Foxtons Group plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2014

27 August 2014

Foxtons Group plc, London's leading estate agent, today announces its financial results for the half year ended 30 June 2014.

Key financial highlights

- Group revenue up 16.2% to £72.8m (2013: £62.6m) driven by strong Sales and Mortgage broking growth
- Group Adjusted EBITDA[1] up 28.7% to £24.9m (2013: £19.4m)
- Group Adjusted EBITDA Margin[2] up 330 bps to 34.3% (2013: 31.0%) as the benefits of branch expansion and centralised support continue to flow through.
- Profit before tax up 57.1% to £23.1m (2013: £14.7m); EPS up 48.8% to 6.4p
- High levels of cash generation enabling an interim dividend and a special interim dividend to be paid of 1.77p and 2.77p respectively, equal to a total payment of £12.8m
- 5 new branches opened during H1-2014, bringing the total to 49 branches with 2 further branches scheduled to open in the second half of the year. All branches opened since 2010 performing in line with expectations.

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

"I am pleased to report continued strong trading during the first half of 2014. The combination of higher sales and mortgage volumes, together with the efficiency of our operating model has led to a significant increase in revenue and profits. This performance, together with our strong cash flow generation, has enabled us to declare a special dividend in addition to our maiden interim dividend. Looking ahead to the second half, we expect the growth in transaction volumes to slow from the rapid rate seen in the first half as the policy initiatives introduced in 2014 aimed at controlling mortgage lending, together with the expectation of increases in interest rates, are now having an impact on short term demand among buyers.

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 business model. Our five newly opened branches were delivered on time and to budget and are performing in line with expectations. We remain on track to open a further two branches this year and have secured sufficient sites to satisfy our continued expansion programme into 2015".

For further information, please contact:

Foxtons Group plc

Jenny Matthews, Investor Relations Manager +44 20 7893 6484

Tulchan Communications LLP

Peter Hewer +44 20 7353 4200

Corporate website: www.foxtonsgroup.co.uk

Presentation:

The management team's presentation to analysts and investors will be held at 9:30 a.m. today and an audio dial in will be available – dial in details: UK: +44(0)203 427 1903, US: +1 212 444 0481. Confirmation Code: 3835992.

There will be a replay for this call. Dial in for the replay: UK: +44(0)203 427 0598, US: +1 347 366 9565. Replay Passcode: 3835992.

1. Adjusted EBITDA: defined as profit for the period before finance costs, finance income, tax, exceptional items, depreciation, profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and share based payments
2. Adjusted EBITDA margin is computed by the Group as Adjusted EBITDA / revenue

PERFORMANCE AT A GLANCE

	Six months ended 30 June		
	2014	2013	
Income statement			
Revenue	**£72.8m**	£62.6m	16.2%
Adjusted EBITDA[1]	**£24.9m**	£19.4m	28.7%
Profit before tax	**£23.1m**	£14.7m	57.1%
Adjusted EBITDA margin	**34.3%**	31.0%	+330bps
Earnings per share			
Basic EPS	**6.4p**	4.3p	48.8%
Adjusted EPS[2]	**6.4p**	4.3p	48.8%
Interim dividends			
Interim	**1.77pps**	-	
Special	**2.77pps**	-	
Total	**4.54pps**	-	
Cash flow			
Adjusted operating cash[5]	**£19.4m**	£14.9m	31.0%
Operating cash conversion[6]	**78.0%**	76.6%	
Net free cash flow[3]	**£14.3m**	£11.8m	21.0%
Net free cash conversion[4]	**57.4%**	61.1%	
Period end cash balance	**£20.8m**	£14.5m	

KPIs			
	2014	2013	
Number of branches at period end	**49**	42	
Average revenue per branch £'000	**1,565**	1,585	
Average revenue per employee	**£59,890**	£53,812	
Sales revenue	**£37.8m**	£28.5m	32.4%
Sales units	**2,919**	2,441	19.6%
Revenue per sales unit	**£12,937**	£11,688	10.7%
Lettings revenue	**£31.8m**	£31.8m	0.1%
Lettings units	**9,923**	10,027	(1.0)%
Revenue per lettings unit	**£3,208**	£3,172	1.1%

