Foxtons Group plc

PRELIMINARY RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2015

08 March 2016

Foxtons Group plc, London's leading estate agent, today announces its financial results for the year ended 31 December 2015.

Financial summary

- Group revenue up 4.1% to £149.8m (2014: £143.9m)
- Group Adjusted EBITDA[1] reduced by 0.4% to £46.0m (2014: £46.2m)
- Group Adjusted EBITDA margin of 30.7% (2014: 32.1%)
- Profit before tax reduced by 2.6% to £41.0m (2014: £42.1m)
- Net free cash flow[2] up 17.1% to £32.0m (2014: £27.3m)
- Total dividends proposed for the year of 11.0p per share up 13.4% (2014: 9.70 p) , equivalent to £30.8m (2014: £27.3m)
- £73.5m in total dividends returned to shareholders since IPO in September 2013
- Share buy-back programme commenced 16 December 2015 with 0.5m shares (£0.9m) purchased by year end. Post year end a further 6.6m shares (£11.1m) were purchased.

Operational summary

- Revenue growth across all segments (Sales +3.4%, Lettings +2.3%, Mortgage broking +31.8%)
- Both Sales and Lettings segments operating at Adjusted EBITDA margins in excess of 30%
- A strong lettings business generating 46% of Group revenue providing a balance to the naturally more cyclical sales market
- Continued successful organic expansion with seven new branches opened in 2015, bringing the total at year end to 58 branches
- Seven further branches secured for 2016

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

The Company performed well during 2015 generating revenue growth across all business segments. Our market leading position in London and strong customer proposition enabled us to significantly outperform in a sales market which was slow to recover post the General Election of May 2015.

Our successful branch expansion has supported growth as well as providing us with a wider, stronger network across London. We finished the year with 58 branches, of which over 80% are now outside central London (Zone 1). Since the year end, we have opened a further four new branches with three more scheduled for later in the year.

This positive performance, together with our strong cash flow generation, has enabled a 13.4% increase in total dividends proposed of 11.0p per share.

Looking ahead, the London residential property market continues to be highly attractive both in terms of sales and lettings although it is too early to predict how transaction volumes may be impacted by recent changes to the tax regime and the short term political and economic uncertainty caused by the UK referendum on leaving the European Union. We have entered the new year with an encouraging sales pipeline, a strong lettings book and a clear strategy for further growth through our organic branch expansion.

For further information, please contact:

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A live webcast of the management team's presentation to analysts and investors at 9:00a.m. today can be accessed via the Group's website at www.foxtonsgroup.co.uk.

An audio dial in will also be available – dial in details: UK: +44(0)20 3427 1916, USA: +1646 254 3360 Confirmation Code: 2589403.

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

PERFORMANCE AT A GLANCE

	2015	2014	
Income statement			
Revenue	£149.8m	£143.9m	4.1%
Adjusted EBITDA	£46.0m	£46.2m	(0.4%)
Profit before tax	£41.0m	£42.1m	(2.6)%
Adjusted EBITDA margin	30.7%	32.1%	(140bps)
Earnings per share			
Basic EPS	12.3p	11.9p	3.4%
Proposed dividends			
Final	3.34pps	3.17pps	
Second special	2.89pps	1.99pps	
Total proposed final and special dividend	**6.23pps**	**5.16pps**	
Interim and first special dividend paid	**4.77pps**	**4.54pps**	
Total Dividend for the year	**11.0pps**	**9.70pps**	**13.4%**
Cash flow			
Operating cash conversion[1]	87.4%	84.5%	
Net free cash flow	£32.0m	£27.3m	17.1%
Net free cash flow as a percentage of Adjusted EBITDA	69.6%	59.1%	
Year end cash balance	£25.6m	£22.5m	

