Foxtons Group plc

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2013

11 March 2014

Foxtons Group plc, London's leading estate agent, today announces its financial results for the year ended 31 December 2013.

Key financial highlights

- Group revenue up 16.0% to £139.2m (2012: £120.0m)
- Group Adjusted EBITDA[1] up 29.6% to £49.6m (2012: £38.3m)
- Group Adjusted EBITDA Margin[2] up 380 bps to 35.7% (2012: 31.9%)
- Profit before tax up 56.6% to £38.9m (2012: £24.9m)
- High levels of cash generation creating a closing cash balance of £23.4m.
- Total dividend proposed of 5.44p per share (comprising 1.70p final and 3.74p special) equivalent to £15.4m.

Operational highlights

- A successful IPO in September 2013.
- A well balanced business with 47.7% of Group revenues being generated through lettings.
- Sales volumes up 22.5%
- Lettings volumes up 6.7%
- 7 new branches opened during 2013, bringing the total at year end to 44 branches.
- All new branches performing in line with expectations.
- Continued improvement in the performance of the Alexander Hall mortgage broking business.

Commenting on today's statement, Michael Brown, Chief Executive Officer said:

"It's a pleasure for me to report a strong start to Foxtons life as a public company. Our successful IPO in September 2013 leaves the Group debt free. We have a clear strategy and a great team dedicated to our overriding objective of delivering profitable growth by expanding our business model throughout the higher value, higher volume London property market. Our organic expansion strategy, together with improving market share within the more mature branches, helped drive this strong performance.

We have seen a good start to 2014 with a strong short term sales pipeline. We expect the availability of housing stock for sale to be a key determinant of the level of growth in property sales transactions during the remainder of the year. However, we remain confident that our organic expansion strategy together with our strong lettings business will enable us to continue to grow revenue even in a flat sales market. Our new branches are maturing well and we are on track to open a further seven branches by the end of this year, with 5 of them scheduled to open in the first half of 2014".

For further information, please contact:

Foxtons Group plc

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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 1911, Confirmation Code: 1009338.

1. Adjusted EBITDA is defined by the Group as profit before tax, depreciation, finance costs , finance income, exceptional items , profit on disposal of assets, and costs of the debt repayment incentive scheme. Refer to note 4 of the notes to the accounts.
2. Adjusted EBITDA margin is computed by the Group as Adjusted EBITDA / revenue

Performance at a glance

	2013	2012	
Income statement			
Revenue	**£139.2m**	£120.0m	16.0%
Adjusted EBITDA[1]	**£49.6m**	£38.3m	29.6%
Profit before tax	**£38.9m**	£24.9m	56.6%
EBITDA margin	**35.7%**	31.9%	+380bps
Earnings per share			
Basic EPS	**12.2p**	8.0p	52.5%
Adjusted EPS[2]	**13.3p**	8.7p	52.9%
Proposed dividends			
Final	**1.70pps**	-	
Special	**3.74pps**		
Cash flow			
Net free cash flow[3]	**£35.4m**	£25.1m	41.0%
Operating cash conversion[4]	**83.1%**	88.7%	
Year end cash balance	**£23.4m**	£9.8m	

KPIs

	2013	2012	
Sales revenue	**£67.4m**	£53.1m	27.0%
Sales units	**5,525**	4,512	22.5%
Revenue per sales unit	**£12,202**	£11,765	3.7%
Lettings revenue	**£66.4m**	£63.1m	5.2%
Lettings units	**20,538**	19,242	6.7%
Revenue per lettings unit	**£3,231**	£3,279	-1.5%
Mortgage broking revenue	**£4.9m**	£3.5m	42.0%
Units	**2,556**	1,938	31.9%
Average revenue per broking unit	**£1,932**	£1,795	7.6%

Definitions:

1. Adjusted EBITDA is defined by the Group as profit before tax, depreciation, finance costs , finance income, exceptional items , profit on disposal of assets, and costs of the debt repayment incentive scheme. Refer to note 4 of the notes to the accounts.
2. Adjusted Earnings Per Share is Basic Earnings Per Share excluding 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

Strong levels of growth

It gives me great pleasure to introduce the Group's inaugural statement to shareholders. 2013 was a notable year in Foxtons development with its successful flotation in September. This success was the result of a sound strategy which has achieved strong growth in revenues and profitability over a period of some years. Growth has been achieved despite somewhat lacklustre macroeconomic conditions and a continuing shortage of property sale transactions throughout the UK, and in London in particular.

