Foxtons Group plc
FINAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2021
2 MARCH 2022

Foxtons Group plc (the "Company" or "Foxtons"), London's leading estate agent, today announces its results for the year ended 31 December 2021.

2021 was a good year for Foxtons with revenues, profits and cash flow significantly ahead of 2019 and 2020 and we have made a positive start to 2022.

Financial summary

	2021	2020	2019
Continuing operations[1]:			
Revenue	**£126.5m**	£93.5m	£106.9m
Adjusted operating profit/(loss)[2]	**£8.9m**	£1.9m	(£0.7m)
Profit/(loss) before tax	**£5.6m**	(£1.4m)	(£8.8m)
Adjusted earnings/(loss) per share (basic and diluted)[3]	**1.9p**	(0.2p)	(1.1p)
Loss per share (basic and diluted)	**(0.4p)**	(1.0p)	(2.8p)
Total Group[4]:			
Net free cash inflow/(outflow)[5]	**£6.6m**	£4.3m	(£2.5m)
Full year dividends per share	**0.45p**	-	-

2021 financial highlights

- From continuing operations[1]:
  - Revenue of £126.5m, up 35% against 2020 and up 18% against 2019, reflecting improved market conditions, market share growth and contribution from lettings portfolio acquisitions including Douglas & Gordon (D&G).
  - Adjusted operating profit of £8.9m (2020: £1.9m) after £1.5m voluntary repayment of business rates.
- Net free cash flow of £6.6m (2020: £4.3m) from the total Group.
- Net cash of £19.4m (2020: £37.0m), which excludes £3.7m of cash classified as held for sale relating to the disposal of the D&G sales business.
- Final dividend of 0.27p per share, taking full year dividends to 0.45p per share.
- Return of £5.7m of excess capital to shareholders via share buybacks.

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

"2021 was a good year of progress for Foxtons with revenues, profits and cash flow significantly ahead of 2019 and 2020. We successfully delivered the first phase of our growth plan, making strong progress against our core strategic objectives and are confident of delivering further growth this year and into the future .

"We extended our leadership position in the London sales and lettings markets, developed new revenue channels and enhanced cross-sell capabilities by leveraging our investments in marketing and technology. We are delighted with the D&G acquisition which has had a materially positive impact on profits. With increased market share, and the successful integration of acquisitions driving strong growth in revenue, profits and cash flow, we re-instated the dividend for the first time since 2017 and bought back £5.7m of shares.

"We have now completed the strategic review of our mortgage broking business, Alexander Hall, and believe it is in the Group's interests to retain the business. Alexander Hall intends to increase its financial adviser base, to fully realise the financial services cross-selling opportunity and grow profits significantly.

"The sales market remains buoyant, with our current under-offer sales commission pipeline marginally ahead of 2021, and we have a good pipeline of potential lettings portfolio acquisitions. We have a clear plan for growth and are highly focused on delivery."

Strong progress against core objectives

- Organic revenue growth:
  - Delivered market share growth across all business areas leveraging data science to improve conversion.
  - Built on high levels of landlord loyalty to deliver 4% organic growth in our lettings portfolio and 11% organic growth in property management revenues compared to 2020.
  - Developed new revenue channels and enhanced cross-sell capabilities. Accessed international markets through our Asia Pacific channel, which delivered £2.7m of revenue in its first full year of operation, and grew Build to Rent revenues to £2.7m, 69% up against 2020 and 90% up against 2019, as we build on our London market leadership position.

- Lettings portfolio acquisitions:
  - Acquired 2,900 new tenancies through the acquisition of D&G, with 4% growth in the lettings portfolio during the first 10 months of ownership to over 3,000 tenancies, delivering £10.0m of revenue and £3.7m of operating profit to continuing operations.
  - D&G lettings portfolio recently integrated into the Foxtons infrastructure and expected to deliver around £4.0m of operating profit in 2022 through the delivery of further synergies, and a total return on invested capital in excess of 20%.

- Profit growth:
  - 36% increase in branch productivity (average revenue per branch) and 26% increase in employee productivity (average revenue per employee) against the prior year, reflective of our ongoing people programmes, centralised infrastructure efficiencies and branch network reach.
  - Action taken in 2021 to simplify management structures and introduce new remuneration schemes in order to drive revenue growth and improved profitability.
  - Embedded our customer data platform to improve customer conversion and cost per acquisition.

