Foxtons Group plc

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

8 March 2017

Foxtons Group plc, London's leading estate agent, today announces its financial results for the year ended 31 December 2016.

Financial summary

Year ended 31 December	2016	2015
Group revenue	**£132.7m**	£149.8m
Group Adjusted EBITDA(1)	**£24.6m**	£46.0m
Adjusted EBITDA margin	**18.5%**	30.7%
Profit before tax	**£18.8m**	£41.0m
Net cash from operating activities	**£23.4m**	£39.7m
Net free cash flow[2]	**£16.8m**	£32.0m
Basic Earnings per share	**5.7p**	12.3p
Full year dividend per share - ordinary	**2.00p**	5.01p
- special	**-**	5.99p

- Group revenue £132.7m and Adjusted EBITDA £24.6m
- Lettings revenue £68.3m down 1%; remained resilient and provides a consistent, recurring revenue stream
- Sales revenue £55.5m down 23%; driven by a marked step down in activity in the second half following the EU referendum and stamp duty changes - market remains tough, especially in Central London
- Mortgage revenue £8.9m, up 7% driven by higher volumes in the first half ahead of stamp duty changes
- Customer focussed strategy utilising best in class technology to enhance offering; good progress with MyFoxtons online portal launch and digital marketing initiatives
- Seven branches opened in 2016 and a further two in February 2017 taking network to 67
- £9.5m net cash at year end. Robust balance sheet with no debt
- 0.33p proposed final dividend bringing full year dividend to 2.00p per share in line with policy. This brings total cash returns to shareholders including special dividends and share buy-backs to £91m since the September 2013 IPO

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

"Last year's London property market was severely impacted by an unprecedented sequence of events with changes to stamp duty and the EU referendum vote leading to a substantial reduction in property sales transactions, especially in Central London. We were not immune to the decline in volumes, although our lettings business proved more resilient, whilst our mortgage broking business also performed well. We expect trading conditions to remain challenging throughout 2017. Should current sales activity continue through the remainder of this year, it is likely that 2017 sales volumes will be below last year.

"We have a clear strategy through these challenging market conditions, but one which also seeks to capitalise on the long term growth opportunity across London. Central to our strategy is our determination to deliver the very best proposition to our customers, delivering the highest levels of service through our excellent people, technology and network of single brand branches to ensure we secure the best results for our buyers, sellers, tenants and landlords. The launch of MyFoxtons, a sophisticated online portal for landlords and vendors in 2016, with an equivalent for tenants and buyers on the way, are exciting steps as we continue to evolve our offer, recognising the changing needs of our customers and the sales and lettings landscape. I am confident that this strategy will deliver long term growth and value for our shareholders."

For further information, please contact:

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A live webcast of the management team's presentation to analysts and investors at 9:00 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: UK - +44 (0)330 336 9436, US - +1 719 325 2346, Confirmation code: 3206680. There will also be a replay of the call: UK - +44 (0)207 984 7568, US- +1719 457 0820.

[1] Adjusted EBITDA is defined by the Group as profit before tax, depreciation, amortisation, finance costs, finance income, exceptional items, profit on disposal of assets, and share based payments.

[2] Net free cash flow is defined as net cash from operating activities less net cash used in investing activities exclusive of exceptional items.

Performance at a Glance

	2016	2015	
Income statement			
Revenue	£132.7m	£149.8m	(11.4%)
Adjusted EBITDA	£24.6m	£46.0m	(46.5%)
Adjusted EBITDA margin	18.5%	30.7%	
Profit before tax	£18.8m	£41.0m	(54.3%)
Earnings per share			
Basic EPS	5.7p	12.3p	(53.7%)
Dividends			
Interim paid	1.67p	1.67p	
Final proposed	0.33p	3.34p	
Special	-	5.99p	
Total Dividend for the year	**2.00p**	**11.00p**	
Cash flow			
Operating cash conversion[1]	93.9%	87.4%	
Net free cash flow	£16.8m	£32.0m	
Net free cash flow as a percentage of Adjusted EBITDA	68.4%	69.6%	
Year end cash balance	£9.5m	£25.6m	
KPIs			
Sales revenue	£55.5m	£72.5m	
Sales units	4,026	5,558	
Revenue per sales unit	£13,783	£13,043	
Lettings revenue	£68.3m	£69.0m	
Average active tenancies	19,360	19,367	
Average revenue per tenancy	£3,530	£3,565	
Mortgage broking revenue	£8.9m	£8.3m	
Units	4,221	3,801	
Average revenue per broking unit	£2,097	£2,171	