KPIs			
Sales revenue	£72.2m	£69.8m	3.4%
Sales units	5,558	5,323	4.4%
Revenue per sales unit	£12,990	£13,119	(1.0%)
Lettings revenue	£68.9m	£67.4m	2.3%
Lettings units	20,539	20,895	(1.7%)
Revenue per lettings unit	£3,357	£3,225	4.1%
Mortgage broking revenue	£8.3m	£6.3m	31.8%
Units	3,801	3,154	20.5%
Average revenue per broking unit	£2,171	£1,985	9.4%

Definitions:

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

CHAIRMAN'S STATEMENT

Overview

Revenue grew across all business streams enabling the Group to report record revenues. In the sales market we saw falling volumes in central London, where price and stamp duty pressures have deterred buyers, more than offset by more active markets in outer London where the Group has been focusing recent expansion. Adjusted EBITDA is the key metric by which we measure performance achieving £46.0 million for the year (2014: £46.2 million) with margins in excess of 30%. Profit before tax was £41.0 million (2014: £42.1 million). The Company continued its growth across London by opening seven new branches, bringing the total network to 58. Cash generation remains strong, enabling the Company to propose an increase in full year dividends of 13.4%. In addition the Company commenced a share buy-back programme at year end.

Board and Governance

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

Dividend and share buy-back

The Group's dividend policy is to pay between 35% and 40% of profit after tax as ordinary dividends with the potential for special dividends to return excess cash to Shareholders. During 2015 an interim dividend of 1.67p per share plus a special dividend of 3.10p per share was paid in September 2015. The Board is proposing a final dividend for 2015 of 3.34p per share plus a further special dividend of 2.89p per share; bringing the total for the full year to 11.0p per share, £30.8 million in total. The proposed dividends will, subject to Shareholders' approval at the Annual General Meeting ("AGM") on 18 May 2016, be paid on 26 May 2016 to Shareholders on the register at 29 April 2016. Since its IPO in September 2013, the Company will have returned £73.5 million of dividends to Shareholders inclusive of the above dividend proposal.

In addition to paying the expected dividend, the Company commenced a share buy-back programme on 16 December 2015, to make on-market purchases of Foxtons ordinary shares in line with the Company's policy of returning excess cash to Shareholders, and the programme has continued into 2016. As at 7 March 2016, the Company had purchased and cancelled in total 7 million Ordinary shares at a cost of £12 million.

Summary

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

Garry Watts

Chairman

CHIEF EXECUTIVE'S REVIEW

Review of the year

Property sales transactions levels within the London market as a whole remained subdued throughout the year. In particular, the increase in activity expected by many following the General Election in May 2015 did not arrive and, as a result, 2015 property sales within Greater London were well below levels in 2014. Activity in central London property markets has been especially constrained due to strong recent price growth and stamp duty changes, which have significantly increased the cost of moving home.

Despite these challenging underlying market conditions, we have been able to deliver growth in revenue and market share by continuing to expand our branch network, particularly within outer London. Our centralised business model has enabled us to generate high Adjusted EBITDA margins and the innovative application of technology and data throughout our Company continues to support the excellent customer service that is key to our proposition as a premium estate agency.

The Group achieved record revenue in 2015 of £149.8 million, up 4.1% versus prior year. Adjusted EBITDA of £46.0 million remained in line with prior year and Adjusted EBITDA margins remained industry leading at over 30%.

Foxtons Sales revenue grew 3.4% reflecting market share gains, against an overall market that contracted significantly in 2015, while holding firm to our standard commission rates. Our New Homes business continued to grow representing 14% of sales commissions compared to 9% last year. Lettings continued to produce steady top line growth and excellent margins. Lettings revenue was more skewed towards renewals than new lets as record numbers of tenants chose to extend their tenancies in 2015.

Alexander Hall, our mortgage broker, had a particularly strong year delivering both substantial revenue and Adjusted EBITDA growth.

The Group once again generated high levels of cash with an operating cash conversion ratio of 87.4% in 2015 (2014: 84.5%) and net free cash flow of £32.0 million (2014: £27.3 million). This stable cash generation has allowed the Group to continue to fund its own organic branch expansion.