Creating value for all our stakeholders

- The improved trading performance enabled the business to re-instate the dividend under our policy of returning 35% to 40% of profit after tax (excluding one-off non-cash items) to shareholders as an ordinary dividend, and return £5.7m of excess capital to shareholders via share buybacks.
- No use of Government support in 2021, a stable employee base and record employee engagement levels.
- Partnered with leading national charity, Career Ready, to make a positive difference to social mobility in our communities. Established an ESG Committee underscoring our commitment to being a responsible business.

2022 trading update and outlook

In sales, 2022 began with our under-offer sales pipeline marginally ahead of 2021 levels, and significantly up on the pre-pandemic levels, giving us confidence in a more sustained market recovery. In lettings, London average rental prices are in line with 2019 levels which we expect to be underpinned by strong tenant demand as pre-pandemic behaviour returns, including continued growth in Build to Rent in 2022. We have a good pipeline of further lettings portfolio acquisitions and expect to invest £8m in 2022 to generate attractive returns for investors. In mortgage broking, we expect there to be similar levels of market activity to 2021.

Subject to the geopolitical situation, we expect the trading environment to remain positive, and will take steps to control costs, despite inflationary headwinds, and improve productivity. Overall, we have a clear plan for growth and expect to build on the strong progress made in 2021.

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The Company will present a live webcast at 9:00am (GMT) for analysts and investors. To access you will be required to pre-register using the following link:
https://secure.emincote.com/client/foxtons/preliminary-results-2021

The presentation will also be broadcast via conference call. To access you will be required to pre-register using the following link:
https://secure.emincote.com/client/foxtons/preliminary-results-2021/vip_connect

A replay of the presentation will be available shortly afterwards on the webcast link.

[1] Continuing operations excludes the results of the D&G sales business which has been classified as a discontinued operation. The D&G sales business was acquired as part of the acquisition of D&G on 1 March 2021 and subsequently disposed of on 11 February 2022.

[2] Adjusted operating profit/(loss) is defined as profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items.

[3] Adjusted earnings/(loss) per share is defined as earnings/(loss) per share excluding the impact of adjusted items and any significant remeasurements of deferred tax balances as a result of UK corporate tax rate changes. Refer to Note 7 for a reconciliation between earnings/(loss) per share and adjusted earnings/(loss) per share.

[4] Total Group includes results from both continuing operations and discontinued operations. On a total Group basis, revenue was £133.3m and adjusted operating profit was £7.1m. Refer to Note 5 for details of the results from discontinued operations.

[5] Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired) and purchases of investments.

PERFORMANCE AT A GLANCE

	2021	2020	2021 vs 2020	2019	2021 vs 2019
Income statement (from continuing operations)					
Revenue	£126.5m	£93.5m	35%	£106.9m	18%
Adjusted operating profit/(loss)[1]	£8.9m	£1.9m	£7.0m	(£0.7m)	£9.6m
Adjusted operating profit/(loss) margin[1]	7.1%	2.0%	510bps	(0.6%)	770bps
Statutory profit/(loss) before tax	£5.6m	(£1.4m)	£7.0m	(£8.8m)	£14.4m
Earnings per share (from continuing operations)					
Basic and diluted loss per share	**(0.4p)**	(1.0p)	0.6p	(2.8p)	2.4p
Adjusted basic and diluted earnings/(loss) per share[1]	**1.9p**	(0.2p)	2.1p	(1.1p)	3.0p
Dividends					
Interim dividend per share	**0.18p**	-	n/a	-	n/a
Final dividend per share	**0.27p**	-	n/a	-	n/a
Cash and cash flow					
Net cash[1,2]	**£19.4m**	£37.0m	(£17.6m)	£15.5m	£3.9m
Net cash from operating activities[2]	**£23.5m**	£14.7m	£8.8m	£9.8m	£13.7m
Net free cash inflow/(outflow)[1,2]	**£6.6m**	£4.3m	£2.3m	(£2.5m)	£9.1m
Segmental metrics (from continuing operations)					
Lettings revenue	**£74.3m**	£57.3m	30%	£65.7m	13%
Lettings volumes	**22,091**	18,595	19%	19,844	11%
Average revenue per lettings transaction	**£3,365**	£3,081	9%	£3,313	2%
Sales revenue	**£42.7m**	£28.2m	51%	£32.6m	31%
Sales volumes	**3,122**	2,034	53%	2,423	29%
Average revenue per sales transaction	**£13,668**	£13,854	(1%)	£13,463	2%
Mortgage broking revenue	**£9.5m**	£8.1m	17%	£8.5m	11%
Mortgage volumes	**4,991**	4,361	14%	4,442	12%
Average revenue per mortgage transaction	**£1,895**	£1,853	2%	£1,921	(1%)

