	**5.44pps**	
Interim and first special dividend paid	**4.54pps**	**–**	
Total Dividend for the year	**9.70pps**	**5.44pps**	
Cash flow			
Net free cash flow[3]	£27.3m	£35.5m	(22.9%)
Operating cash conversion[4]	84.6%	83.1%	
Year end cash balance	£22.5m	£23.4m	
KPIs			
Sales revenue	£69.8m	£67.4m	3.6%
Sales units	5,323	5,525	(3.7%)
Revenue per sales unit	£13,119	£12,202	7.5%
Lettings revenue	£67.4m	£66.4m	1.5%
Lettings units	20,895	20,538	1.7%
Revenue per lettings unit	£3,225	£3,231	(0.2%)
Mortgage broking revenue	£6.3m	£4.9m	26.8%
Units	3,154	2,556	23.4%
Average revenue per broking unit	£1,985	£1,932	2.7%

Definitions:

1. Adjusted EBITDA is defined by the Group as profit before tax, depreciation, finance cost, finance income, exceptional items, profit on disposal of assets, costs of the debt repayment incentive scheme and share based payments. Refer to note 4.
2. Adjusted Earnings Per Share is Basic Earnings Per Share excluding share based payments, exceptional items and their associated tax impact
3. Net free cash flow is defined as net cash from operating activities less net cash used in investing activities exclusive of exceptional items
4. Operating cash conversion is computed as adjusted operating cash flow/adjusted EBITDA. Adjusted operating cash flow is defined as the summation of adjusted EBITDA, change in working capital and net capital spend.

CHAIRMAN'S STATEMENT

Overview

Revenue grew across all business streams despite a sharp downturn in the property sales market during the second half of the year. We do not anticipate any recovery in sales volumes prior to the General Election in May 2015, after which greater political and economic certainty may return. The balance of our business model was demonstrated again in the final quarter with lettings revenue growing 8% in quarter 4 of 2013. Margins remained in excess of 32% with Adjusted EBITDA of £46.2m (2013: £49.6m). The Company continued its growth across London by opening seven new branches bringing the total network to 51. Cash generation remains strong which allows the Company to propose a final and special dividend of 5.16p per share in total.

Board and governance

During the year Michael Brown stepped down as CEO; he remains on the Board as a Non-Executive Director ensuring that we retain his valuable experience within the company. Nic Budden was his natural successor having been the COO of Foxtons for 9 years and having worked closely with Michael during that period. Nic was formally appointed to the Board on 1 July 2014. Stefano Quadrio Curzio stepped down from the Board on 1 October 2014 in line with the reduction in the shareholdings of the private equity funds advised by BC Partners. I would like to thank Stefano for his wise counsel to Foxtons over the years.

Dividend

The Group's dividend policy is to pay between 35% and 40% of profit after tax as ordinary dividends with the potential for special dividends to return excess cash to Shareholders. During 2014 an interim dividend of 1.77p per share plus a special dividend of 2.77p per share was paid in September 2014. The Board is proposing a final dividend for 2014 of 3.17p per share plus a further special dividend of 1.99p per share; bringing the total for the full year to 9.70p per share. The proposed dividends will, subject to Shareholder's approval at the AGM on 20 May 2015, be paid on 29 May 2015, to Shareholders on the register at 1 May 2015. Since IPO in September 2013 the Company will have returned £42.7 million of dividends to shareholders inclusive of the above dividend proposal.

Summary

The attractive fundamentals of the London property market are as strong as ever. Our strategy continues to be the delivery of profitable growth through targeted organic expansion. The Group has continued to perform well taking into consideration the recent downturn in the London property sales market in the second half of the year. The Group has a dynamic and dedicated team of people all determined to build further on our success. I would like to take this opportunity on behalf of the Board to thank everyone at Foxtons for their commitment and hard work. With their continued support we can look forward with confidence to the future.