Overview
Total revenue and Adjusted EBITDA in 2013, were 16.0% and 29.6% ahead of 2012 respectively. Basic earnings per share grew by 52.5%. It is a testament to the quality of the management team that these results were achieved concurrently with a very successful IPO process. The strength of the Group's balance sheet improved with the £55m primary proceeds of the IPO being used to repay fully all outstanding debt. Cash generation continues to be strong which, I am delighted to say, allows the Board to recommend the payment of the first dividend as a listed company.

New branches opening
Central to our growth strategy is the organic expansion of the Foxtons estate agency brand throughout London. Since the start of 2010 we have opened 20 new branches in London, 7 in the last year. We now operate from 44 branches and we plan to continue to expand with the addition of between 5 and 10 new branches each year. I am pleased to note that all of the new branches opened this year are performing in line with our expectations.

Board and Governance
Ahead of the IPO, Foxtons appointed an experienced new Board which I am proud to lead as Chairman and we have already established appropriate Corporate Governance standards.

Dividend – return to shareholders
The Group's dividend policy is to pay between 35% to 40% of profit after tax with the potential for special dividends to return excess cash to shareholders. For 2013 a final dividend for the year of 1.70p and a special dividend of 3.74p per ordinary share will, subject to shareholders' approval at the AGM on 21 May 2013, be paid on 30 May 2014, to shareholders on the register at 2 May 2014. The final dividend is an apportioned payment from the point of IPO to year end.

Summary
Our strategy is designed to deliver profitable growth through targeted organic expansion. Although our growth is not reliant on any significant improvement in the property market, the Group is clearly well positioned to take advantage of any further growth within the property sales market. The Group has performed well, it has a dynamic and dedicated team of people all determined to build further on our success. I would like to take this opportunity to thank them on behalf of the whole board and with them look forward with some confidence to the future.

Garry Watts
Chairman

CHIEF EXECUTIVE'S REVIEW

Delivering on our strategy
I am delighted to be able to report a strong start to Foxtons' life as a public company.

Overview of strategy
Our successful IPO in September 2013 leaves the Group debt free with a clear strategy and a great team clearly focussed on our overriding objective to deliver profitable growth by expanding our business model throughout the higher value, higher volume London property markets.

We have a successful track record of expansion over the last ten years. I am confident that the new local London markets we have identified for future expansion offer a real opportunity for the Group to benefit from the operational leverage inherent within our centralised business model which we have been evolving over the last decade.

Review of the year
Group revenue grew 16.0% on 2012 while Adjusted EBITDA improved by 29.6% to £49.6m, reflecting a high degree of profitability on incremental business. Overall, the Group delivered improved adjusted EBITDA margins of 35.7% (2012: 31.9%) despite the impact of the significant on-going costs of expansion and the work involved in the IPO process.

The Group's newly opened branches during the year were delivered on time and to budget and are all performing in line with expectations. As they mature, we can expect the financial contribution they make to grow considerably.

Our organic expansion strategy together with improving market share in our more mature branches helped drive excellent performance in our Foxtons estate agency business. Against more moderate increases in the property sales market, Foxtons achieved growth of 22.5% in property sales volumes driven by its more mature branches and recently opened branches. We also sustained average property sales prices at circa £493k (2012: £475k) demonstrating our continued focus on the higher volume, higher value mid-market sector of the London property market. The percentage growth in average revenue was less than the average for London due to our expansion out from the centre and a greater emphasis on New Homes.