[1] These measures are APMs used by the Group and are defined and purpose explained within Note 15.

[2] Net cash from operating activities and net free cash flow includes continuing and discontinued operations. Net cash excludes £3.7m of cash classified within assets held for sale.

CHAIRMAN'S STATEMENT

I became Chairman of Foxtons on 1 October 2021 following the resignation of my predecessor Ian Barlow. Prior to agreeing to take on the role I spoke to a broad range of shareholders, including a number who were dissatisfied with our performance, to understand their views about the Company. This was a useful exercise and we have already made changes that respond to some of their concerns with concrete plans to deliver further improvement in profitability.

The business

Foxtons has a strong brand name, a reputation for sales intensity and innovation and a distinctive business model. Growing market share is a priority and it is encouraging that we improved market share in both sales and lettings for a second consecutive year after a period of decline. There is more we can do here through the recruitment and training of ambitious young people and ensuring they are provided with high quality leads from our new digital marketing and IT platforms. It is therefore our intention to increase the number of sales negotiators in our branches in order to maximise the revenue and profit opportunity available to us.

Lettings has consistently performed well with organic growth complemented by the successful integration of several lettings portfolio acquisitions since 2020. We expect to invest £8m on such acquisitions during the course of 2022. Lettings adjusted operated profit increased by 41% in 2021 compared to 2020, with the growth driven by the recently integrated Douglas & Gordon (D&G) lettings portfolio. With the constructive support of D&G's management team, the lettings staff have now transferred to Foxtons as property managers or salespeople in our branches, increasing our talent pool. We continue to build a pipeline of prospective lettings portfolios to acquire.

Alexander Hall contributed £1.5m to operating profit in 2021, a small improvement on the resilient prior year. Following a strategic review, we have decided to retain and invest in the business by growing our financial adviser base which will enable Alexander Hall to capture more of the financial services cross sell to our estate agency customers. As we build our adviser base, we will be investigating options to monetise the leads Alexander Hall does not yet have the capacity to process.

Costs

While growing revenue is an essential part of Foxtons increased profitability, the management of cost also has a significant part to play. The three biggest costs are remuneration, including commissions and bonuses, property and vehicles. Over the past three years ten branches have been closed which were not making a sufficient contribution, with a consequent reduction of staff. The lease obligations which were provided for at the time of closure have largely been unwound as a result of management action to surrender or sub-let the leases. There is little scope for further reductions in property costs until leases expire, most significantly the head office where the lease runs until 2027.

Senior management staff costs will come down in 2022 as a result of the streamlining of senior management roles towards the end of 2021. New remuneration packages have been agreed with the executives and senior managers that will see a greater proportion of base salaries paid in restricted share awards. When I became Chairman, I accepted a reduced fee compared to my successor, one third of which is paid in shares. Future executive and senior management bonuses will be more directed at financial targets and a greater weighting will be paid in shares. These changes will significantly improve the alignment of senior management interests with those of our shareholders.

Over the course of 2021 action has been taken to reduce the cost base and the intention is to make further savings in 2022 to offset inflationary and other cost pressures such as increases in business rates and national insurance contributions. Some shareholders may believe we should be doing more to reduce costs, but in a people business, I believe it is vital to long term success to protect our core sales and service capabilities.

Finance

Adjusted operating profit from continuing operations is £8.9m (2020: £1.9m). The cash balance at the end of the year was £19.4m with net free cash flow of £6.6m. The Directors have decided to pay a final dividend of 0.27p per share, making a total in respect of 2021 of 0.45p per share, under our policy of returning 35% to 40% of profit after tax (excluding one-off non-cash items) in ordinary dividends. The dividend will be paid, subject to shareholder approval at the AGM, on 24 June 2022 to shareholders on the register at 13 May 2022. We continue to monitor our use of capital and, in line with our capital allocation policy, will return excess cash to shareholders.