Expansion programme

During 2015 we opened seven new branches, all in the outer London areas of zone 2 and beyond. These areas remain our priority for expansion and we have a healthy pipeline of new branches in similar locations for 2016. Since our IPO we have continued our geographic diversification, opening 16 new branches of which 15 are outside zone 1[(1)] and these continue to follow a similar profile in terms of profitability and cash flow generation to our earlier openings. The 20 branches opened between 2010 and 2013 on average achieved positive Adjusted EBITDA in seven months of opening and broke even in cash terms in 20 months. Average returns on capital employed for the second full year of operation were circa 150%. All branches opened in 2014 and 2015 are performing in line with expectations.

Awards

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

Outlook

Our strategy puts us in a strong position both to capture growth in outer London through organic expansion and to benefit from any future growth in the sales market. We expect some growth in the sales market in 2016 but continue to believe that a recovery in volumes will be affected by a low level of stock. We remain confident that our organic expansion strategy together with our strong lettings business will enable us to continue to deliver robust results.

London is fundamentally a highly attractive property market for both sales and lettings, and our balanced business model is proven to generate Shareholder value across the market cycle. The Group remains debt free, highly cash-generative and focused on returning all excess cash to Shareholders.

Nic Budden

Chief Executive Officer

Note 1: As defined by Transport for London (TFL)

Business review

Revenue

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

Revenue growth:

£m	2015	2014	% variance
Sales	72.2	69.8	+3.4%
Lettings	68.9	67.4	+2.3%
Mortgage broking	8.3	6.3	+31.8%
Other	0.4	0.4	
Total revenue	149.8	143.9	+4.1%

Sales

Revenues from sales increased by 3.4% over the previous year as a result of higher transaction volumes, despite market volumes falling almost 10%. Foxtons was able to grow volumes through organic growth and market share gains. Average revenue per transaction remained broadly flat versus prior year as underlying London price inflation was offset by the mix effect of significant volume reductions in the higher valued central London area and increased volumes at lower average sales prices as Foxtons expands out from central London. During 2015 the average price of Foxtons property sales was £550k (2014: £544k).

Lettings

The Lettings segment continues to provide a consistent revenue stream irrespective of the variability in the Sales market. Lettings revenue continues to grow, driven by an increase in average rental values. Renewals revenue increased as a percentage of total lets revenue as record numbers of tenants chose to extend their tenancies in 2015.

Mortgage broking

Revenue increased by 31.8%. This was primarily volume driven with a 20.5% increase due to increasing adviser headcount together with average revenue per deal increasing by 9.4% due to both increasing average loan sizes and increased procuration fees paid by lenders.

Organic expansion

The Group has continued its organic expansion programme, opening seven new branches during the year, increasing the network to 58 branches. Foxtons has an experienced in-house project team that works with a number of external professionals to manage the opening of new branches. Organic expansion is a low-risk growth route with many opportunities available within London over the foreseeable future. Each new branch cohort opened between 2010 and 2013 achieved positive Adjusted EBITDA in circa seven months of opening and broke even in cash terms in 20 months. Average returns on capital employed for the second full year of operation were circa 150%. The 2014 and 2015 tranche of branch openings are following a similar profile.

Balanced business

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

% of total revenue	2015	2014
Sales	48.2%	48.5%
Lettings	46.0%	46.8%
Mortgage broking	5.5%	4.4%
Other	0.3%	0.3%
Total revenue	100.0%	100.0%

KPI analysis

Average revenue per branch of £2.7 million (2014: £3.0 million) declined due to an increase of 14.7% in the number of branches (average branches across year) adding to the number of maturing branches in the network, the difficult central London market plus the expansion of the network into the outer regions of London. Average revenue per employee of £113k (2014: £113k) remained flat with property price inflation being offset by the extension of our network into the outer regions of London where average prices are lower.