Our lettings business, which benefits from a strong base of recurring revenues, continues to provide quality earnings and a healthy balance to naturally more cyclical property sales revenues. In 2013 lettings revenues grew by 5.2% and accounted for 47.7% of total Group revenues.

Alexander Hall, the mortgage broking arm of Foxtons, benefited from the beginnings of what we expect to be an improving mortgage market, finishing the year with revenues up 42% on 2012, albeit from relatively low absolute levels.

The Group achieved an operating cash conversion of 83.1% in 2013 (2012: 88.7%). The Group's excellent performance has created cash balances sufficient to make a proposed final dividend payment of 1.70p per share and a special dividend payment of 3.74p per share (a total payment of £15.4m).

As well as achieving solid financial results so far this year, Foxtons was proud to win many prestigious awards for its service, training, website and marketing programmes. In October 2013 Foxtons was named as Best Real Estate Agency in the UK at The International Property Awards. These awards demonstrate the dedication and commitment of our people day in, day out to deliver exceptional service to clients.

Looking ahead

Looking ahead, we remain positive about 2014. We have a clear strategy focussed on the organic expansion of our branch network, increasing our market share and improving profitability as our larger network benefits from our centralised infrastructure and bespoke technology platform. We have a strong sales pipeline for the start of 2014, our newer branches opened over the past four years are maturing well and we are well on our way to opening a promising group of new branches in 2014. Perhaps most importantly, I believe we have the hardest working and most talented staff in the industry and are extremely well placed to maximise our growth opportunities.

Michael Brown
Chief Executive Officer

Business review

The Group has had a successful year with growth in revenues across all operating segments flowing through to increased profits and an increased profit margin. The Group has a high operating cash conversion rate and is well positioned to return excess cash to shareholders.

Operating highlights:

- Sales: 22.5% increase
- Lettings: 6.7% increase
- Mortgage broking: 31.9% increase
- Expansion in London continued with 7 new branches opened during the year.

Financial highlights:

- Revenue increased by 16.0%
- Adjusted EBITDA increased by 29.6%
- Adjusted EBITDA margin increased to 35.7% (2012: 31.9%)
- Operating profit before exceptional items increased by 39.9%
- Profit before tax increased 56.6%
- Debt free after utilising the proceeds of the IPO to repay the debt facilities
- Record EPS - 52.5% growth on prior year
- Closing cash balance of £23.4m enables a total dividend of £15.4m equivalent to a final dividend of 1.70p per share and a special dividend of 3.74p per share.

Segments

The Foxtons Group comprises three business segments being 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 48.4% of total revenue while lettings revenue was 47.7%, mortgage broking 3.5% and all other 0.4%. This balance across the sales and lettings segments provides financial strength in the company to withstand fluctuations in the property market. Both estate agency segments are highly profitable. It is expected that mortgage broking operating margins will improve gradually over time as the mortgage market continues to improve together with the increasing size of the Foxtons branch network.

Successful year

The Group produced a record year in terms of both revenue and profit. Performance accelerated in the second half of the year which provides confidence going forward with a strong 2014 first quarter sales pipeline.

Organic expansion

We have continued our expansion programme opening 7 new branches during the year, bringing the total opened since the start of 2010 to 20, an increase of 83%. We have a small, experienced in-house project team that works with a small number of external professionals to manage the opening of new branches. Organic expansion is seen as a low risk growth route with many opportunities available within London over the foreseeable future.

Revenue

Sales: During the year sales commissions increased by 27.0%, which was primarily volume driven by its more mature branches and recently opened branches, with a 22.5% increase in sales units. This metric compares to the total London sales market which increased by circa 9% versus prior year. Average commissions increased by 3.7% versus prior year which reflects underlying London price inflation offset by the increasing importance of New Homes at lower average commissions and lower average sales prices as Foxtons expands out from central London.