Mortgage broking revenue	**£3.0m**	£2.0m	46.8%
Units	**1,469**	1,047	40.3%
Average revenue per broking unit	**£2,034**	£1,944	4.6%

Definitions:

1. Adjusted EBITDA: defined as profit for the period before finance costs, finance income, tax, exceptional items, depreciation, profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and share based payments
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. Net free cash conversion is computed as net free cash flow/Adjusted EBITDA.
5. Adjusted operating cash is defined as Adjusted EBITDA less the movement in working capital and net capital spend
6. Operating cash conversion is defined as the ratio of Adjusted operating cash to Adjusted EBITDA

CHIEF EXECUTIVE'S REVIEW

Review of the half year

Our growth strategy, based on organic expansion of the Foxtons brand throughout London, continues to generate further top line growth while the operational leverage inherent in our centralised business model enables us to achieve significant levels of EBITDA from incremental revenue created by expansion and market growth. With a highly cash generative business and no debt to service, our profit before tax has increased by 57.1% and EPS grown by 48.8%. Net free cash flow has grown by 21%.

In the first six months of 2014, Group revenue grew 16.2% to £72.8m while Adjusted EBITDA improved by 28.7% to £24.9m, reflecting a high degree of profitability on incremental business. Overall, the Group delivered improved Adjusted EBITDA margins of 34.3% (2013: 31.0%) despite a broadly flat lettings market and the additional on-going operating expenses of being a listed company which have been incurred since IPO in September 2013.

The Group opened five new branches during the first half of the year, all delivered on time and to budget. They are performing in line with expectations and, as they mature, we can expect the financial contribution they make to grow and to improve further our overall operating margins. We have acquired further sites to satisfy our future planned openings during the rest of 2014 and into 2015.

Our organic expansion strategy, together with improving market share in more mature branches, helped drive performance in our estate agency business where we achieved growth of 19.6% in property sales volumes. We also achieved an average property sales price of circa £545k (2013: £475k) demonstrating our continued focus on the higher volume, higher value mid-market sector of the London property market.

Demand in the lettings market has naturally been dampened by a particularly strong sales market leading to broadly flat revenue versus the prior year.

Alexander Hall, our mortgage broking arm, has continued the strong performance seen during 2013 with revenue up 46.8%.

The Group's current dividend policy is to pay between 35% and 40% of the Group's annual reported profit after tax with the potential for special dividends to return excess cash to shareholders. For 2014 an interim dividend for the year of 1.77p and a special interim dividend of 2.77p per ordinary share will be paid on 26 September 2014, to shareholders on the register at close of business on 5 September 2014. The shares will be quoted ex-dividend on 3 September 2014.

As well as achieving strong financial results so far this year, we won a number of prestigious awards for our service, website and marketing programmes. These awards demonstrate the skill, dedication and commitment of our people to deliver exceptional service to clients.

Market Review

High property density and resilient prices in London and the south-east create a disproportionately valuable property market. Based on Land Registry data for 2013, London accounted for 46% of all residential sales transactions in England and Wales by value. The UK and London property sales markets experienced high levels of price and transaction volume growth during the second half of 2013 and the first half of 2014 resulting in falling sales stock inventory levels and compressed lettings demand. Property transaction volumes in London in the first 4 months of 2014 were 30% higher than for the same period last year, although most recent data from the Land Registry suggests the market has cooled a little over the past couple of months.

The mortgage market has continued its recovery but also saw increased regulation implemented during the period. Mortgage approvals increased 22% compared to the first half of 2013. Monthly approvals had initially dipped in the middle of the first 6 months following the introduction of the Mortgage Market Review (MMR), which increased the mortgage processing time by introducing a more detailed customer affordability analysis being required by lenders. However June saw a pickup in approvals and the trend has followed through to August.