Board
As I mentioned earlier, Ian Barlow stepped down as Chairman on 1 October 2021 after having been a Director for eight years. The Board is grateful for his contribution during a challenging period. Richard Harris will step down as Chief Financial Officer on 1 April 2022 and will become Chief Financial Officer of The Rank Group. He has been with Foxtons for three years and has played a significant part in beginning to turn around the business. Chris Hough, currently the Group's Director of Finance, will join the Board as Chief Financial Officer on 1 April 2022.

On 1 December 2021, Peter Rollings joined the Board. Peter was with Foxtons for 20 years and was Managing Director when he left in 2005. After leaving he joined Marsh & Parsons as Chief Executive Officer and having built up the business enabled its successful sale. Peter brings a lot of agency knowledge to the Board table.

In December 2021, we created the ESG Committee, chaired by Sheena Mackay, a Non-Executive Director.

Future prospects
As a Board we are determined to put Foxtons back on the front foot. The brand name remains strong, even if the current share price does not reflect this.

So far this year the attractions of living in London, to both domestic as well as overseas buyers in the price range where we are strongest, continues to generate strong demand and we intend to capture this with a larger sales force. Similarly, lettings, including the recently integrated D&G lettings business, has made a good start to the year. We have a good pipeline of further lettings portfolio acquisitions in the wider London area and expect to invest £8m in such acquisitions during 2022 to generate attractive returns for investors.

The initiatives we are taking to gain a bigger market share in sales, to acquire lettings portfolios and to develop the mortgage broking business by investing in our adviser base, coupled with a tight focus on costs as we are enter a period of increasing cost pressures, should enable further improvement in profitability.

Nigel Rich CBE
Chairman
1 March 2022

CHIEF EXECUTIVE'S REVIEW

2021 was a good year of progress for the Group. We delivered growth in all key areas of the business, with revenue, operating profit and cash flow ahead of pre-pandemic levels reported for 2019 and 2020. We increased market share, generated good returns from lettings portfolio acquisitions and rolled out digital marketing programmes.

Revenue from continuing operations was £126.5m (2020: £93.5m) comprising: lettings £74.3m (2020: £57.3m, 2019: £65.7m); sales £42.7m (2020: £28.2m, 2019: £32.6m) and mortgage broking £9.5m (2020: £8.1m, 2019: £8.5m). Adjusted operating profit from continuing operations grew to £8.9m (2020: £1.9m) demonstrating the operating leverage of the business. In lettings, D&G contributed £10m of revenue and £3.7m of operating profit since acquisition in March 2021. In February 2022 we completed the integration of the D&G lettings business, and as previously announced, simultaneously disposed of the loss-making D&G sales business, including the cost of all branches and its head office.

We generated £6.6m of net free cash flow during the year and continue to maintain a strong balance sheet with no external borrowings and net cash of £19.4m.

Creating shareholder returns

This performance in 2021 enabled us to reinstate dividends and expand our share buyback programme, having paid an interim dividend of 0.18p per share and returned £5.7m to shareholders via share buybacks during the year. Today, we propose a final dividend of 0.27p per share, taking the full year dividend to 0.45p per share.

Delivering our strategy

In June, we set out an action plan designed to realise the potential of the business and deliver significant shareholder value.

We made strong progress against our core objectives in 2021, with market share growth driving organic revenue and operating leverage resulting in a significant improvement in profits. We also grew our recurring revenues and improved our cross-sell performance with over 50% of our sales deals using cross sell services, which include mortgage broking and conveyancing.

Our strong customer proposition, powerful brand and leading-edge technology enables us to deliver a level of customer service which is reflected in our excellent Trustpilot rating where we have received four times as many 5-star reviews as any other London agent. These differentiators enable us to substantiate our premium fees and to grow market share in both lettings and sales.

We are well positioned to further grow profitability in both lettings and sales during 2022.

In lettings, we have a good track record of making selective acquisitions and successfully integrating them onto our highly scalable platform. We have grown our lettings portfolio by over 25% in the last two years, making us London's largest lettings agent now serving over 25,000 tenancies. We continue to benefit from good levels of landlord loyalty, with property management revenues growing organically by 11% in the year.