Garry Watts
Chairman

CHIEF EXECUTIVE'S REVIEW

Review of the year

2014 was a year of contrasting halves. The first half was characterised by a very strong property sales market with transactions reaching their highest levels since 2008. In the second half we saw a sharp downturn in property sales volumes, particularly in Central London.

Group revenue grew 3.4% versus prior year while Adjusted EBITDA fell by 6.9% to £46.2 million, reflecting the downturn in the property sales market during the second half of the year. Adjusted EBITDA margins remained strong at 32.1% (2013: 35.7%), a positive performance when set against the extremely favourable property sales market conditions in 2013 as well as the absorption of the first full year of costs associated with operating as a public company.

Foxtons property sales revenues grew 3.6% with increases in average property sales revenues of 7.5% being partially offset by lower property sales volumes resulting from the market downturn in the second half. The average price of Foxtons property sales increased by 10.3% to £544k (2013: £493k).

Our Lettings business, which accounts for 46.8% of Group revenue and delivers EBITDA margins of 32.4%, improved significantly during Q4 2014 with growth in volumes leading to a 7.7% increase in Q4 revenue compared to the same period last year. Full year Lettings revenue was 1.5% up on prior year.

Albeit from a low base, Alexander Hall, our mortgage broker continued to grow with revenue up 26.8% and Adjusted EBITDA of £736k (2013: £270k) up 172.6% compared to prior year.

The Group once again generated high levels of cash with an operating cash conversion ratio[1] of 84.6% in 2014 (2013: 83.1%) and a net free cash flow of £27.3m (2013: £35.5m).

Expansion programme

We opened seven new Foxtons branches during the year and have a sufficient pipeline of new sites to complete our expansion plan for 2015. Like those before them, these most recent branches are performing in line with expectations and will support further profitable growth as they mature. The long term fundamentals of the London market remain sound and we are committed to our organic growth strategy which delivers a high level of return on capital.

Awards

As well as achieving solid financial results, Foxtons was delighted to win many prestigious awards for its service, training, website and marketing, both nationally and internationally, including Best London Real Estate Agency at the International Property Awards and Best Customer Service at The Estate Agency Awards in association with the Sunday Times. These awards demonstrate the unwavering commitment of our people to delivering exceptional service to clients, day in, day out.

Outlook

The Group remains highly profitable, cash generative and debt free. Whilst we expect property sales activity to remain subdued at levels comparable to those seen in late 2012 and early 2013 until greater political and economic certainty returns, the long term fundamentals of the London market remain sound and attractive. We continue to be confident that our organic expansion strategy together with our strong lettings business will enable us to grow revenue and profit even in a flat sales market.

Nic Budden

Chief Executive Officer

Note1: Operating cash conversion is defined as the ratio of Adjusted operating cash to Adjusted EBITDA. Adjusted operating cash is Adjusted EBITDA less the movement in working capital and net capital spend.

BUSINESS REVIEW

Segments

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

Sales revenue was 48.5% (2013: 48.4%) of total revenue while Lettings revenue was 46.8% (2013: 47.7%), mortgage broking 4.4% (2013: 3.5%) and all other 0.3% (2013: 0.4%). This balance across the Sales and Lettings segments provides financial strength to the Company to withstand fluctuations in the property market. Both estate agency segments are highly profitable with Adjusted EBITDA margins in excess of 32%. Mortgage Broking operating margins increased to 11.8% (2013: 5.5%) due to an overall improvement in the mortgage market, together with the increasing size of the Foxtons branch network which generates increasing mortgage leads.

Comparison of half years

Historically, profitability has been weighted slightly towards the second half of the year. However, this traditional seasonal picture has been quite different over the last two years due to sharper movements in the London property sales market. In 2013 the sales market increased substantially in the second half of the year while Lettings growth reduced slightly resulting in total Adjusted EBITDA increasing from £19.4 million in H1-2013 to £30.2 million in H2-2013. Conversely, in 2014 a strong Sales market in H1-2014 together with flat Lettings generated total Adjusted EBITDA of £24.9 million followed by £21.3 million in H2-2014 as the sales market returned to similar levels seen in H1-2013 with Lettings producing growth in the final quarter of 2014.