Lettings: Lettings revenue increased by 5.2% which was primarily due to new branch openings with volumes up 6.7%. Approximately two-thirds of lettings revenue comes from new tenancies with the remainder from renewals, property management and interest received on client funds. All of these increased during the year except interest received due to falling rates in the market.

Mortgage broking: An improvement in the mortgage market during the year led to mortgage revenues increasing by 42%. This was primarily volume driven (31.9%) but also due to an increase in average revenues of 7.6%.

Adjusted EBITDA margins

The growth in sales Adjusted EBITDA margin has driven the growth in Group Adjusted EBITDA margin.

	2013	2012
Sales	**39.1%**	30.2%
Lettings	**34.6%**	34.8%
Mortgage broking	**5.5%**	5.9%
Total Adjusted EBITDA margin	**35.7%**	31.9%

The higher Adjusted EBITDA margin of the Group reflects both the improving profitability of new branches plus the operational leverage of expansion. Total revenue increased by 16% versus prior year while administrative expenses increased at a lower rate of 7%. Higher administrative expenses were primarily due to additional staffing costs plus higher building operating expenses.

Operating profit after exceptional items

Operating profit after exceptional items of £43.0m (2012: £31.4m) increased by 36.9% due to an increase of £13.1m in operating profit before exceptional items to £46.1m (2012: £33.0m) partially offset by additional exceptional costs as detailed below.

Exceptional items – £m	**2013**	2012
Property settlement	**–**	1.1
PAYE legal settlement payable	**–**	0.5
One-off IPO costs	**3.2**	–
Total	**3.2**	1.6

Profit before tax (PBT)

PBT of £38.9m (2012: £24.9m) increased substantially by 56.6% due to an increase in operating profit before exceptional items of 36.9% and reduced finance costs through the use of the primary proceeds from the IPO to repay the outstanding debt of the company (finance costs effectively ended in late September 2013 resulting in a saving of £2.5m versus prior year).

Taxation

The tax charge for the year increased to £6.8m (2012: £4.1m).

The effective rate of tax for 2013 was 17.5% (2012: 16.5%). It is lower than the statutory tax rate of 23.25% for the year primarily due to a reduction in the future statutory tax rate which reduced the deferred tax provision.

EPS

EPS of 12.2 p (2012: 8.0 p) increased by 52.5% versus prior year reflecting the profitability improvements in the company together with reduced finance costs during the year. Adjusted EPS (after eliminating exceptional items) of 13.3 p (2012: 8.7 p) increased by 52.9% versus prior year.

Cash resources

Year end cash increased to £23.4m (2012 £9.8m) reflecting improved profitability and early repayment of outstanding debt through the use of the IPO proceeds. This healthy cash balance will allow £15.4m to be paid, subject to shareholder approval at the AGM on 21 May 2014, to shareholders by way of dividends in respect of 2013, comprising a final dividend of 1.70 pence per share and a special dividend of 3.74 pence per share.

Operating cash conversion of 83.1% fell versus prior year (2012: 88.7%) as capital spend increased to £7.4m (2012: £6.2m) due to the opening of 7 branches plus the Alexander Hall head office in 2013 versus 5 branches in 2012. In addition 2013 experienced a strong end to the year with an increase in sales commission debtors.

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

Share premium account
The share premium account increased to £52.7m during the year reflecting the primary issue of shares above nominal value, offset by directly attributable one-off IPO costs.

Capital contribution
The capital contribution of £2.1m reflects the net benefit derived from group tax relief passed down to Foxtons Group plc from its pre-IPO parent company.

Net assets
Net assets increased significantly to £142.4m (2012: £55.3m) due to profit after tax: £32.1m and proceeds of share issue on listing: £55.0m.

Treasury policies and objectives
The Group's treasury policy is designed to reduce financial risk. As the Group is now debt free, financial risk has naturally reduced significantly during the year. 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 our 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.