We saw the continued development of new sales channels in 2021 as we grew our offering for more specialised customers. Our Asia Pacific Desk leveraged the reach generated by our bespoke technology and digital marketing capabilities to transact with customers in the Asia Pacific region, despite the travel restrictions imposed by Hong Kong and China, and delivered £2.7m of revenue in its first full year of operation. We continued to drive our leadership position in the London Build to Rent sector, growing revenues by 69% to £2.7m in 2021 from new and existing clients, and by extending our service offering into consulting and professional services. We also created our Foxtons Private Office sub-brand, a highly bespoke service for customers buying and selling high value London properties contributing £3.3m of revenue in the year.

Alexander Hall, our mortgage broking business, has continued to perform in line with expectations. In Q3 2021 we announced we were reviewing strategic options for the business. We looked at a range of options and have decided to retain the business. We plan to invest to drive further growth by increasing our financial adviser base to fully realise the financial services cross sell opportunity to our estate agency customers.

Estate agency remains a people driven business and our talented employees are key to delivering against our strategy. We have realised productivity improvements with revenue per employee increasing by 26% compared to 2020 and 16% compared to 2019, which is reflective of our geared operating model and ongoing focus on sales intensity. I am also pleased to report an increase in our diversity and inclusivity score as employees feel we genuinely offer opportunities to people from all backgrounds and experiences. Our people truly mirror the communities we serve and are able to provide the highest levels of customer service.

To help our teams do more of what they do best - giving expert advice - we continued to invest in our IT infrastructure, customer data platform, and data science capabilities. We have also partnered with DataRobot, a leading artificial intelligence platform to build, deploy, and monitor artificial intelligence and machine learning models at scale to optimise customer acquisition. In addition, last year we were an early adopter and investor in the next generation property portal, Boomin, which will be used to drive greater cross-sell within the Group. We believe Foxtons is already the most advanced estate agent in the UK when it comes to how we use technology and data, and these investments further cement our competitive advantage, and improve how we serve our customers.

Our markets

Despite an extended downturn in sales during the last five years, we have continued to invest in our differentiators resulting in a stronger business performance in a buoyant sales market. The stamp duty holiday and changing consumer requirements helped drive 2021 performance, and although our healthy under offer pipeline provides some confidence, rising interest rates and geopolitical risk creates some market uncertainty which our strategy is well placed to respond to.

The lettings market was also extremely active as tenants took advantage of lower rents in the early part of 2021 but by year end, rent levels were higher than pre-pandemic as a consequence of strong demand for a constrained level of supply.

The mortgage broking market benefited from the strong sales market and favourable interest rates.

2022 trading update and outlook

In sales, 2022 began with our under-offer sales pipeline marginally ahead of 2021, and significantly up on the pre-pandemic levels. Over the course of the first two months of the year the under-offer pipeline has continued to build with homes going under offer despite lower levels of supply in the market.

In lettings, demand continues to outweigh supply, a dynamic which we expect to underpin strong rents over the course of the year. Build to Rent continues to grow and our market leadership position in London will see us continue to capture this growth in 2022. We have a number of lettings portfolios that we are currently evaluating and anticipate spending £8m on acquisitions during the course of 2022.

In mortgage broking, we expect there to be continuing good levels of activity in line with the sales market, although interest rate changes may impact the level of growth. Over the course of the year we will build our team of advisers, although it typically takes up to a year for them to become fully productive. This bodes well for building scale in the business in the medium term.

Finally, whilst we expect the trading environment to remain positive, and although our revenue growth plans will drive profitability, we are entering a period of increasing costs, for example business rates and national insurance contributions, and so remain very focused on our ongoing efficiency plans to manage these pressures. Overall, we have a clear plan for growth and expect to build on the strong progress made in 2021.