Definitions:

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

CHAIRMAN'S STATEMENT

Overview

During 2016, the London property market was severely impacted by a number of political factors, not least, the result of the EU referendum. Together with rising prices and stamp duty changes, this led to a substantial reduction in transaction volumes across the London housing market. The lettings market, while not immune from some of these market conditions, proved more resilient and benefitted from our high levels of renewals, despite lower levels of new tenant activity and some downward pressure on rents.

The impact on our business was a reduction in revenues of 11.4% to £132.7 million, principally reflecting the tough sales market. Adjusted EBITDA was £24.6 million (2015: £46.0 million) and profit before tax was £18.8 million (2015: £41.0 million). In line with our expansion strategy, we opened a further seven branches last year, targeting areas where we expect higher rates of transaction volumes over the next few years.

Board and governance

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

Board Update

On 7 November the Board of Foxtons Group appointed Mark Berry as Chief Financial Officer (CFO) and a member of the Board. Mark brings with him a wealth of experience working across finance functions and in agency businesses having spent ten years at Hays, the specialist recruitment business. I would like to thank Gerard Nieslony who resigned from the Board and as CFO for his contribution to Foxtons and I am delighted that he is remaining with the Company.

Annette Court has notified the Board that she will be standing down as a Non-Executive Director of the Company with effect from the Company's Annual General Meeting on 17 May 2017. On behalf of the Board, I would like to thank Annette for her valuable contribution as a Non-Executive Director and Senior Independent Director of Foxtons since the Company's IPO in 2013.

Dividend

In line with our policy, the Board has proposed a final dividend of 0.33 pence per share bringing the total ordinary dividend for the year to 2.00 pence per share. Foxtons holds a net cash position and it maintains a robust balance sheet with no debt. The Board remains committed to returning excess capital to shareholders when appropriate. This year's proposed full year dividend brings the total cash returned to shareholders since the September 2013 IPO, including special dividends and share buy-backs, to £91 million.

The proposed dividend will, subject to Shareholder approval at the Annual General Meeting ("AGM") on 17 May 2017, be paid on 25 May 2017 to Shareholders on the register at 28 April 2017.

Summary

Despite the subdued sales volumes across the market, Foxtons remains the number one property agent in London by instructions with an unrivalled network focussed on delivering the best service to buyers, sellers, tenants and landlords. Our long-term strategy remains the delivery of profitable growth through a combination of targeted expansion and further investment to continue to enhance our offer. We have a strong and determined team and I am confident that they will build on Foxtons unique platform and deliver long-term value to shareholders. I would like to take this opportunity on behalf of the Board to thank everyone at Foxtons for their commitment and hard work.

Garry Watts
Chairman

Review of the year

2016 was a challenging year characterised by volatile markets and political and economic uncertainty. The first half of the year saw significant uncertainty in the run-up to the EU referendum which led to reduced consumer confidence. We achieved record Q1 revenue due to a surge in property sales transactions in March 2016 as investors completed purchases before the introduction of the 3% stamp duty surcharge on buy-to-let properties and second homes. Q2 saw a sharp contraction and sales volumes have remained subdued due to a combination of the UK's decision to leave the EU, and longer term changes to stamp duty which have increased the cost of moving home. Greater London sales transactions were down by an estimated 28% in 2016 compared to 2015 with the Q2 to Q4 run rate down an estimated 44%. Lettings revenues remained resilient, benefitting from our high levels of renewals, despite lower levels of new tenant activity, especially from overseas corporates, and some downward pressure on rents arising from increased stock availability.