Organic expansion

The Group has continued its expansion programme, opening seven new branches during the year, increasing the network to 51 branches. Foxtons has an experienced in-house project team that works with a small number of external professionals to manage the opening of new branches. Organic expansion is a low-risk growth route with many opportunities available within London over the foreseeable future. Each cohort of new branches opened between 2010 and 2012 achieved positive cash flow within 6 to 7 months of opening and broke even in cash terms within 19 months. Average returns on capital employed for the second full year of operation were circa 150%. All new branches are performing in line with expectations.

Revenue

Revenue growth:

£m	**2014**	2013	% variance
Sales	**69.8**	67.4	3.6%
Lettings	**67.4**	66.4	1.5%
Mortgage broking	**6.3**	4.9	26.8%
Other income	**0.4**	0.5	–
Total revenue	**143.9**	139.2	3.4%

- Sales: During the year, sales commission increased by 3.6%, which was price driven with a 7.5% increase in average revenue per deal offset by a volume reduction of 3.7%. The average revenue increase of 7.5% was below the published inflation figures for London property prices reflecting the reduced volumes in the higher priced central London area together with new branches at lower average sales prices.
- Lettings: Lettings revenue increased by 1.5% versus prior year. This growth was achieved in the final quarter of 2014 as the first nine months had been flat on prior year due to the strength of the sales market. Revenue from new deals was broadly flat with the majority of growth being renewals income offset partially by reduced income from net tenants deposit interest due to reduced market interest rates. Overall, lettings units were up 1.7% while average revenue per deal fell by 0.2%.
- Mortgage broking: An improvement in the mortgage market led to mortgage revenue increasing by 26.8% which was volume driven.

Administration expenses

Administration expenses were £101.9 million (2013: £93.1 million) an increase of 9.5% reflecting the increased size of the branch network plus the additional costs of operating as a listed company for the full year.

Adjusted EBITDA margins

	2014	2013	2012
Sales	**33.3%**	39.1%	30.2%
Lettings	**32.4%**	34.6%	34.8%
Mortgage broking	**11.8%**	5.5%	6.0%
Total Adjusted EBITDA margin	**32.1%**	35.7%	31.9%

The reduction in the sales market in the second half of 2014 during a period of growth in branches and headcount reduced the sales margin from the high level seen in 2013. However, the 2014 sales margin of 33.3% was still above that produced in 2012 of 30.2%. The lettings margin of 32.4% was marginally below the prior year of 34.6% due to the subdued activity levels seen during the first three quarters of the year. The margin for Mortgage Broking increased substantially to 11.8% (2013: 5.5%) due to the strength of the mortgage market and increased leads from Foxtons as a consequence of branch expansion.

Operating profit after exceptional items

Operating profit after exceptional items of £42.0 million (2013: £43.0 million) fell by 2.2% due to a reduction in underlying profitability of 8.9% offset by the absence of exceptional items in 2014 in contrast to 2013 which incurred £3.2 million of one-off IPO costs.

Profit before tax (PBT)

PBT of £42.1 million (2013: £38.9 million) increased by 8.2% due to the repayment of debt in September 2013 and consequently zero finance costs in 2014.

Taxation

The tax charge for the year increased to £8.7 million (2013: £6.8 million). The effective rate of tax for 2014 was 20.7% (2013: 17.5%) which is broadly in line with the statutory rate of tax for the current year. The effective rate for 2013 was substantially below the statutory rate of 23.25% for 2013 as the net tax charge for that year included a deferred tax credit of £2.97 million due to the adjustment for reduced corporation tax rates on the brand intangible asset.