Nic Budden
Chief Executive Officer
1 March 2022

FINANCIAL REVIEW

FINANCIAL OVERVIEW - HIGHLIGHTS

	2021 £m	2020 £m	2019 £m	Change vs 2020	Change vs 2019
Continuing operations					
Revenue	**126.5**	93.5	106.9	35%	18%
Contribution[1]	**78.5**	58.1	67.1	35%	17%
Contribution margin[1]	***62.1%***	*62.1%*	*62.7%*	-	*(60 bps)*
Adjusted operating profit/(loss)[1]	**8.9**	1.9	(0.7)	£7.0m	£9.6m
Adjusted operating profit/(loss) margin[1]	**7.1%**	2.0%	(0.6%)	510 bps	770 bps
Profit/(loss) before tax	**5.6**	(1.4)	(8.8)	£7.0m	£14.4m
Loss after tax	**(1.3)**	(3.2)	(7.8)	*£1.9m*	*£6.5m*
Net free cash flow and cash position					
Net free cash flow (total group)*	**6.6**	4.3	(2.5)	£2.3m	£9.1m
Net cash (continuing operations)*	**19.4**	37.0	15.5	(£17.6m)	£3.9m
Dividends					
Interim dividend per share (paid)	**0.18p**	-	-	n/a	n/a
Final dividend per share (proposed)	**0.27p**	-	-	n/a	n/a

[1] These measures are APMs. APMs are defined, purpose explained and reconciled to statutory measures within Note 15 of the financial statements. Note: Throughout this review, amounts in tables may have been rounded and accordingly may not precisely sum to the total amounts expressed in such tables.

Revenue from continuing operations increased by 35% to £126.5m (2020: £93.5m), with revenue from lettings up 30%, revenue from sales up 51%, and revenue from mortgage broking up 17% compared to 2020.

Adjusted operating profit from continuing operations increased by £7.0m to £8.9m (2020: £1.9m), driven by strong revenue growth across all segments. In the ten months since acquisition, D&G lettings contributed £10.0m of revenue and £3.7m of operating profit. Profit before tax from continuing operations was £5.6m (2020: £1.4m loss) and loss after tax was £1.3m (2020: £3.2m) mainly due to a £6.1m non-cash deferred tax accounting re-measurement required due to the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

On a total Group basis, which includes both continuing and discontinued operations, £6.6m of net free cash flow was generated. The Group continues to have access to a £5.0m revolving credit facility (RCF) which has been extended in the year (June 2024 expiry) and remained undrawn throughout the year. Net cash relating to the continuing business was £19.4m (2020: £37.0m), which excludes £3.7m of cash classified within assets held for sale.

REVENUE (from continuing operations)

The Group consists of three operating segments: Lettings, sales and mortgage broking. Narrative explaining segmental revenue performance against 2020 follows.

From continuing operations	**2021 £m**	2020 £m	2019 £m	Change vs 2020	Change vs 2019
Lettings	**74.3**	57.3	65.7	30%	13%
Sales	**42.7**	28.2	32.6	51%	31%
Mortgage broking	**9.5**	8.1	8.5	17%	11%
Total	**126.5**	93.5	106.9	35%	18%

Lettings revenue

Lettings revenues increased by 30% to £74.3m (2020: £57.3m) and average revenue per lettings transaction was up 9% to £3,365 (2020: £3,081), with D&G lettings contributing £10.0m of revenue since acquisition in March 2021. Excluding D&G, lettings revenue was 12% up which is reflective of a 3% increase in average rental prices, increased volumes driven by increased market activity and market share gains, growth in our property management revenues and Build to Rent business.

Sales revenue
Sales revenue increased by 51% to £42.7m (2020: £28.2m) driven by 53% higher volumes in 2021 compared to 2020 reflective of market share gains in a buoyant sales market that benefited from stamp duty relief. The average revenue per transaction was £13,668 or 1% lower (2020: £13,854) and the average price of properties sold increased marginally to £577k (2020: £574k).

Mortgage broking revenue
Mortgage broking revenue increased by 17% to £9.5m (2020: £8.1m), the increase primarily reflecting growth in new mortgages driven by increased sales volumes noted above.

CONTRIBUTION AND CONTRIBUTION MARGIN (from continuing operations)
Contribution is defined as revenue less direct salary costs of front office staff and bad debt charges. Group contribution increased to £78.5m (2020: £58.1m) compared to 2020 as a result of increased revenue with a consistent contribution margin.