Administration expenses

Administration expenses were £108.9 million (2014: £101.9 million) representing an increase of £7.0 million, 6.8% on prior year and include:

- Increase of £2.2 million (5.2%) in sales and lettings salaries and other cost of sales moving broadly in line with the increase in total revenue of 4.1%
- Branch overhead costs increased by £2.4 million (9.5%) primarily reflecting the opening of seven new branches during the year. With a 14.7% increase in the average number of branches year on year, average branch costs fell by 4.6%.
- HQ costs (Chiswick Park) increased by £0.6 million (2.6%) and were only marginally impacted by the increase in the branch network during the year reflecting the operational leverage in the business. Average HQ costs per branch fell by 10.6%.

£m	2015	2014	Var.	% Var.
Sales & Lettings salaries and other COS	44.5	42.3	2.2	5.2%
Cost as % of total revenue	*29.7%*	*29.4%*		
Administration costs related to:				
Branches	27.6	25.2	2.4	9.5%
HQ costs (Chiswick Park)	23.2	22.6	0.6	2.6%
Depreciation and amortisation	4.4	4.1	0.3	7.7%
All other administration costs[1]	9.2	7.7	1.5	19.1%
Administrative expenses	108.9	101.9	7.0	6.8%
Efficiency indices:				
Average branch costs	0.51	0.53		-4.6%
Average HQ costs per branch	0.42	0.48		-10.6%

[1] includes overhead costs of Property Management, Renewals, Mortgage broking, PLC costs and management incentives.

Profitability analysis

All business segments are profitable as shown in the table below.

£m	2015	2014
Sales	23.5	23.2
Lettings	20.7	21.8
Mortgage broking	1.4	0.7
Other	0.4	0.5
Group Adjusted EBITDA	46.0	46.2

Sales and Lettings margins reduced slightly due to the challenging Central London market in which Foxtons still generates a significant proportion of its revenues and profits, together with the continued growth in the branch network adding to the number of immature branches in the Foxtons network. Mortgage broking continues to produce margin improvements from significant revenue growth.

	2015	2014
Sales	32.6%	33.3%
Lettings	30.1%	32.4%
Mortgage broking	16.5%	11.8%
Group Adjusted EBITDA margin	30.7%	32.1%

Seasonality

EBITDA generation is not phased equally during the year due to a certain degree of seasonality in the business. Seasonality is seen in both Sales and Lettings with Q3 being the peak period for Lettings revenues. In addition, EBITDA phasing is impacted by the Foxtons expansion programme with openings skewed to the first half of the year. By the second half of the year new branches are beginning to generate revenues and move into profitability. Historically, Adjusted EBITDA has been weighted towards the second half of the year with a ratio of circa 47:53 (H1:H2). However, during 2015 the weighting was slightly more pronounced with a 45:55 ratio due to the disruption of the General Election in the first half of the year.

Operating profit

Operating profit of £40.9 million (2014: £42.0 million) reduced due to a decline in central London operating profits together with increased costs due to the continued expansion of the branch network into outer London. There were no exceptional items in either the current or prior year.

Profit before tax (PBT)

PBT of £41.0 million (2014: £42.1 million) fell due to the operational performance noted above. The Group has no finance costs as it remains debt-free.

Taxation

The business activities of Foxtons all operate within the UK and are all UK tax registered. The Group does not have any complex tax structures in place and has made significant tax payments during the year. The Company has benefited from reduced UK corporation tax rates. The rate has fallen from 21% (1 April 2014) to 20% (1 April 2015). These tax rates produce a blended rate of 20.25% for the 2015 financial year (2014: 21.5%). The effective tax rates for the Group are in line with these blended rates being 20.5% for 2015 and 21.2% for 2014.

The absolute tax charge for the period fell by £2.2 million due to:

- Reduced corporation tax rates applied to reduced profit before tax, resulting in a reduction in the current tax charge of £0.7 million
- Reduction of £2.0 million in deferred tax, primarily due to reduced corporation tax rates on the deferred tax liability in respect of the intangible brand asset
- All other tax movements totalling an increase of £0.5 million

Tax payments during the year totalled £8.3 million (2014: £10.3 million) reflecting higher profitability in 2013 and the instalment payments thereon falling into 2014, together with lower rates of corporation tax in 2015.