Basic earnings per share (EPS)

Basic EPS of 11.9p (2013: 12.2p) fell by 2.5% versus prior year reflecting:

- Increased profitability of the company with the reduction in underlying profitability being outweighed by the elimination of exceptional charges and finance costs; offset by:
- Increased weighted average number of shares in issue due to the primary share issue in September 2013 as part of the IPO.

Adjusted Basic EPS (after eliminating exceptional items and share based payments) of 11.9p (2013: 13.3p) fell by 10.5% versus prior year. However, the 2013 EPS figure benefited from a £2.97 million deferred tax credit which primarily reflected the change in corporation tax rates on the deferred tax liability for intangibles. Adjusting for this factor would reduce 2013 Adjusted EPS by 1.1p.

Cash resources and dividends

Year-end cash reduced marginally to £22.5 million (2013: £23.4 million) with operating cash conversion increasing to 84.6% (2013: 83.1%). This healthy closing cash balance will allow a total dividend of £14.5 million to be paid, subject to Shareholder approval at the AGM on 20 May 2015. The proposed dividend payment will comprise a final dividend of 3.17p per share and a special dividend of 1.99p per share. During the year actual dividends paid totalled £28.1 million being the 2013 final and special dividend of £15.3 million and the 2014 interim and special dividend of £12.8 million.

Due to the continued high cash generation of the Company, no overdraft facilities are in place.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk. The Group became debt free in September 2013 lowering financial risk within the business. In addition, as the Group is totally UK-based there is no foreign currency risk. As a consequence of the above the Group has not had to enter into any financial instruments to protect against risk.

Surplus cash balances are held with UK-based, at least A rated, banks.

Pensions

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

Gerard Nieslony

Chief Financial Officer

PRINCIPAL RISKS

Risk management

The Company takes a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its shareholders in the constantly changing environment in which we operate. The Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. The identification of risks, the development of action plans to manage the risks, and the monitoring of progress against agreed Key Performance Indicators (KPIs) are integral parts of the business process. The table below sets out the principal risks and uncertainties facing the business at the date of this report. These 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.

The following principal risks and uncertainties are consistent with those disclosed in the 2013 Annual Report and Accounts.

External factors

Risk	Impact on company
Macroeconomic conditions	Foxtons' business is dependent on UK macroeconomic conditions including the availability of mortgage finance and the residential property market in London and South East specifically.
Government policy	The risk of adverse changes in policy, law or regulations may decrease the number of residential property sales and/or lettings transactions and may increase the cost of Foxtons' services.
Competitor challenge	Foxtons operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working which could give them competitive advantage over Foxtons including internet portals.

Internal factors

Risk	Impact on company
Client monies	Foxtons holds large amounts of Client monies which may be at risk in the event of a banking failure.
Potential for fraud	The risk of adverse changes in policy, law or regulations may decrease the number of residential property sales and/or lettings transactions and may increase the cost of Foxtons' services.
IT systems	Foxtons' business operations are dependent on sophisticated IT systems which could fail leading to interruption of service or corruption of data.
People	In order to satisfy its expansion plans, Foxtons will need to ensure that sufficient high quality people are recruited, trained and retained.

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 10 March 2015. 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 2014 Annual Report and Accounts:

Each of the Directors confirms that:

- To the best of their knowledge, the financial statements, which have been prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- To the best of their knowledge, the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- They consider, having taken advice from the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Company's performance, business model and strategy.