External factors

Risk	Impact on company	Assessment of change in risk year on-year	Mitigation of risk
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.	Risk reducing	The Board regularly reviews market conditions and forward indicators to assess whether any action is required to reduce costs or vary the pace of office openings. Property sales prices and rents are relatively high in London and are typically considered to be more resilient than elsewhere in the UK, making the value of the London market less volatile overall.

			The Board endeavours to maintain a generally even balance between its sales and lettings revenues and profits in order to provide protection against volatility within property sales markets.
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.	Risk increasing	The Group is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. Foxtons' centralised service structure provides it with a flexible platform from which to respond to regulatory change.
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.	No change	Foxtons continually collects information on competitor activity through its branch network and centralised move consultants. Foxtons flat management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the company can rapidly consider appropriate responses. The Board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that the internet will play a major role in the exchange or completion of sales or lettings transactions without the involvement of an estate agent. However, the challenge of the internet will be kept under review.

Internal factors

Risk	Impact on company	Assessment of change in risk year on-year	Mitigation of risk
Client monies	Foxtons holds large amounts of Client monies. which may be at risk in the event of a banking failure.	No change	The Group holds all client money in correctly designated client accounts within FCA approved UK banks.
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.	No change	Foxtons has implemented an anti-bribery policy and provides appropriate training to all employees. The policy is reviewed on a regular basis and risk assessments are carried out periodically. We currently have procedures in place for whistle blowing. However, a more formal system is to be implemented in 2014.
IT systems	Foxtons' business operations are	No change	All key IT systems are closely

	dependent on sophisticated IT systems which could fail leading to interruption of service or corruption of data.		monitored by internal and external specialist teams. Dedicated in house IT development and maintenance teams exist to provide rapid response to IT service issues. Business continuity and contingency plans are in place and key systems have resilience built in. Group disaster recovery and business continuity procedures are implemented, regularly tested and reviewed. Upgrade plans on a physically separate location for critical systems are to be implemented.
People	In order to satisfy its expansion plans, Foxtons will need to ensure that sufficient high quality people are recruited, trained and retained.	No change	Foxtons' structured approach to recruitment using internal specialist teams enables it to increase the recruitment of high quality people quickly should it become necessary to do so. Foxtons continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Our culture of always promoting from within generates significant staff loyalty within senior and mid-management.

Forward looking statement:

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 2014. 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 2013 Annual Report and Accounts:

We confirm that, to the best of our knowledge:

The financial statements, prepared in accordance with IFRSs 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; and

The management report, which is incorporated into the strategic report, includes a fair review of the development and performance of the business and the position of the company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

Gerard Nieslony
10 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

Continuing operations	Notes	**2013 £'000**	2012 £'000
Revenue			
Sales		**67,416**	53,084
Lettings		**66,360**	63,089
Mortgage broking		**4,938**	3,478
Other income		**467**	304
Total revenue		**139,181**	119,955
Administrative expenses		**(93,054)**	(86,973)
Operating profit before exceptional items		**46,127**	32,982
Exceptional items	5	**(3,155)**	(1,588)
Operating profit		**42,972**	31,394
Finance income		**104**	115
Finance costs		**(4,128)**	(6,634)
Profit before tax		**38,948**	24,875
Tax	6	**(6,800)**	(4,101)
Profit and total comprehensive income for the year		**32,148**	20,774
Earnings per share			
Basic and diluted (pence per share)	8	**12.2**	8.0
Adjusted basic and diluted (pence per share)	8	**13.3**	8.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Notes	**2013 £'000**	2012 £'000
Non-current assets			
Goodwill		**19,168**	19,168
Other intangible assets		**99,000**	99,000
Property, plant and equipment		**21,337**	18,131
Deferred tax assets		**666**	537
		140,171	136,836
Current assets			
Trade and other receivables		**12,731**	10,715
Prepayments		**6,768**	6,630
Cash and cash equivalents		**23,352**	9,774
		42,851	27,119
Total assets		**183,022**	163,955
Current liabilities			
Trade and other payables		**(10,388)**	(10,028)
Current tax liabilities		**(5,558)**	(3,171)
Obligations under finance leases		**–**	(310)
Provisions		**(157)**	(127)
Deferred revenue	3	**(4,671)**	(4,322)
		(20,774)	(17,958)
Net current assets		**22,077**	9,161
Non-current liabilities			
Borrowings		**–**	(67,165)
Obligations under finance leases		**–**	(80)
Deferred tax liabilities		**(19,800)**	(23,500)