Earnings per share (EPS)

Basic and diluted EPS increased by 3.4% to 12.3p (2014: 11.9p) primarily due to the increase in profitability from the deferred tax credit of £2.0 million.

Cash flow

Net free cash flow for the year increased to £32.0 million (2014: £27.3 million). The increase of 17.1% was primarily due to an improved working capital position together with lower corporation tax payments and the fact that in the prior year shares were purchased in respect of the long-term incentive programme. An improvement in cash conversion can be seen from the metric “net free cash as a percentage of Adjusted EBITDA”, which improved from 59.1% in 2014 to 69.6% in 2015.

Due to the continued high cash generation of the Company, no overdraft facilities are in place and the business remains debt-free.

Dividends

The interim and special dividend of 4.77p per share was paid on 25 September 2015. Due to the continued strong cash generation of the Company a final and special dividend totalling 6.23p per share is being recommended to Shareholders for payment in May 2016. Subject to Shareholder approval, dividends in respect of 2015 will total 11.0p per share (2014: 9.70p per share), representing a 13.4% increase.

Share buy-back

The Company commenced a share buy-back programme on 16 December 2015, to make on-market purchases of Foxtons ordinary shares in line with the Company's policy of returning excess cash to Shareholders. At year end the Company had purchased 0.5 million shares (0.2% of issued share capital) at an average price of 181p per share and a total cost of £0.9 million. The share buy-back programme has continued into 2016 and is funded from accumulated cash resources. This and any future buy-back programmes are not intended to lead to a change in the Company’s dividend policy.

Post balance sheet events

As part of the share buy-back programme commenced on 16 December 2015, a further 6.6 million shares were purchased in 2016 for a cost of £11.1 million. In total, the share buy-back programme has resulted in 7.1 million shares being purchased for a total cost of £12.0 million and an average cost per share of 170p comprising 2.5% of issued share capital.

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; and
- Surplus cash balances are held with major UK based banks.

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

Pensions

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

Gerard Nieslony

Chief Financial Officer

PRINCIPAL RISKS

Risk management

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

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

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

The following principal risks and uncertainties have been amended slightly from those disclosed in the 2014 Annual Report and Accounts. "Market risk" has replaced "Macroeconomic conditions" while "Compliance with the legal and regulatory environment" has replaced "Government policy". In addition the risks of "Client monies" and "Potential for fraud" are no longer considered principal risks.

External factors

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

Internal factors

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

Forward looking statements:

This preliminary announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 7 March 2016. 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 2015 Annual Report and Accounts:

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

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

On behalf of the Board

Gerard Nieslony

7 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015

Continuing operations	Notes	2015 £'000	2014 £'000
Revenue			
Sales		**72,197**	69,833
Lettings		**68,946**	67,387
Mortgage broking		**8,251**	6,260
Other		**394**	428
Total revenue		**149,788**	143,908
Administrative expenses		**(108,867)**	(101,889)
Operating profit		**40,921**	42,019
Finance income		**150**	129
Finance costs		**(22)**	–
Profit before tax		**41,049**	42,148
Tax	4	**(6,460)**	(8,706)
Profit and total comprehensive income for the year		**34,589**	33,442
Earnings per share			
Basic and diluted (pence per share)	6	**12.3**	11.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Goodwill		**19,168**	19,168
Other intangible assets		**99,501**	99,000
Property, plant and equipment		**27,016**	24,067
Deferred tax assets	4	**294**	876
		145,979	143,111
Current assets			
Trade and other receivables		**12,147**	10,767
Prepayments		**6,106**	6,336
Cash and cash equivalents		**25,619**	22,533
		43,872	39,636
Total assets		**189,851**	182,747
Current liabilities			
Trade and other payables		**(10,926)**	(8,009)
Current tax liabilities		**(3,672)**	(4,157)
Provisions		**(195)**	(129)
Deferred revenue and lettings refund liability		**(4,653)**	(4,362)
		(19,446)	(16,657)
Net current assets		**24,426**	22,979
Non-current liabilities			
Deferred tax liabilities	4	**(17,820)**	(19,800)
		(17,820)	(19,800)
Total liabilities		**(37,266)**	(36,457)
Net assets		**152,585**	146,290
Equity			
Share capital		**2,817**	2,822
Other capital reserve		**2,582**	2,582
Capital redemption reserve		**5**	–
Own shares held		**(1,540)**	(1,540)
Share premium		**52,727**	52,727
Retained earnings		**95,994**	89,699
Total equity		**152,585**	146,290