In addition to the MMR, the Bank of England has announced additional affordability stress testing requirements to lenders and a cap on loan-to-incomes levels on new mortgage lending from 1 October 2014. There has also been speculation that interest rates may rise sooner than expected.

Looking ahead

The launch of incentives including Help to Buy in October 2013 were extremely successful in stimulating the housing market. We saw positive sentiment among buyers and sellers grow significantly leading to exceptionally strong growth in transaction volumes and prices in H1. The range of policy initiatives introduced in 2014 aimed at controlling mortgage lending, together with the expectation of early increases in interest rates, is now having an impact on short term demand among buyers. Consistent with others in the sector, we expect this to lead to lower rates of market growth in both property sales transactions and prices during the second half of the year.

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 business model. Our five newly opened branches were delivered on time and to budget and are performing in line with expectations. We remain on track to open a further two branches this year and have secured sufficient sites to satisfy our continued expansion programme into 2015.

Nic Budden
Chief Executive Officer

Business review

The Group has had a successful half year with growth in revenue across the Sales and Mortgage Broking segments. The lettings market has suffered somewhat from the strength of the sales market with revenue remaining flat versus prior year. Total revenue increased by 16.2% with the majority flowing through to Adjusted EBITDA which increased by 28.7%. Encouragingly, Adjusted EBITDA margins improved by 330bps to 34.3% (2013: 31.0%) reflecting the maturing of our new branches and the economies of scale of our centralised support function. The Group converted 57.4% of Adjusted EBITDA into net free cash enabling the Company to propose a second special dividend since the IPO in September 2013 and to continue with its stated strategy of returning excess cash to shareholders.

Operating highlights:

- Sales: 19.6% volume increase
- Lettings: 1.0% volume decrease
- Mortgage broking: 40.3% volume increase
- Expansion in London continued with 5 new branches opened during the first half of 2014.

Financial highlights:

- Revenue increased by 16.2%
- Adjusted EBITDA increased by 28.7%
- Adjusted EBITDA margin increased to 34.3% (2013: 31.0%)
- Operating profit increased by 31.6%
- Profit before tax increased by 57.1%
- EPS (basic and adjusted) increased by 48.8%
- Closing cash balance of £20.8m enables a total dividend of £12.8m equivalent to an interim dividend of 1.77p per share and a special interim dividend of 2.77p per share.

Revenue

Sales: During the year sales commissions increased by 32.4%, which was primarily volume driven by both more mature branches and recently opened branches, with a 19.6% increase in sales units. This metric compares to the total London sales market which increased by circa 14% for quarter 1-2014 versus prior year. Average commissions increased by 10.7% 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 continues to provide a consistent revenue stream irrespective of variability in the property market. Lettings revenue was broadly flat due to the strength of the sales market. Volumes were down 1.0% while average revenue achieved increased by 1.1% despite average long let rental rates being largely flat versus prior year due to a favourable movement in the deferred lettings provision which provides for potential breaks in lettings contracts. Within lettings, new deals income versus income from renewals, property management and interest on deposit income has maintained an approximate two-thirds, one-third ratio respectively.

Mortgage broking: An improvement in the mortgage market during the year led to mortgage revenue increasing by 46.8%. This was primarily volume driven with a 40.3% increase but also average revenue per deal driven with an increase of 4.6%.

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 51.9% (2013: 45.6%) of total revenue while Lettings revenue was 43.7% (2013: 50.8%), Mortgage Broking 4.1% (2013: 3.3%) and all other 0.3% (2013: 0.3%). This balance across the sales and lettings segments provides financial strength in the Group to withstand fluctuations in the property market. Both estate agency segments are highly profitable. Mortgage broking operating profits and margins have been improving in line with the growth of the mortgage market and we expect this improvement to continue, facilitated by the increasing size of the Foxtons branch network.