Group revenue in 2016 was £132.7 million (2015: £149.8 million), down 11.4% versus prior year and comprised sales revenue of £55.5 million (2015: £72.5 million), lettings revenue of £68.3 million (2015: 69.0 million) and mortgage broking revenue of £8.9 million (2015: £8.3 million). Sales revenue fell 23%, driven by a marked step down in activity in the second half of the year. Transaction volumes in Zone 1 were most affected, with volumes in the outer London areas of Zones 2-5, into which we have expanded in recent years, being more resilient albeit at reduced levels compared to 2015. Lettings continued to provide a resilient revenue stream which was less exposed to the cyclicality of the sales market, and now represents 51% of the group's revenues. Lettings revenue was down only marginally on prior year. Alexander Hall, our mortgage broker, showed solid growth increasing revenue by 7% driven by volumes in Q1 ahead of the changes to stamp duty.

Group Adjusted EBITDA reduced to £24.6 million (2015: £46.0 million) reflecting a combination of lower full year revenues and an increase in underlying costs associated with our branch expansion, as new, immature branches dilute the group margin. These cost increases were principally felt in the first half which saw five new branch openings. However, this was partially offset in the second half as we aligned our cost base in line with subdued market conditions.

The Group continued to be cash generative with an operating cash conversion ratio of 94% in 2016 (2015: 87%) and net free cash flow of £16.8 million (2015: £32.0 million).

Property sales market

The result of the EU Referendum is likely to lead to a prolonged period of further economic uncertainty. However, irrespective of the decision to leave the EU, London remains an economic and financial powerhouse, with an enviable level of global reach and influence. With its solid infrastructure and skilled workforce supporting both financial and commercial sectors, its long-term attractiveness is unlikely to diminish. London continues to be a highly attractive property market driven by high population density and limited housing stock. Significant pent-up demand for housing is driven by the fact that population has increased by c1.2m from 2005 to 2016 with only circa 200,000 new homes built. These fundamental demand and supply dynamics mean that transactions will increase once a greater level of economic certainty returns to the market.

Lettings market

London has experienced a significant shift in tenure with nearly 30% of private households now living in rented accommodation, double the rate seen in the last decade. This huge increase in demand for private rentals in London provides a solid base for our lettings business, which continues to be a key element of our business strategy due to its profitability and stability provided by the non-transactional revenue streams within lettings.

Competition in lettings has intensified and since 2009, the number of registered ARLA lettings agents has more than doubled. As the market grows, it is becoming more complex too, with significant new regulation and legislation having been introduced in recent years. Against this background our high quality lettings business is the sensible choice for landlords and tenants looking for a long term partner who can safeguard their interests.

Delivering on our strategy

Central to our strategy is our determination to deliver the very best proposition to our customers, delivering the highest levels of service and utilising our network and technologies to ensure we secure the best results for our buyers, sellers, tenants and landlords. We are continuing to evolve our offer, recognising the changing needs of our customers and the sales and lettings landscape, and have made good progress with our current priorities:

1. **Developing best in class technology to enhance our customer experience:**
We continue to invest in innovative technology and bespoke systems and applications which underpin our operations. We have seen strong customer uptake of our recently launched MyFoxtons online portal, which gives sellers and landlords complete visibility of the sales and lettings process alongside our premium customer service. We also launched our proprietary Valuer App in the year, and a similar online MyFoxtons portal for buyers and tenants is on track to be launched in Q2-2017.

2. **Centralised balanced business model - focussing on the less cyclical lettings business:**
As part of our technology investment, our lettings business platform is scalable with fully automated online functions. Our lettings portfolio is one of the largest in London with over 19,000 properties and we continue to focus on deepening our relationships with our existing landlords, acting as a trusted adviser as the market evolves. We continue to expand into the PRS segment and have quickly established strong relationships with some of the largest PRS developers in London, securing several new large mandates since launch. Early stage progress in this highly scalable market has been encouraging.