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2014	**2,822**	**(1,540)**	**2,582**	**–**	**52,727**	**89,699**	**146,290**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**34,589**	**34,589**
Dividends	**–**	**–**	**–**	**–**	**–**	**(27,970)**	**(27,970)**
Share buyback	**(5)**	**–**	**–**	**5**	**–**	**(927)**	**(927)**
Credit to equity for share based payments		**–**	**–**	**–**	**–**	**603**	**603**
Balance at 31 December 2015	**2,817**	**(1,540)**	**2,582**	**5**	**52,727**	**95,994**	**152,585**

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

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Net cash from operating activities	7	**39,704**	35,547
Investing activities			
Interest received		**150**	129
Proceeds on disposal of property, plant and equipment		**233**	324
Purchases of property, plant and equipment		**(7,564)**	(7,140)
Purchases of intangibles		**(518)**	–
Net cash used in investing activities		**(7,699)**	(6,687)
Financing activities			
Dividends paid		**(27,970)**	(28,139)
Purchase of own shares		**–**	(1,540)
Interest paid		**(22)**	–
Share buy-back		**(927)**	–
Net cash used in financing activities		**(28,919)**	(29,679)
Net increase/(decrease) in cash and cash equivalents		**3,086**	(819)
Cash and cash equivalents at beginning of year		**22,533**	23,352
Cash and cash equivalents at end of year		**25,619**	22,533

1. General information

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

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

2. Significant accounting policies

The consolidated preliminary results of the Company for the year ended 31 December 2015 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2015 were approved by the Directors on 7 March 2016. The Annual General Meeting of Foxtons Group plc will be held at Chiswick Park on 18 May 2016. 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 2015.

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

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

The financial information for the year ended 31 December 2015 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 2014 have been delivered to the Registrar of Companies and those for 2015 will be delivered following the Company's Annual General Meeting convened for 18 May 2016. The auditor has reported on these accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The accounting policies applied by the Group in these consolidated preliminary results are the same as those applied by the Group in the Foxtons Group plc annual financial statements for the year ended 31 December 2014 with the exception of certain new Standards and Interpretations adopted in the current period which had no significant effect on the Group's results.

3. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

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

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

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

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 before tax for the period earned by each segment before allocation of depreciation, amortisation, profit on disposal of fixed assets, finance income, finance costs, exceptional items and share based payments. This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance.

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

3. Business and geographical segments (continued)

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 2015:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	**72,197**	**68,946**	**8,251**	**149,394**	**394**	**149,788**
Adjusted EBITDA	**23,517**	**20,738**	**1,360**	**45,615**	**392**	**46,007**
Adjusted EBITDA margin	***32.6%***	***30.1%***	***16.5%***	***30.5%***	***99.5%***	***30.7%***
Depreciation						**(4,491)**
Amortisation						**(17)**
Profit on disposal of property, plant and equipment						**109**
Finance income						**150**
Finance cost						**(22)**
Share based payment charge						**(687)**
Profit before tax						**41,049**

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

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

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

4. Tax

Corporation tax for the year ended 31 December 2015 is calculated at 20.25% (year ended 31 December 2014: 21.5%) of the estimated taxable profit for the period.