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

£m	**Revenue 2014**	**Adjusted EBITDA 2014**	**Adjusted EBITDA Margin 2014**		Revenue 2013	Adjusted EBITDA 2013	Adjusted EBITDA Margin 2013
Sales	**37.8**	**15.0**	**39.6%**		28.5	8.9	31.3%
Lettings	**31.8**	**9.7**	**30.4%**		31.8	10.4	32.5%
Mortgage broking	**3.0**	**0.4**	**13.9%**		2.0	(0.1)	(2.8)%
Total Adjusted EBITDA margin			**34.3%**				31.0%

The higher Adjusted EBITDA margin of the Group reflects both the significant volume increases in both Sales and Mortgage broking together with the improving profitability of new branches plus the operational leverage of expansion. The Lettings margin has reduced slightly due to revenues remaining flat while fixed communal cost apportionments increased due to the additional expense of being a listed company plus the additional operating costs of new branches. Total revenue increased by 16.2% versus prior year while administrative expenses increased by £4.6m (10.3%). Higher administrative expenses were primarily due to additional staffing costs (£2.9m) plus higher building operating expenses (£0.3m) together with the additional costs of operating as a listed company (£0.5m) and management incentives (£0.3m).

Operating profit
Operating profit of £23.0m (2013: £17.5m) increased by 31.6% due to the operational improvements noted above.

Profit before tax (PBT)
PBT of £23.1m (2013: £14.7m) increased substantially by 57.1% due to an increase in operating profit of 31.6% and the Group being debt free since IPO (September 2013) which eliminated finance costs, saving £2.8m in interest expense.

Taxation
The company has benefitted from reduced UK corporation tax rates. The rate has fallen from 23% (1 April 2013) to 21% (1 April 2014). The rate is scheduled to fall again to 20% from 1 April 2015. These tax rates produce a blended rate of 21.5% for the 2014 financial year (2013: 23.25%). The effective tax rates for the Group are broadly in line with these blended rates being 21.2% for 2014 and 24.1% for 2013. The absolute tax charge for the year increased to £4.9m (2013: £3.5m) substantially reflecting the improved profitability of the Group.

EPS
EPS (both basic and adjusted) of 6.4p (2013: 4.3p) increased by 48.8% against prior year reflecting the improvements in profitability in the Group together with the elimination of finance costs since IPO and a reduced rate of corporation tax offset partially by an increase in the weighted average number of shares due to the primary share issue in September 2013.

Cash
Having paid out the final and special dividend for 2013 (total of £15.4m) in May 2014, cash at period end was £20.8m which compares to £23.3m at December2013 and £14.5m at June2013. This cash balance enables the Company to declare an interim dividend and a special interim dividend for 2014 of £12.8m.

Cash flow
Net free cash for the period was £14.3m (2013: £11.8m), an increase of 21.0%, reflecting the improvement in EBITDA of 28.7% partially offset by increased on-account corporation tax payments. Net free cash conversion reduced marginally to 57.4% (2013: 61.1%) due to an increase in corporation tax “on account payments”.

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

Net assets
Net assets increased to £143.7m (December 2013: £142.4m) primarily due to profits generated in the period of £18.2m being partially offset by the 2013 dividend payment of £15.4m and “Own shares acquired in the period” of £1.5m.

Own shares acquired in the period
The Foxtons Group Employee Benefit Trust acquired 500,000 shares in the Company at a total cost of £1.5m in respect of the Company’s long term incentive programme.

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 totally UK based with no foreign currency risk
- Surplus cash balances are held with UK based banks (at least A-rated)

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 requires the Company to make certain defined contribution payments for our employees.

Going concern
The going concern declaration is disclosed in note 2 to the condensed set of financial statements.

Related Parties
Related party transactions are disclosed in note 10 to the condensed set of financial statements.

Gerard Nieslony
Chief Financial Officer

PRINCIPAL RISKS AND UNCERTAINTIES

The key risks and uncertainties relating to the Group's operations remain consistent with those disclosed in the Group's Annual Report and Accounts 2013 on pages 16 to 17. The Annual Report and Accounts can be accessed on the Group's corporate website: www.foxtonsgroup.co.uk. Having reconsidered these risks and uncertainties summarised below, the Board continues to consider them appropriate.