3. **Delivering exceptional customer service:**
We continue to deliver for our customers. I was delighted to see our customers score Foxtons an average 9.2/10 on Trustpilot and their local Foxtons branch 4.6/5 stars on Google for the service they received. This demonstrates the unwavering commitment of our people to delivering exceptional service to clients, day in, day out. We also received awards for our customer service, training, website and marketing, both nationally and internationally including The Sunday Times Lettings Agency of the Year Award for Best UK Large Lettings Agency (three years running). In addition, we have established new teams in data analytics, digital marketing and social media and are providing significant insights into customer behaviour and needs, deepening engagement, enhancing customer experience and reducing customer acquisition costs.

4. **Low risk, selective organic expansion into Outer London using our single brand network:**
Seven new branches were opened during 2016, all outside central London. Two further branches, Wembley and Wood Green, opened in February 2017. We have doubled the number of branches within our network over the last five years and our brand now covers 80% of the London sales market by volume. This progress places us slightly ahead of where we expected to be at IPO and gives us the opportunity to slow expansion this year to focus on increasing the speed of maturity of recently opened branches using our market leading training programmes, dedicated management focus, and targeted marketing initiatives.

Outlook

Looking ahead, we expect trading conditions to remain challenging in 2017. The surge in sales in Q1 2016 will not be repeated and should current levels of activity continue in the short term, it is likely that 2017 sales volumes will be below those in 2016. It is too early to assess the impact of the government's proposed ban on tenants' fees. More detailed proposals are expected from the consultation process later in the year.

Our balanced business model, underpinned by less cyclical lettings income, provides resilience against sales market cycles and we have a robust balance sheet with no debt. We continue to leverage our proprietary technology and data (including 4 million property records) to make our agents as productive as possible.

Longer term, whilst recent political events have produced uncertainty for buyers and sellers, we expect London to remain a highly attractive property market for sales and lettings. As we enter 2017, we have several initiatives underway to promote growth in our lettings business and our less mature branches remain focused on growing market share. Our high-touch approach to customer service continues to be a key differentiator, and as the most recognised residential brand in London, we are uniquely positioned to manage through the market uncertainties and take advantage of any change in conditions.

Nic Budden
Chief Executive Officer

Summary income statement

Year ended 31 December	2016	2015	% change
Group revenue	**£132.7m**	£149.8m	(11%)
Group Adjusted EBITDA	**£24.6m**	£46.0m	(47%)
Profit before tax	**£18.8m**	£41.0m	(54%)
Net cash from operating activities	**£23.4m**	£39.7m	(41%)
Basic Earnings per share	**5.7p**	12.3p	(54%)
Dividend per share	**2.0p**	11.0p	(82%)

Revenue

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

£m	2016	2015	% variance
Sales	**55.5**	72.5	(23%)
Lettings	**68.3**	69.0	(1%)
Mortgage broking	**8.9**	8.3	7%
Total revenue	**132.7**	149.8	(11%)

Sales

The London property sales market was significantly impacted by a marked step down in activity following the result of the EU referendum and stamp duty changes. Revenues fell by 23% versus the prior year to £55.5 million, primarily driven by a 28% fall in volumes. Average revenue per transaction increased by 5% versus prior year as underlying London price inflation was partially offset by the mix effect of volume reductions in the higher valued central London area and increased volumes at lower average sales prices as the business expanded further into outer London. During 2016 the average price of Foxtons property sales was £568k (2015: £550k).

Lettings

The Lettings business continues to provide a consistent recurring revenue stream which comprises over half of group revenues. Lettings revenue remained resilient and was £68.3 million, marginally down versus prior year, driven by a fall in corporate relocation business and some downward pressure on rents in the second half of the year due to the large amount of stock that came on to the market in April and May.

Mortgage broking

Mortgage broking revenue increased by 7%, principally driven by higher volumes in the first half of the year ahead of the stamp duty change on buy-to-let properties and second homes which brought a substantial amount of transactions forward into the first quarter.

Balanced business

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

% of total revenue	2016	2015
Sales	**42%**	48%
Lettings	**51%**	46%
Mortgage broking	**7%**	6%
Total revenue	**100%**	100%

Organic expansion

The Group continued its organic expansion in the year, opening a further seven new branches. Average revenue per branch was £2.2 million (2015: 2.7 million) reflecting the fall in Group revenue in the year and the increase in the number of branches from 58 to 65.