	Note	2013	2012
		(19,800)	(90,745)
Total liabilities		**(40,574)**	(108,703)
Net assets		**142,448**	55,252
Equity			
Share capital	10	**2,822**	–
Other capital reserve		**2,582**	–
Share premium		**52,727**	–
Retained earnings		**84,317**	55,252
Total equity		**142,448**	55,252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Foxtons Group plc					
Balance at 31 December 2012	–	–	–	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 issue 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**

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Foxtons Group plc					
Balance at 1 January 2012	–	–	–	34,478	34,478
Total comprehensive income for the year	**–**	**–**	**–**	**20,774**	**20,774**
Capital reduction	**–**	**–**	**(32,000)**	**32,000**	**–**
Dividends	**–**	**–**	**–**	**(32,000)**	**(32,000)**
Issue of share capital	**–**	**–**	**32,000**	**–**	**32,000**
Balance at 31 December 2012	**–**	**–**	**–**	**55,252**	**55,252**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2013

	Note	**2013 £'000**	2012 £'000
Net cash from operating activities	11	**37,090**	29,140
Investing activities			
Interest received		**104**	115
Proceeds on disposal of property, plant and equipment		**457**	514
Purchases of property, plant and equipment		**(7,390)**	(6,236)
Net cash used in investing activities		**(6,829)**	(5,607)
Financing activities			
Dividends paid		**–**	(32,000)
Interest paid		**(2,611)**	(4,645)

Repayments of borrowings	**(68,683)**	(22,000)
Repayments of obligations under finance leases	**(390)**	(852)
Proceeds on issue of shares	**55,001**	32,000
Net cash used in financing activities	**(16,683)**	(27,497)
Net increase/(decrease) in cash and cash equivalents	**13,578**	(3,964)
Cash and cash equivalents at beginning of year	**9,774**	13,738
Cash and cash equivalents at end of year	**23,352**	9,774

NOTES TO THE PRELIMINARY RESULTS

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.

2. Significant accounting policies

The consolidated preliminary results of the Company as at and for the year ended 31 December 2013 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 2013 were approved by the Directors on 10 March 2014. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 21 May 2014. 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 2013.

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

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have considered the Company 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 2013 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 2012 have been delivered to the Registrar of Companies and those for 2013 will be delivered following the Company's Annual General Meeting convened for 21 May 2014. 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 its Prospectus for the periods ending 30 June 2013, 31 December 2012, 2011 and 2010. The prospectus is available at www.foxtonsgroup.co.uk/investors/ipo/.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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 financial statements.

Revenue recognition

Estimate of deferred revenue

For those contracts with break clauses, there is judgement involved in determining the appropriate point at which to recognise 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.

Initial recognition and 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. The excess earnings methodology was used to value this intangible asset, employing the following key assumptions in the valuation:

- Cash flow forecasts for the years 2009 to 2013
- Revenue growth rate after 2013 of 2% per annum
- Contributory asset charges of (0.05)%, 1.4% and 1.6% for the working capital, fixed assets and workforce, respectively
- Discount rate of 25%
- Tax amortisation benefit of 25 years

Whilst these assumptions are all judgemental in nature, the Company believes they are all reasonable in the context of the facts and circumstances at the time, and thus the valuation and conclusion of indefinite life is appropriate. See note 3 "Accounting Policies – intangible assets".

The Directors also identified and considered other intangible assets in connection with the acquisition but concluded that they were immaterial in the context of the overall Group.

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.

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 maker 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.