External factors

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

Internal factors

Risk	Impact on company
Client monies	Foxtons holds large amounts of client monies, which may be at risk in the event of a banking failure.
Potential for fraud	Foxtons operations are susceptible to fraud and bribery, which could lead to financial loss and reputational damage.
IT systems	Foxtons business operations are dependent on sophisticated IT systems which could fail, leading to interruption of service or corruption of data.
People	In order to satisfy its expansion plans, Foxtons will need to ensure that sufficient high-quality people are recruited, trained and retained.

FORWARD LOOKING STATEMENTS

This interim results 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 26 August 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'
(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Chief Executive Officer
Nic Budden
26 August 2014

Chief Financial Officer
Gerard Nieslony
26 August 2014

INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

26 August 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2014

Continuing operations	Notes	**Six months to 30 June 2014 (unaudited) £'000**	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Revenue				
Sales		**37,762**	28,530	67,416
Lettings		**31,829**	31,804	66,360
Mortgage broking		**2,988**	2,035	4,938
Other income		**178**	232	467
Total revenue		**72,757**	62,601	139,181
Administrative expenses		**(49,783)**	(45,146)	(93,054)
Operating profit before exceptional items		**22,974**	17,455	46,127
Exceptional items	4	**–**	–	(3,155)
Operating profit		**22,974**	17,455	42,972
Finance income		**78**	43	104
Finance costs		**–**	(2,825)	(4,128)
Profit before tax		**23,052**	14,673	38,948
Tax	5	**(4,885)**	(3,536)	(6,800)
Profit and total comprehensive income for the period		**18,167**	11,137	32,148
Earnings per share				
Basic and diluted (pence per share)	7	**6.4**	4.3	12.2
Adjusted basic and diluted (pence per share)	7	**6.4**	4.3	13.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	**30 June 2014 (unaudited) £'000**	30 June 2013 (unaudited) £'000	31 December 2013 (audited) £'000
Non-current assets				
Goodwill		**19,168**	19,168	19,168
Other intangible assets		**99,000**	99,000	99,000
Property, plant and equipment		**23,801**	21,043	21,337
Deferred tax assets		**747**	724	666
		142,716	139,935	140,171
Current assets				
Trade and other receivables		**15,312**	14,497	12,731
Prepayments		**6,620**	5,194	6,768
Cash and cash equivalents		**20,786**	14,538	23,352
		42,718	34,229	42,851
Total assets		**185,433**	174,164	183,022
Current liabilities				
Trade and other payables		**(11,436)**	(11,137)	(10,388)
Current tax liabilities		**(5,366)**	(3,320)	(5,558)
Obligations under finance leases		**–**	(125)	-
Provisions		**(120)**	(129)	(157)
Deferred revenue		**(4,993)**	(5,583)	(4,671)
		(21,915)	(20,294)	(20,774)
Net current assets		**20,803**	13,935	22,077
Non-current liabilities				
Borrowings		**–**	(63,180)	-
Deferred tax liabilities		**(19,800)**	(22,770)	(19,800)
		(19,800)	(85,950)	(19,800)
Total liabilities		**(41,715)**	(106,244)	(40,574)
Net assets		**143,719**	67,920	142,448
Equity				
Share capital		**2,822**	–	2,822
Share premium		**52,727**	–	52,727
Own share reserve		**(1,540)**	-	-
Other capital reserve		**2,582**	–	2,582
Retained earnings		**87,128**	67,920	84,317
Total equity		**143,719**	67,920	142,448

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months to 30 June 2014

	Share capital £'000	Share premium £'000	Own shares reserve	Other capital reserve £'000	Retained earnings £'000	Total equity £'000
Foxtons Group plc						
Balance at 31 December 2013	2,822	52,727	-	2,582	84,317	142,448
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**18,167**	**18,167**
Dividends	**-**	**-**	**-**	**-**	**(15,350)**	**(15,350)**
Capital contribution (group relief)	**-**	**-**	**-**	**-**	**(6)**	**(6)**
Own shares acquired in the period	**-**	**-**	**(1,540)**	**-**	**-**	**(1,540)**
Balance at 30 June 2014	**2,822**	**52,727**	**(1,540)**	**2,582**	**87,128**	**143,719**

Own shares acquired in the period: 500,000 shares were acquired by the Foxtons Group EBT in respect of the long term incentive programme.