Group Adjusted EBITDA

Business segment profitability was as shown in the Adjusted EBITDA table below.

Adjusted EBITDA	**2016 £m**	**2016 margin**	2015 £m	2015 margin
Sales	**7.0**	**12.7%**	23.8	32.8%
Lettings	**16.2**	**23.6%**	20.9	30.2%
Mortgage broking	**1.4**	**16.1%**	1.3	16.0%
Group Adjusted EBITDA	**24.6**	**18.5%**	46.0	30.7%

Group Adjusted EBITDA reduced to £24.6 million (2015: £46.0 million) due to a marked step down in sales transaction revenue in the second half of the year following a record first quarter.

The reduction in the sales margin was driven primarily by lower revenue and an increase in the number of newer, less mature branches. The Lettings margin reduced primarily due to the reduction in revenue, an increase in the number of newer, less mature branches and an increased apportionment of shared central costs, which are allocated between sales and lettings according to headcount. Mortgage broking margin remained broadly flat on prior year.

Seasonality

EBITDA generation is not phased equally during the year. Historically, Adjusted EBITDA is usually weighted towards the second half of the year with Q3 being the peak period for lettings revenues. A typical ratio is circa 47:53 (H1:H2). However, during 2016 the weighting moved towards the first half of the year with a 53:47 ratio due to a marked step down in activity following a record first quarter in the Sales business as buy-to-let transactions were pulled forward ahead of the stamp duty changes which came into effect in April, and the EU referendum.

Profit before tax

Profit before tax of £18.8 million (2015: £41.0 million) reduced due to a decline in property sales transactions across London, together with increased costs due to the continued expansion of the branch network into outer London. There were no exceptional items in either the current or prior year.

Profit before tax was after charging administrative expenses of £113.9 million (2015: £108.9 million), an increase of 4.6% driven mainly by the impact of the branch expansion and selective investments in our digital marketing and technology functions. In the second half we reduced costs as market conditions worsened. As a result, overall, first half costs were £58.4 million and £55.5 million in the second half.

Taxation

The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate within the UK and are UK tax registered and fully compliant. The group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. Foxtons always sets out to be transparent, open and honest in its dealings with tax authorities. Foxtons' effective tax rates exclusive of the impact on deferred tax of future tax rates movements are 21.5% (2015: 20.5%). This may be compared to the statutory blended corporation tax rate of 20.0% (2015: 20.25%).

The absolute tax charge for the period fell by £3.4 million due to:

- Reduced profitability of £22.3 million resulting in a reduction in the current tax charge of £4.5 million.
- Reduction of £1.0 million in deferred tax in 2016 (2015: £2.0 million), primarily due to reduced corporation tax rates on the deferred tax liability in respect of the intangible brand asset.

Tax payments during the year totalled £6.3 million (2015: £8.3million), reflecting lower profitability in 2016.

Earnings per share (EPS)

Basic EPS was 5.7p (2015: 12.3p), with the reduction primarily due to lower profitability offset partially by a reduced number of shares due to the share buy-back programme.

Cash flow

Net free cash flow for the year was £16.8 million (2015: £32.0 million). The reduction was primarily driven by reduced Adjusted EBITDA. The metric "net free cash as a percentage of Adjusted EBITDA" was 68% (2015: 70%).

The Group held net cash of £9.5m as at 31 December, and has a £10m Revolving Credit Facility which remains entirely undrawn.

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.

An interim dividend of 1.67p per share was paid in September 2016. The Board has proposed a final dividend of 0.33p per share bringing the total ordinary dividend for the year to 2.00p per share (2015: 11.0p per share). The proposed dividend will be paid, subject to shareholders approval at the AGM in May 2017, on 25 May 2017 to shareholders on the register at 28 April 2017.

Share buy-backs

The Company commenced a share buy-back programme on 16 December 2015, to make on-market purchases of Foxtons ordinary shares. The programme completed in Q1-2016 at which point the Company had purchased 7.1 million shares at a total cost of £12.0 million of which £11.1 million was incurred in 2016. This and any future buy-back programmes are not intended to lead to a change in the Company's dividend 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 is debt-free;
- The Group is entirely UK-based with no foreign currency risks; and
- Surplus cash balances are held with major UK based banks.