Adjusted EBITDA represents the profit for the period earned by each segment before allocation of depreciation, finance income, finance costs, exceptional items 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 2013:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'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**
Depreciation						**(3,687)**
Profit 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**

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2012:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	**53,084**	**63,089**	**3,478**	**119,651**	**304**	**119,955**
Adjusted EBITDA	**16,049**	**21,966**	**207**	**38,222**	**78**	**38,300**
Depreciation						**(3,603)**
Profit on disposal of property, plant and equipment						**126**
Exceptional items						**(1,588)**
Debt repayment incentive scheme[(1)]						**(1,841)**
Finance income						**115**
Finance costs						**(6,634)**
Profit before tax						**24,875**

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.

5. Exceptional items

The following table provides a breakdown of exceptional items:

	2013 £'000	2012 £'000
Exceptional expense		
IPO costs	**3,155**	–
Property settlement	**–**	1,118
PAYE legal settlement payable	**–**	470
Total exceptional items	**3,155**	1,588

None of the above costs are deductible for tax so there is no tax impact of exceptional items in 2013 or 2012.

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. .

Property settlement

Foxtons Limited was contractually committed, as part of the sale of the business in 2007, to redeveloping its Notting Hill Gate branch which would have involved significant capital expense and disruption to the operations of the branch. Management decided not to proceed with the project and a £1.1 million settlement was made with the landlord. Additional project costs were also expensed in the latter half of 2012, including design costs.

PAYE legal settlement payable

On 4 April 2011, a legal settlement was agreed for inadequate professional advice given to Foxtons Limited prior to the sale of the business in 2007 in relation to historical accounting for PAYE taxes, for which the original claim was submitted during 2010. The total settlement was for £3.0 million, of which £1.2 million was initially repaid to the vendors of Foxtons Operational Holdings Limited pursuant to the terms of the tax deed of covenant in force from 2007, resulting in a net credit to Foxtons Limited's profit and loss account of £1.8 million in 2010. The total sum ultimately repayable to the vendors was £1.7 million, but due to uncertainty over whether corporation tax would be payable on this amount a sum of £470,000 was initially withheld. Subsequently, once the tax position was resolved with no tax being due on the original amount, the £470,000 became payable to the vendors in 2012.

6. Tax

	2013 £'000	2012 £'000
Current tax		
Current period UK corporation tax	**10,767**	6,007
Group relief paid for	**–**	800
Adjustments in respect of prior periods	**(138)**	(1,181)
Total current tax	**10,629**	5,626
Deferred tax		
Origination and reversal of temporary differences	**(1,127)**	479
Impact of change in tax rate	**(2,869)**	(1,963)
Adjustment in respect of prior periods	**167**	(41)
Total deferred tax	**(3,829)**	(1,525)
Tax on profit on ordinary activities	**6,800**	4,101

Corporation tax for the year ended 31 December 2013 is calculated at 23.25% (year ended 31 December 2012: 24.5%) of the estimated taxable profit for the period.

On 1 April 2012, the UK corporate tax rate was reduced from 26% to 24% (rather than 25% as previously announced). From 1 April 2013, the UK corporate tax rate fell to 23%.

The Finance Act 2013 provides for a reduction in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. As a result, the opening deferred tax balances for the year ending 31 December 2013 have been revised from 23% to 20% (as most temporary differences are expected to reverse after 1 April 2015), creating a deferred tax credit in the year ending 31 December 2013.

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit with the exception of group relief claimed by Foxtons Limited from Adnams BBPM Holdings Limited (Foxtons Group plc's immediate parent prior to completion of the IPO). In the year ended 31 December 2013 the Group received tax losses which generated group relief of £2.1 million. A nominal payment of £57k was made for this and the net benefit has been treated as a capital contribution (see consolidated statement of changes in equity).

7. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Year ended 31 December 2012: 172p per special ordinary share	**–**	32,000
	–	32,000

For 2013, the Board recommends a final dividend of 1.70p per ordinary share (£4.8 million) and a special dividend of 3.74p per ordinary share (£10.6 million) to be paid in May 2014.These financial statements do not reflect this dividend payable.