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Foxtons Group plc					
Balance at 1 January 2013	–	–	–	55,252	55,252
Total comprehensive income for the period	–	–	–	11,137	11,137
Capital contribution (group relief)	–	–	–	1,531	1,531
Balance at 30 June 2013	–	–	–	67,920	67,920

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Foxtons Group plc					
Balance at 1 January 2013	–	–	–	55,252	55,252
Total comprehensive income for the period	–	–	–	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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2014

	Note	**Six months to 30 June 2014 (unaudited) £'000**	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Net cash from operating activities	8	**18,683**	16,360	37,090
Investing activities				
Interest received		**78**	43	104
Proceeds on disposal of property, plant and equipment		**120**	270	457
Purchases of property, plant and equipment		**(4,557)**	(4,833)	(7,390)
Net cash used in investing activities		**(4,359)**	(4,520)	(6,829)
Financing activities				
Dividends paid		**(15,350)**	–	-
Interest paid		**–**	(1,810)	(2,611)
Repayments of borrowings		**–**	(5,000)	(68,683)
Repayments of obligations under finance leases		**–**	(266)	(390)
Share buy back		**(1,540)**	-	-
Proceeds on issue of shares		**–**	–	55,001
Net cash used in financing activities		**(16,890)**	(7,076)	(16,683)
Net (decrease)/increase in cash and cash equivalents		**(2,566)**	4,764	13,578
Cash and cash equivalents at beginning of period		**23,352**	9,774	9,774
Cash and cash equivalents at end of period		**20,786**	14,538	23,352

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

1. General information

Foxtons Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. 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 condensed financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

The information for the year ended 31 December 2013 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Significant accounting policies

Compliance with International Financial Reporting Standards
The annual financial statements of Foxtons Group plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The accounting policies set out below have been applied in preparing the condensed financial statements for the 6 months ended 30 June 2014 and 30 June 2013 and financial statements for the 12 months ended 31 December 2013.

Basis of preparation

These condensed financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Going concern

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

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, as described in those financial statements, except for the changes in the application of IFRS10,11,12, 27 and 28 which are effective for the first time in the period but had no material impact on the results reported.

3. Business and geographical segments

Products and services from which reportable segments derive their revenue
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, debt repayment incentive scheme expense 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.

3. Business and geographical segments (continued)

The Group's revenue and Adjusted EBITDA generation is normally higher in the second half of the year due to some seasonal variability and due to its organic expansion profile. Within the lettings business, the first quarter of the year is typically relatively low, with the peak period occurring in quarter 3. The Group's expansion programme has an impact due to new branch openings being generally skewed towards the first half of the year with little revenue and Adjusted EBITDA being generated in that period. Phasing of Group revenue and Adjusted EBITDA is also influenced by the general market. Group revenue for the six months ended 30 June 2013 represented 45.0% of the Group's revenue for the year to 31 December 2013, while the Group's Adjusted EBITDA representing 39.1% of that period. For full year 2014 the Directors expect less of a weighting towards the second half of the year for revenue and Adjusted EBITDA compared to full year 2013.