On behalf of the Board

Gerard Nieslony

10 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

Continuing operations	Notes	**2014** **£'000**	2013 £'000
Revenue			
Sales		**69,833**	67,416
Lettings		**67,387**	66,360
Mortgage broking		**6,260**	4,938
Other		**428**	467
Total revenue		**143,908**	139,181
Administrative expenses		**(101,889)**	(93,054)
Operating profit before exceptional items		**42,019**	46,127
Exceptional items	5	**–**	(3,155)
Operating profit		**42,019**	42,972
Finance income		**129**	104
Finance costs		**–**	(4,128)
Profit before tax		**42,148**	38,948
Tax	6	**(8,706)**	(6,800)
Profit and total comprehensive income for the year		**33,442**	32,148
Earnings per share			
Basic and diluted (pence per share)	8	**11.9**	12.2
Adjusted basic and diluted (pence per share)	8	**11.9**	13.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Goodwill		**19,168**	19,168
Other intangible assets		**99,000**	99,000
Property, plant and equipment		**24,067**	21,337
Deferred tax assets		**876**	666
		143,111	140,171
Current assets			
Trade and other receivables		**10,767**	12,731
Prepayments		**6,336**	6,768
Cash and cash equivalents		**22,533**	23,352
		39,636	42,851
Total assets		**182,747**	183,022
Current liabilities			
Trade and other payables		**(8,009)**	(10,388)
Current tax liabilities		**(4,157)**	(5,558)
Provisions		**(129)**	(157)
Deferred revenue	3	**(4,362)**	(4,671)
		(16,657)	(20,774)
Net current assets		**22,978**	22,077
Non-current liabilities			
Deferred tax liabilities		**(19,800)**	(19,800)
		(19,800)	(19,800)
Total liabilities		**(36,457)**	(40,574)
Net assets		**146,290**	142,448
Equity			
Share capital	9	**2,822**	2,822
Other capital reserve		**2,582**	2,582
Own shares held		**(1,540)**	–
Share premium		**52,727**	52,727
Retained earnings		**89,699**	84,317
Total equity		**146,290**	142,448

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2014

	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31December 2013	**2,822**	**–**	**2,582**	**52,727**	**84,317**	**142,448**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**33,442**	**33,442**
Dividends	**–**	**–**	**–**	**–**	**(28,139)**	**(28,139)**
Capital contribution (group relief)	**–**	**–**	**–**	**–**	**(5)**	**(5)**
Own shares acquired in the period	**–**	**(1,540)**	**–**	**–**	**–**	**(1,540)**
Credit to equity for share based payments	**–**	**–**	**–**	**–**	**84**	**84**
Balance at 31 December 2014	**2,822**	**(1,540)**	**2,582**	**52,727**	**89,699**	**146,290**

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	–	–	–	55,252	55,252
Total comprehensive income for the year	–	–	–	32,148	32,148
Bonus issue of shares	5,164	–	–	(5,164)	–
Operation of ratchet	(2,582)	2,582	–	–	–
Issue of share capital – IPO	240	–	54,761	–	55,001
IPO costs charged directly to equity	–	–	(2,034)	–	(2,034)
Capital contribution (group relief)	–	–	–	2,081	2,081
Balance at 31 December 2013	2,822	2,582	52,727	84,317	142,448

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash from operating activities	10	**35,547**	37,090
Investing activities			
Interest received		**129**	104
Proceeds on disposal of property, plant and equipment		**324**	457
Purchases of property, plant and equipment		**(7,140)**	(7,390)
Net cash used in investing activities		**(6,687)**	(6,829)
Financing activities			
Dividends paid		**(28,139)**	–
Purchase of own shares		**(1,540)**	–
Interest paid		**–**	(2,611)
Repayments of borrowings		**–**	(68,683)
Repayments of obligations under finance leases		**–**	(390)
Proceeds on issue of shares		**–**	55,001
Net cash used in financing activities		**(29,679)**	(16,683)
Net (decrease)/increase in cash and cash equivalents		**(819)**	13,578
Cash and cash equivalents at beginning of year		**23,352**	9,774
Cash and cash equivalents at end of year		**22,533**	23,352

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Foxtons Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, the "Group") is the provision of services to the residential property market in the UK.

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

2. Significant accounting policies

The consolidated preliminary results of the Company for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

The consolidated preliminary results of the Group for the year ended 31 December 2014 were approved by the Directors on 10 March 2015. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 20 May 2015. 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 2014.

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

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have considered the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, and are satisfied that the Group should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial statements.