The dividend payment in 2012 relates solely to special ordinary shares held by Mizuho. Simultaneously, funds advised by BC Partners subscribed for £32.0 million of A-ordinary shares in the Company and the special ordinary shares were converted into deferred shares. The resulting share premium was subsequently subject to a capital reduction. See consolidated statement of changes in equity.

8. Earnings per share

	2013 £'000	2012 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the period	**32,148**	20,774
Adjusted for:		

Exceptional items (see note 5)	**3,155**	1,588
Adjusted earnings	**35,303**	22,362

Number of shares		
Weighted average number of ordinary and A-ordinary shares for the purposes of basic and diluted earnings per share	**264,586,475**	258,219,948
Basic and diluted earnings per share (in pence per share)	**12.2**	8.0
Adjusted earnings per share (in pence per share)	**13.3**	8.7

Given the changes in capital structure prior to the IPO, the weighted average number of shares for 2012 is based on the shares in issue immediately pre IPO as per the requirements of IAS 33 Earnings Per Share.

9. Borrowings

	2013 £'000	2012 £'000
Secured borrowing at amortised cost		
Loans		
Senior debt	–	26,650
Subordinated debt	–	40,515
Finance lease liabilities	–	390
	–	67,555
Total borrowings		
Amounts due for settlement within 12 months	–	310
Amounts due for settlement after 12 months	–	67,245

(i) The principal features of the Group's borrowings were as follows:

Loans were secured by debentures with a fixed and floating charge over the assets of the Company, Foxtons Intermediate Holdings Limited, Foxtons Operational Holdings Limited and Foxtons Limited. These companies provided cross guarantees over their assets as security against the loans.

The senior debt was repayable via an annual cash sweep of excess cash with the balance remaining due in 2015. The cash sweep was dependent on cash generation during the year. During 2012 the Group repaid £22 million of senior debt being:

- £443,610 -Mandatory repayment under the cash sweep provisions (relates to the year ended 31 December 2011)
- £21,536,390 -Voluntary repayment at par

For 2012 a cash sweep was not payable due to the significant voluntary repayments during the year.

The subordinated debt was owned by FSFV Limited (which is wholly owned by funds advised by BC Partners).

During 2013 the Group made further voluntary repayment totalling £10m before full repayment of the senior and subordinate debt was made using the proceeds from the share issue on listing.

Interest was payable on these loans at the rate of LIBOR plus margin and mandatory costs as prescribed in the loan agreement. An element of the subordinated margin was non-cash and rolled up into the loan.

The loans were variable interest rate debt with repayment periods not exceeding five years.

(ii) Finance lease liabilities are secured by the assets leased.

10. Share capital

	2013 £	2012 £
Allotted, issued and fully paid:		
9,222,141 ordinary shares of £0.00000136 each	–	13
64,554,990 A-ordinary shares of £0.00000136 each	–	88
18,556,942 deferred shares of £0.00000136 each	–	25
282,176,468 ordinary shares of £0.01 each	**2,821,765**	–
	2,821,765	126

11. Notes to the cash flow statement

	2013	2012

	£'000	£'000
Operating profit	**42,972**	31,394
Adjustments for:		
Depreciation of property, plant and equipment	**3,687**	3,603
Gain on disposal of property, plant and equipment	**40**	(125)
Increase/(decrease) in provisions	**30**	(42)
IPO costs incurred	**3,155**	–
Operating cash flows before movements in working capital	**49,884**	34,830
Increase in receivables	**(2,153)**	(925)
Increase in payables	**709**	2,309
Cash generated by operations	**48,440**	36,214
Expensed IPO costs paid	**(3,155)**	–
IPO costs paid taken directly to equity	**(2,034)**	–
Income taxes paid	**(6,161)**	(7,074)
Net cash from operating activities	**37,090**	29,140