	2021		**2020**		**2019**	
From continuing operations	**£m**	**margin**	£m	**margin**	£m	**margin**
Lettings	**51.7**	**69.5%**	40.2	70.2%	46.6	70.9%
Sales	**22.8**	**53.4%**	14.1	50.0%	16.4	50.4%
Mortgage broking	**4.1**	**42.9%**	3.8	46.8%	4.0	47.2%
Total	**78.5**	**62.1%**	58.1	62.1%	67.1	62.7%

ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN (from continuing operations)
Adjusted operating profit for the period was £8.9m (2020: £1.9m), reflective of increased revenue in the year, including a £10.0m revenue contribution from D&G, and continued focus on cost control. For the purposes of segmental reporting, shared costs are allocated between the lettings business and the sales business with reference to relative headcount.

	2021		**2020**		**2019**	
From continuing operations	**£m**	**margin**	£m	margin	£m	margin
Lettings	**8.9**	**12.0%**	6.3	11.1%	4.2	6.4%
Sales	**(1.5)**	**(3.5%)**	(5.8)	(20.8%)	(6.3)	(19.2%)
Mortgage broking	**1.5**	**16.3%**	1.4	17.6%	1.4	16.0%
Total	**8.9**	**7.1%**	1.9	2.0%	(0.7)	(0.6%)

Adjusted operating profit is after charging direct operating costs of £47.9m (2020: £35.4m) and other operating costs of £71.0m (2020: £57.3m), including a £1.5m voluntary repayment of business rates. Other operating costs include the following non-cash charges:

- Depreciation of £12.2m (2020: £11.9m);
- Amortisation of £1.4m (2020: £0.8m), including £0.9m (2020: £0.3m) relating to acquired intangibles; and
- Share-based payment charges of £1.6m (2020: £1.0m).

PROFIT/(LOSS) BEFORE TAX (from continuing operations)

From continuing operations	**2021 £m**	2020 £m	2019 £m
Adjusted operating profit/(loss)	**8.9**	**1.9**	**(0.7)**
Less: adjusted items	**(1.4)**	(1.1)	(5.7)
Operating profit/(loss)	**7.6**	**0.8**	**(6.3)**
Less: Net finance costs and other losses	**(2.0)**	(2.2)	(2.5)
Profit/(loss) before tax	**5.6**	**(1.4)**	**(8.8)**

Adjusted operating profit excludes net adjusted item charges of £1.4m (2020: £1.1m) classified in line with the Group's accounting policy . The net charges comprises: £0.6m of acquisition related costs; £0.5m of reorganisation costs; £0.7m impairment of an associate and £0.4m of net property related credits primarily relating to provision/lease liability remeasurement. Net finance costs of £2.0m (2020: £2.2m) relate to interest charges on lease liabilities.

LOSS AFTER TAX (from continuing operations)

From continuing operations	**2021 £m**	2020 £m	2019 £m
Profit/(loss) before tax	**5.6**	(1.4)	(8.8)
Less: current tax (charge)/credit	**(0.5)**	0.3	0.3
Less: deferred tax charge (due to UK corporation tax rate change)	**(6.1)**	(1.8)	-
Less: deferred tax (charge)/credit (other)	**(0.3)**	(0.3)	0.7
Loss after tax	**(1.3)**	**(3.2)**	**(7.8)**

The loss after tax of £1.3m (2020: £3.2m) is after a total tax charge of £6.9m, of which £6.4m relates to non-cash deferred tax accounting charges and £0.5m relates to current tax. £6.1m of the deferred tax accounting charge is due to a non-cash accounting re-measurement required as a result of the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

The effective tax rate for the period was 124.1% (2020: (135.3%)) which compares to the statutory corporation tax rate of 19.0% (2020: 19.0%). The main driver affecting the effective tax rate is the £6.1m deferred tax accounting re-measurement noted above.

The Group's net deferred tax liability at 31 December 2021 totalled £24.8m (2020: £17.5m), which includes £26.5m (2020: £19.4m) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.7m (2020: £1.9m). The deferred tax assets relate to tax losses brought forward to the extent it is probable the assets will be recovered through future taxable profits.

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received no tax refunds during the year (2020: £0.2m).