The financial information for the year ended 31 December 2014 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 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the Company's Annual General Meeting convened for 20 May 2015. The auditor has reported on these accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies applied by the Group in these consolidated preliminary results are the same as those applied by the Group in the Foxtons Group plc annual financial statements for the year ended 31 December 2013 with the exception of certain new Standards and Interpretations adopted in the current period which had no significant effect on the Group's results.

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical judgements in applying the Group's accounting policies

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

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – Estimate of lettings refund liability

For those contracts with break clauses, there is judgement involved in determining the appropriate refund liability to be recognised in relation to the potentially refundable portion of the commission. Since the Group uses standard terms for its letting contracts, and its lettings business is focused in one geographical area (London), management considers its lettings portfolio to be a homogenous population and estimates the amount of the commission that will be refunded based upon historical data for all lettings contracts, which is considered reliable evidence supporting this judgement. The Group maintains robust data which demonstrates that patterns of rental behaviour do not change significantly period by period, and thus the Group believes that historical data is a relatively accurate proxy for future trends and circumstances.

Useful economic life of the brand

The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

Client funds

Client monies and the associated liabilities are not shown on the consolidated balance sheet because the Company treats the monies as belonging to clients and not as its own funds. Client monies are held by the Company in specifically designated client accounts and, on that basis, the company expects that, in the event of the Company becoming insolvent, such monies would be ring-fenced and not be available to the Company's creditors as a whole. They are not available for offset against any other account held with the bank. Treatment of client monies are subject to Association of Residential Lettings Agency Rules.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Valuation of share options

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

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

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated, and the group of CGUs to which intangible assets (i.e. the Foxtons brand) have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and intangible assets at each balance sheet date was £118 million. There have been no impairments to the value of goodwill and intangible assets.

4. Business and geographical segments

Products and services from which reportable segments derive their revenues

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Directors are the chief operating decision-makers in accordance with the requirements of IFRS 8 'Operating segments'.

The operating and reportable segments of the Group are (i) Sales, (ii) Lettings and (iii) Mortgage Broking.

The Sales segment generates commission on sales of residential property. The Lettings segment earns fees from the letting and management of residential properties and income from interest earned on tenants' deposits. As these two segments operate out of the same premises and share support services, a significant proportion of costs have to be apportioned between the segments. The basis of apportionment used is headcount in each segment.

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

Income/costs not allocated to an operating segment primarily relate to solicitors' referral fees and rental of unused office space.

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

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2014:

	Sales £'000	**Lettings £'000**	**Mortgage Broking £'000**	**Total reportable segments £'000**	**Other £'000**	**Consolidated £'000**
Revenue	**69,833**	**67,387**	**6,260**	**143,480**	**428**	**143,908**
Adjusted EBITDA	**23,226**	**21,813**	**736**	**45,775**	**425**	**46,200**
Adjusted EBITDA margin	***33.3%***	***32.4%***	***11.8%***	***31.9%***	***99.5%***	***32.1%***
Depreciation						**(4,125)**
Profit on disposal of property, plant and equipment						**39**
Finance income						**129**
Share based payment charge						**(96)**
Profit before tax						**42,148**

The following is an analysis of the Group's revenue and results by reportable segment for the combined year ended 31 December 2013:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Combined £'000
Revenue	67,416	66,360	4,938	138,714	467	139,181
Adjusted EBITDA	26,376	22,983	270	49,629	3	49,632
Adjusted EBITDA margin	*39.1%*	*34.6%*	*5.5%*	*35.8%*		*35.7%*
Depreciation						(3,687)
Loss on disposal of property, plant and equipment						(41)
Exceptional items						(3,155)
Debt repayment incentive scheme[1]						223
Finance income						104
Finance costs						(4,128)
Profit before tax						38,948

1 The debt repayment incentive scheme was introduced in the capital reorganisation of March 2010 in order to incentivise management to repay the senior debt as quickly as possible. The scheme was limited to a maximum payment of £5 million plus employers' national insurance. The whole of this amount has been recorded as a charge to comprehensive income in the four years ended 31 December 2013.