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2014:

	Sales £'000	**Lettings £'000**	**Mortgage Broking £'000**	**Total reportable segments £'000**	**Other £'000**	**Consolidated £'000**
Revenue	**37,762**	**31,829**	**2,988**	**72,579**	**178**	**72,757**
Adjusted EBITDA	**14,965**	**9,684**	**416**	**25,065**	**(118)**	**24,947**
Adjusted EBITDA margin	*39.6%*	*30.4%*	*13.9%*	*34.5%*		*34.3%*
Depreciation						**(2,018)**
Profit on disposal of property, plant and equipment						**45**
Exceptional items						**-**
Debt repayment incentive scheme						**-**
Finance income						**78**
Finance costs						**-**
Profit before tax						**23,052**

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2013:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Combined £'000
Revenue	28,530	31,804	2,035	62,369	232	62,601
Adjusted EBITDA	8,925	10,351	(56)	19,220	170	19,390
Adjusted EBITDA margin	31.3%	32.5%	(2.8)%	30.8%		31.0%
Depreciation						(1,739)
Profit on disposal of property, plant and equipment						87
Exceptional items						–
Debt repayment incentive scheme(1)						(283)
Finance income						43
Finance costs						(2,825)
Profit before tax						14,673

3. Business and geographical segments (continued)

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

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Combined £'000
Revenue	67,416	66,360	4,938	138,714	467	139,181
Adjusted EBITDA	26,376	22,983	270	49,629	3	49,632
Adjusted EBITDA margin	39.1%	34.6%	5.5%	35.8%		35.7%
Depreciation						(3,687)
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

(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 maximum amount has been recorded as a charge to comprehensive income in the four years ended 31 December 2013.

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

4. Exceptional items

The following table provides a breakdown of exceptional items:

	Six months to 30 June 2014 (unaudited) £'000	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Exceptional expense			
IPO costs	**–**	–	3,155
Total exceptional items	**–**	–	3,155

None of the above costs are deductible for tax so there is no tax impact of exceptional items in 2014 or 2013.

One-off IPO costs

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

5. Tax

On 1 April 2013, the UK corporate tax rate was 23%. From 1 April 2014, the UK corporate tax rate fell to 21% and the Finance Act 2013 provides for a further reduction in the UK corporation tax rate to 20% from 1 April 2015. Corporation tax for the year ending 31 December 2014 is calculated at 21.5% (year ended 31 December 2013: 23.25%) of the estimated taxable profit for the period.

The tax charge for the period is based on an effective tax rate which was calculated at 21.19% representing the best estimate of the average annual effective tax rate for the full year applied to the pre-tax income of the six month period. The tax charge for the period to 30 June 2014 is £4,885k comprised of a current tax charge of £4,966k and a deferred tax credit of £81k.

The deferred tax credit of £81k is in relation to temporary differences and increases the deferred tax asset by that amount.

The deferred tax liability balance for the period ending 30 June 2014 remains unchanged versus 31 December 2013 as the same future rate of Corporation Tax was used in its determination, namely 20%.

6. Dividends

	Six months to 30 June 2014 (unaudited) £'000	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Amounts recognised as distributions to equity holders in the period:			
Final dividend in respect of the year ended 31 December 2013 of 1.70p per ordinary share (£4.8 million) and a special dividend of 3.74p per ordinary share (£10.6 million) paid in May2014	**15,350**	–	-
	15,350	–	-

For 2014, the Board has declared an interim dividend of 1.77p per share (£5.0 million) and a special interim dividend of 2.77p per share (£7.8 million) to be paid in September 2014. These condensed financial statements do not reflect this dividend payable.

7. Earnings per share

	Six months to 30 June 2014 (unaudited) £'000	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the period	**18,167**	11,137	32,148
Adjusted for:			
Exceptional items (see note 4)	**–**	–	3,155
Adjusted earnings	**18,167**	11,137	35,303
Number of shares			
Weighted average number of ordinary and A-ordinary shares for the purposes of basic and diluted earnings per share	**282,107,407**	258,219,948	264,586,475
Basic and diluted earnings per share (in pence per share)	**6.4**	4.3	12.2
Adjusted earnings per share (in pence per share)	**6.4**	4.3	13.3