As a consequence of the above, the Group has not had to enter into any financial instruments to protect against risk.

Pensions

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

Mark Berry

Chief Financial Officer

PRINCIPAL RISKS

Risk management

The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which it operates. The Board regularly reviews the principal risks facing the Company together with the relevant mitigating controls and undertakes a robust assessment. In reviewing the principal risks the Board considers emerging risks and significant changes to existing risk ratings. In addition the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

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

The principal risks table below sets out the risks facing the business at the date of this Report analysed between external and internal factors. These risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management or deemed to be less material at the date of this Report may also have an adverse effect on the Group.

External factors

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

Internal factors

Risk	Impact on company
IT systems and cyber risk	Foxtons business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service or corruption of data.
People	There is a risk that Foxtons may not be able to recruit and retain sufficient people to satisfy its organic expansion plans. In addition, senior staff may be recruited by competitors.

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 7 March 2017. 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 2016 Annual Report and Accounts:

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

- the financial statements, prepared in accordance with the relevant financial reporting framework, 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;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's performance, business model and strategy.

On behalf of the Board

Mark Berry

7 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

Continuing operations	Notes	2016 £'000	2015 £'000
Revenue	3	**132,688**	149,788
Administrative expenses		**(113,877)**	(108,867)
Operating profit		**18,811**	40,921
Finance income		**34**	150
Finance costs		**(80)**	(22)
Profit before tax		**18,765**	41,049
Tax	4	**(3,043)**	(6,460)
Profit and total comprehensive income for the year		**15,722**	34,589
Earnings per share			
Basic and diluted (pence per share)	6	**5.7**	12.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Goodwill		**19,168**	19,168
Other intangible assets		**100,104**	99,501
Property, plant and equipment		**28,077**	27,016
Deferred tax assets		**468**	294
		147,817	145,979
Current assets			
Trade and other receivables		**7,753**	12,147
Prepayments		**5,681**	6,106
Cash and cash equivalents	7	**9,476**	25,619
		22,910	43,872
Total assets		**170,727**	189,851
Current liabilities			
Trade and other payables		**(11,313)**	(10,926)
Current tax liabilities		**(1,184)**	(3,672)
Provisions		**(286)**	(195)
Deferred revenue and lettings refund liability		**(4,473)**	(4,653)
		(17,256)	(19,446)
Net current assets		**5,654**	24,426
Non-current liabilities			
Deferred tax liabilities		**(16,830)**	(17,820)
		(16,830)	(17,820)
Total liabilities		**(34,086)**	(37,266)
Net assets		**136,641**	152,585
Equity			
Share capital		**2,751**	2,817
Other capital reserve		**2,582**	2,582
Capital redemption reserve		**71**	5
Own shares held		**(1,540)**	(1,540)
Share premium		**-**	52,727
Retained earnings		**132,777**	95,994
Total equity		**136,641**	152,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016		2,817	(1,540)	2,582	5	52,727	95,994	152,585
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**15,722**	**15,722**
Dividends	5	**-**	**-**	**-**	**-**	**-**	**(21,694)**	**(21,694)**
Share buy-back		**(66)**	**-**	**-**	**66**	**-**	**(11,163)**	**(11,163)**
Share premium cancellation net of transaction costs		**-**	**-**	**-**	**-**	**(52,727)**	**52,703**	**(24)**
Credit to equity for share based payments		**-**	**-**	**-**	**-**	**-**	**1,215**	**1,215**
Balance at 31 December 2016		**2,751**	**(1,540)**	**2,582**	**71**	**-**	**132,777**	**136,641**

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015		2,822	(1,540)	2,582	-	52,727	89,699	146,290
Total comprehensive income for the year		-	-	-	-	-	34,589	34,589
Dividends	5	-	-	-	-	-	(27,970)	(27,970)
Share buy-back		(5)	-	-	5	-	(927)	(927)
Credit to equity for share based payments		-	-	-	-	-	603	603
Balance at 31 December 2015		2,817	(1,540)	2,582	5	52,727	95,994	152,585