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.

5. Exceptional items

The following table provides a breakdown of exceptional items:

	2014 £'000	2013 £'000
Exceptional expense		
IPO costs	–	3,155
Total exceptional items	–	3,155

The substantial majority of the above costs are not deductible for tax so there is no significant tax impact of exceptional items in 2013.

One-off IPO costs

In September 2013, Foxtons Group plc floated on the London Stock Exchange. One-off IPO costs totalled £5.2 million of which £3.2 million was charged to the income statement and £2.0 million charged to the share premium account as being directly related to the newly issued shares.

6. Tax

	2014 £'000	2013 £'000
Current tax		
Current period UK corporation tax	**8,967**	10,767
Adjustments in respect of prior periods	**(51)**	(138)
Total current tax	**8,916**	10,629
Deferred tax		
Origination and reversal of temporary differences	**(519)**	(1,127)
Impact of change in tax rate	–	(2,869)
Adjustment in respect of prior periods	**309**	167
Total deferred tax	**(210)**	(3,829)
Tax on profit on ordinary activities	**8,706**	6,800

Corporation tax for the year ended 31 December 2014 is calculated at 21.5% (year ended 31 December 2013: 23.25%) of the estimated taxable profit for the period.

On 1 April 2013, the UK corporate tax rate was reduced from 24% to 23%. From 1 April 2014, the UK corporate tax rate fell to 21%.

The Finance Act 2013 provides for a reduction in the UK corporation tax rate to 20% from 1 April 2015. The opening deferred tax balances for the year ending 31 December 2013 were calculated using the corporation tax rate of 20% as most temporary differences were expected to reverse after 1 April 2015.

7. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend year ended 31 December 2013: 5.44p per ordinary share	**15,351**	–
Interim dividend year ended 31 December 2014: 4.54p per ordinary share	**12,788**	–
	28,139	–

For 2014, the Board recommends a final dividend of 3.17p per ordinary share (£8.9 million) and a special dividend of 1.99p per ordinary share (£5.6 million) to be paid in May 2015. These financial statements do not reflect these dividends payable.

8. Earnings per share

	2014 £'000	2013 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	**33,442**	32,148
Adjusted for:		
Exceptional items (see note 5)	**–**	3,155
Share based payments charge	**96**	–
Adjusted earnings	**33,538**	35,303

Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**281,890,167**	264,586,475
Effect of dilutive potential ordinary shares	**102,964**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**281,993,131**	264,586,475
Basic earnings per share (in pence per share)	**11.9**	12.2
Diluted earnings per share (in pence per share)	**11.9**	12.2
Adjusted basic earnings per share (in pence per share)	**11.9**	13.3
Adjusted diluted earnings per share (in pence per share)	**11.9**	13.3

9. Share capital

	2014 £'000	2013 £'000
Authorised, allotted, issued and fully paid:		
282,176,468 ordinary shares of £0.01 each	**2,822**	2,822
	2,822	2,822

10. Notes to the cash flow statement

	2014 £'000	2013 £'000
Operating profit	**42,019**	42,972
Adjustments for:		
Depreciation of property, plant and equipment	**4,125**	3,687
(Gain)/loss on disposal of property, plant and equipment	**(39)**	40
(Decrease)/increase in provisions	**(28)**	30
Share based payment cost	**96**	–
IPO costs incurred	**–**	3,155
Operating cash flows before movements in working capital	**46,173**	49,884
Decrease/(Increase) in receivables	**2,398**	(2,153)
(Decrease)/increase in payables	**(2,700)**	709
Cash generated by operations	**45,871**	48,440
Expensed IPO costs paid	**–**	(3,155)
IPO costs paid taken directly to equity	**–**	(2,034)
Income taxes paid	**(10,324)**	(6,161)
Net cash from operating activities	**35,547**	37,090