8. Notes to the cash flow statement

	Six months to 30 June 2014 (unaudited) £'000	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Operating profit	**22,974**	17,455	42,972
Adjustments for:			
Depreciation of property, plant and equipment	**2,018**	1,739	3,687
Gain on disposal of property, plant and equipment	**(45)**	(87)	40
(Decrease)/increase in provisions	**(37)**	2	30
IPO costs incurred	**-**	–	3,155
Operating cash flows before movements in working capital	**24,910**	19,108	49,884
Increase in receivables	**(2,433)**	(2,345)	(2,153)
Increase in payables	**1,370**	2,369	709
Cash generated by operations	**23,847**	19,132	48,440
Expensed IPO costs paid	**-**	–	(3,155)
IPO costs paid taken directly to equity	**-**	–	(2,034)
Income taxes paid	**(5,164)**	(2,772)	(6,161)
Net cash from operating activities	**18,683**	16,360	37,090

Cash and cash equivalents

	30 June 2014 (unaudited) £'000	30 June 2013 (unaudited) £'000	31 December 2013 (audited) £'000
Cash and cash equivalents	**20,786**	14,538	23,352

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents excludes client monies. See note 9.

9. Financial instruments

Financial instruments that are measured at fair value in the condensed financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market date (that is, unobservable inputs).

The significant inputs required to fair value all of the Group's financial instruments are observable. The Group only holds Level 2 financial instruments and therefore does not hold any financial instruments categorised as either Level 1 or Level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts to year-end market rates or rates as appropriate to the instrument.

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:

	30 June 2014 (unaudited) £'000	30 June 2013 (unaudited) £'000	31 December 2013 (audited) £'000
Cash and cash equivalents	**20,786**	14,538	23,352
Trade and other receivables	**15,312**	14,497	12,731
Trade and other payables	**(11,436)**	(11,137)	(10,388)
Loans and other borrowings	**–**	(63,180)	-

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts to period-end market rates or rates as appropriate to the instrument.

10. Related party transactions

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

Trading transactions
During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Six months to 30 June 2014 (unaudited) £'000	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Interest on loan			
FSFV Limited	**-**	2,130	3,185
Mizuho Corporate Bank Ltd	**-**	326	428
Agency fee			
Mizuho Corporate Bank Ltd	**-**	30	42
Commitment fee			
Mizuho Corporate Bank Ltd	**-**	11	10

The following amounts were outstanding at the balance sheet date:

	Amounts owed to related parties		
	30 June 2014 (unaudited) £'000	30 June 2013 (unaudited) £'000	31 December 2013 (audited) £'000
FSFV Limited	**–**	(41,530)	-
Mizuho Corporate Bank Ltd	**–**	(8,735)	-

FSFV Limited ("FSFV") held 100% of the subordinated debt and was wholly-owned by funds advised by BC Partners. In June2013 funds advised by BC Partners ultimately held 22.3% of the equity in the Company via Adnams BBPM Holdings Limited. During the year ended 31 December 2013 principal repayments of £42.2 million were made on the subordinated debt.

Mizuho held part of the senior debt and during the year ended 31 December 2013 the outstanding debt was fully repaid with payments totalling £13.7 million. Mizuho owned 25% of the share capital of the Company until 14 March 2012, at which point it realised its interest.

11. Client monies

At 30 June 2014 client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £84.5 million (30 June 2013: £77.8 million, 31 December 2013: £81.1 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 £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

12. Net free cash flow

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

	Notes	**Six months to 30 June 2014 (unaudited) £'000**	Six months to 30 June 2013 (unaudited) £'000	Year ended 31 December 2013 (audited) £'000
Net cash from operating activities	9	**18,683**	16,360	37,090
Investing activities				
Interest received		**78**	43	104
Proceeds on disposal of property, plant and equipment		**120**	270	457
Purchases of property, plant and equipment		**(4,557)**	(4,833)	(7,390)
Net cash used in investing activities		**(4,359)**	(4,520)	(6,829)
Exceptional costs paid				
Expensed IPO costs paid		**-**	–	(3,155)
IPO costs paid directly taken to equity		**-**	–	(2,034)
Net cash used in exceptional activities		**-**	–	(5,189)
Net free cash flow		**14,324**	11,840	35,450