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

	2015 £'000	2014 £'000
Current tax		
Current tax charge	**7,858**	8,916
Deferred tax charge	**(1,398)**	(210)
Tax on profit on ordinary activities	**6,460**	8,706

There will be a reduction in the UK corporation tax rate to 19% from April 2017 and a further reduction to 18% from April 2020. The reduction in future corporation tax rates has resulted in a deferred tax credit of £1.98 million in respect of the intangible brand asset.

5. Dividends

	2015 £'000	2014 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 December 2014: 5.16p (2013: 5.44p) per ordinary share	**14,535**	15,351
Interim and special dividends year ended 31 December 2015: 4.77p (2014: 4.54p) per ordinary share	**13,435**	12,788
	27,970	28,139

For 2015, the Board recommends a final dividend of 3.34p per ordinary share (£9.3 million) and a special dividend of 2.89p per ordinary share (£8.1 million) to be paid in May 2016. These financial statements do not reflect these dividends payable.

6. Earnings per share

	2015 £'000	2014 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	**34,589**	33,442
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**281,656,997**	281,890,167
Effect of dilutive potential ordinary shares	**512,631**	102,964
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**282,169,628**	281,993,131
Basic and diluted earnings per share (in pence per share)	**12.3**	11.9

7. Notes to the cash flow statement

	2015 £'000	2014 £'000
Operating profit	**40,921**	42,019
Adjustments for:		
Depreciation of property, plant and equipment	**4,491**	4,125
Gain on disposal of property, plant and equipment	**(109)**	(39)
Amortisation of intangibles	**17**	–
Increase/(decrease) in provisions	**66**	(28)
Share based payment cost	**687**	96
Operating cash flows before movements in working capital	**46,073**	46,173
(Increase)/decrease in receivables	**(1,151)**	2,398
Increase/(decrease) in payables	**3,126**	(2,700)
Cash generated by operations	**48,048**	45,871
Income taxes paid	**(8,344)**	(10,324)
Net cash from operating activities	**39,704**	35,547

Cash and cash equivalents

	2015 £'000	2014 £'000
Cash and cash equivalents	**25,619**	22,533

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.

8. 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, no Group companies entered into transactions with related parties who are not members of the Group.

9. Client monies

At 31 December 2015, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £84.8 million (31 December 2014: £82.8 million). Neither this amount nor the matching liabilities to the clients concerned is included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the Financial Services Compensation Scheme ("FSCS") under which the government guarantees amounts up to £75,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

10. Operating cash conversion and net free cash flow

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

	Notes	**2015 £'000**	2014 £'000
Adjusted EBITDA	3	**46,007**	46,200
(Increase)/decrease in receivables	7	**(1,151)**	2,398
Increase/(decrease) in payables	7	**3,126**	(2,700)
Increase/(decrease) in provisions	7	**66**	(28)
Purchases of property, plant and equipment		**(7,564)**	(7,140)
Purchases of intangibles		**(518)**	–
Proceeds on disposal of property, plant and equipment		**233**	324
Adjusted operating cash		**40,199**	39,054
Operating cash conversion		**87.4%**	84.5%

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

	Notes	2015 £'000	2014 £'000
Net cash from operating activities	7	**39,704**	35,547
Investing activities			
Interest received		**150**	129
Proceeds on disposal of property, plant and equipment		**233**	324
Purchases of property, plant and equipment[1]		**(7,564)**	(7,140)
Purchases of intangibles		**(518)**	–
Net cash used in investing activities		**(7,699)**	(6,687)
Other adjusting items: purchase of own shares		**–**	(1,540)
Net free cash flow		**32,005**	27,320

[1] Capital spend primarily relates to fit out costs of new branch openings.

11. Financial instruments

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

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

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

	2015 £'000	2014 £'000
Cash and cash equivalents	**25,619**	22,533
Trade and other receivables	**12,147**	10,767
Trade and other payables	**(10,926)**	(8,009)