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

	Note	**2016 £'000**	2015 £'000
Net cash from operating activities	7	**23,385**	**39,704**
Investing activities			
Interest received		**34**	**150**
Proceeds on disposal of property, plant and equipment		**399**	**233**
Purchases of property, plant and equipment		**(6,296)**	**(7,564)**
Purchases of intangibles		**(704)**	**(518)**
Net cash used in investing activities		**(6,567)**	**(7,699)**
Financing activities			
Dividends paid	5	**(21,694)**	**(27,970)**
Cancellation of share premium expenses		**(24)**	**–**
Interest paid		**(80)**	**(22)**
Share buy-back		**(11,163)**	**(927)**
Net cash used in financing activities		**(32,961)**	**(28,919)**
Net increase/(decrease) in cash and cash equivalents		**(16,143)**	**3,086**
Cash and cash equivalents at beginning of year		**25,619**	**22,533**
Cash and cash equivalents at end of year		**9,476**	**25,619**

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 2016 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2016 were approved by the Directors on 7 March 2017. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 17 May 2017. 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 2016.

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 and Company have adequate resources to continue in operational existence for the foreseeable future, having considered the Group and Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements.

The financial information for the year ended 31 December 2016 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 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting convened for 17 May 2017. 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 2015 with the exception of certain new Standards and Interpretations adopted in the current period which had no significant effect on the Group's results.

3. Business and geographical segments

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

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

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

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

Previously the Group has presented other revenue separately from the operating segments of sales, lettings and Mortgage Broking. The Group has re-presented the 2015 segmental analysis, with other revenue categorised between sales and lettings based upon the nature of the income. £0.2 million of the other revenue in 2015 related to conveyancing commissions and has been categorised to sales. The remaining other revenue of £0.2 million relates primarily to rental income and has been apportioned between sales and lettings.

Adjusted EBITDA represents the profit before tax for the period earned by each segment before allocation of depreciation, amortisation, profit on disposal of fixed assets, finance income, finance costs, exceptional items and share based payments. 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 2016:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Consolidated £'000
Revenue	**55,489**	**68,349**	**8,850**	**132,688**
Adjusted EBITDA	**7,021**	**16,155**	**1,425**	**24,601**
Adjusted EBITDA margin	***12.7%***	***23.6%***	***16.1%***	***18.5%***
Depreciation				**(4,949)**
Amortisation				**(101)**
Profit on disposal of property, plant and equipment				**113**
Finance income				**34**
Finance cost				**(80)**
Share based payment charge				**(854)**
Profit before tax				**18,765**

The following is an analysis of the Group's revenue and results by reportable segment for the combined year ended 31 December 2015:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Consolidated £'000
Revenue	**72,494**	**69,043**	**8,251**	**149,788**
Adjusted EBITDA	**23,811**	**20,873**	**1,323**	**46,007**
Adjusted EBITDA margin	***32.8%***	***30.2%***	***16.0%***	***30.7%***
Depreciation				**(4,491)**
Amortisation				**(17)**
Profit on disposal of property, plant and equipment				**109**
Finance income				**150**
Finance cost				**(22)**
Share based payment charge				**(687)**
Profit before tax				**41,049**

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed.

4. Tax

	2016 £'000	2015 £'000
Current tax		
Current period UK corporation tax	**4,065**	8,235
Adjustments in respect of prior periods	**(231)**	(377)
Total current tax	**3,834**	7,858
Deferred tax		
Origination and reversal of temporary differences	**-**	89
Impact of change in tax rate	**(990)**	(1,970)
Adjustment in respect of prior periods	**199**	483
Total deferred tax	**(791)**	(1,398)
Tax on profit on ordinary activities	**3,043**	6,460

Corporation tax for the year ended 31 December 2016 is calculated at 20% (year ended 31 December 2015: 20.25%) of the estimated taxable profit for the period.

On 1 April 2014, the UK corporate tax rate was reduced from 23% to 21%. From 1 April 2015, the UK corporate tax rate fell to 20%.

There will be a reduction in the UK corporation tax rate to 19% from April 2017 and a further reduction to 17% from April 2020. The reduction in future corporation tax rates has resulted in a deferred tax credit of £1.0 million (2015: £2.0 million) primarily relating to the intangible brand asset.

The deferred tax adjustment in respect of prior periods relates primarily to capital allowances for the prior year for both 2016 and 2015.

5. Dividends

	2016 £'000	2015 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 December 2015: 6.23p (2014: 5.16p) per ordinary share	**17,108**	14,535
Interim and special dividends year ended 31 December 2016:1.67p (2015: 4.77p) per ordinary share	**4,586**	13,435
	21,694	27,970

For 2016, the Board recommends a final dividend of 0.33p per ordinary share (£0.9 million) to be paid in May 2017. These financial statements do not reflect these dividends payable.

6. Earnings per share

	2016 £'000	2015 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	**15,722**	34,589
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**275,161,239**	281,656,997
Effect of dilutive potential ordinary shares	**786,455**	512,631
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**275,947,694**	282,169,628
Basic and diluted earnings per share (in pence per share)	**5.7**	12.3

7. Notes to the cash flow statement

	2016 £'000	2015 £'000
Operating profit	**18,811**	40,921
Adjustments for:		
Depreciation of property, plant and equipment	**4,949**	4,491
Gain on disposal of property, plant and equipment	**(113)**	(109)
Amortisation of intangibles	**101**	17
Increase/(decrease) in provisions	**91**	66
Share based payment cost	**854**	687
Operating cash flows before movements in working capital	**24,693**	46,073
(Increase)/decrease in receivables	**4,819**	(1,151)
Increase/(decrease) in payables	**195**	3,126
Cash generated by operations	**29,707**	48,048
Income taxes paid	**(6,322)**	(8,344)
Net cash from operating activities	**23,385**	39,704

Cash and cash equivalents

	2016 £'000	2015 £'000
Cash and cash equivalents	**9,476**	25,619

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents excludes client monies.

8. Financial instruments

The Group does not hold any financial instruments categorised as level 1, 2 or 3 by IFRS 13.

Management considers that the book value of financial assets and liabilities recorded at amortised cost and their fair value are approximately equal.

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	2016 £'000	2015 £'000
Cash and cash equivalents	**9,476**	25,619
Trade and other receivables	**7,753**	12,147
Trade and other payables	**(11,313)**	(10,926)

9. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: Related Party Disclosures. Our definition of key management personnel in the year includes the Executive and Non-Executive Directors of Foxtons Group plc and the Chief Operating Officer of Foxtons Limited.

	2016 £'000	2015 £'000
Short-term employee benefits	**2,079**	1,981
Share-based payments	**94**	56
	2,173	2,037

10. Client monies

At 31 December 2016, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £ 87.4 million (31 December 2015: £84.8 million). Neither this amount nor the matching liabilities to the clients concerned is 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 £75,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

11. Operating cash conversion and net free cash flow

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

	2016 £'000	2015 £'000
Adjusted EBITDA	**24,601**	**46,007**
(Increase)/decrease in receivables	4,819	(1,151)
Increase/(decrease) in payables	195	3,126
Increase/(decrease) in provisions	91	66
Purchases of property, plant and equipment	(6,296)	(7,564)
Purchases of intangibles	(704)	(518)
Proceeds on disposal of property, plant and equipment	399	233
Adjusted operating cash	**23,105**	**40,199**
Operating cash conversion	**93.9%**	**87.4%**

Net free cash flow is used as a measure of financial performance and is highlighted on page 1. It is defined as net cash from operating activities less net cash used in investing activities exclusive of exceptional items.

	2016 £'000	2015 £'000
Net cash from operating activities	**23,385**	**39,704**
Investing activities		
Interest received	34	150
Proceeds on disposal of property, plant and equipment	399	233
Purchases of property, plant and equipment	(6,296)	(7,564)
Purchases of intangibles	(704)	(518)
Net cash used in investing activities	**(6,567)**	**(7,699)**
Net free cash flow	**16,818**	**32,005**