EARNINGS PER SHARE (from continuing operations)

From continuing operations	**2021 £m**	2020 £m	2019 £m
Loss after tax	**(1.3)**	(3.2)	(7.8)
Add back: adjusted items (net of tax)	**1.5**	0.9	4.7
Add back: deferred tax (due to UK corporation tax rate change)	**6.1**	1.8	-
Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share	**6.2**	(0.5)	(3.1)
Loss per share (basic and diluted)	**(0.4p)**	**(1.0p)**	**(2.8p)**
Adjusted earnings/(loss) per share (basic and diluted)	**1.9p**	**(0.2p)**	**(1.1p)**

On a continuing operations basis, loss per share (basic and diluted) was 0.4p with the loss driven by a £6.1m non-cash deferred tax re-measurement accounting charge. On an adjusted basis, which excludes adjusted item charges of £1.5m and the £6.1m deferred tax re-measurement charge, earnings per share (basic and diluted) was 1.9p.

NET CASH AND NET FREE CASH FLOW
The Group held net cash, excluding lease liabilities and £3.7m of cash classified as held for sale, of £19.4m (2020: £37.0m) with no external borrowing (2020: nil).

From continuing and discontinued operations	**2021 £m**	2020 £m	2019 £m
Operating cash inflow before movements in working capital	**22.0**	15.1	12.2
Working capital inflow/(outflow)	**1.7**	(0.6)	(2.6)
Income taxes (paid)/refund	**(0.2)**	0.2	0.2
Net cash from operating activities	**23.5**	14.7	9.8
Repayment of IFRS 16 lease liabilities	**(15.2)**	(10.0)	(12.0)
Net cash used in investing activities[1]	**(1.6)**	(0.4)	(0.3)
Net free cash inflow/(outflow)	**6.6**	4.3	(2.5)

[1] Excludes £11.5m (2020: £3.8m) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired) and £3.0m related to the purchase of investments (2020: £nil).

Net free cash flow, from continuing and discontinued operations, of £6.6m (2020: £4.3m), was driven by increased profitability, partly offset by £15.2m of lease liability payments, including £2.3m of previously deferred lease payments, and £1.9m of net capital expenditure driven by IT and branch investments.

ACQUISITIONS
On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited, a high-quality London estate agent with a large lettings business typically delivering around 65% of total revenues from 2,900 tenancies. Gross purchase consideration was £15.5m with £13.9m paid in March 2021, £1.1m paid in July 2021 and £0.5m of contingent cash consideration paid in March 2022. Consideration paid in 2021, net of cash acquired, was £11.1m.

Acquired net assets were fair valued at the date of acquisition and include £5.4m of customer contracts and relationships and £6.3m of acquired goodwill. The acquisition contributed a total of £16.8m of revenue and £1.9m of adjusted operating profit during the Group's first ten months of ownership, of which £10.0m of revenue and £3.7m of adjusted operating profit relates to continuing operations.

DISCONTINUED OPERATIONS

From discontinued operations	**2021 £m**	2020 £m	2019 £m
Revenue	**6.8**	-	-
Adjusted operating loss	**(1.8)**	-	-
Less: adjusted items	*(3.2)*	-	-
Operating loss	**(5.1)**	-	-
Loss after tax	**(4.8)**	-	-

Discontinued operations relates to the D&G sales business which was acquired alongside the D&G lettings business, as part of the acquisition of D&G on 1 March 2021. In the first 10 months of ownership, the D&G sales business generated £6.8m of revenue, a £1.8m adjusted operating loss and a £4.8m loss after tax. The loss after tax includes an impairment charge of £3.2m, classified as an adjusted item, following the revaluation of the disposal group net assets to nil fair value reflecting the nominal consideration received. In November 2021 the Board approved the disposal of the D&G sales business and the simultaneous integration of the D&G lettings business into the Foxtons infrastructure. D&G sales was classified as held for sale in November 2021 and disposed of on 11 February 2022 to its CEO, James Evans, having been approved by shareholders at the General Meeting held on 10 February 2022.

The integration of the lettings business into the Foxtons network is expected to deliver the synergies identified at the time of the original D&G acquisition, with the D&G lettings portfolio expected to deliver operating profit of around £4.0m in 2022. This is an increase of over £2.0m on the operating profit contributed by the whole D&G business in 2021 and is in line with our expectation at the time of the acquisition that it would be materially earnings enhancing.

On a total Group basis, which includes both continuing and discontinued operations, revenue was £133.3m (2020: £93.5m) and adjusted operating profit was £7.1m (2020: £1.9m).

OTHER BALANCE SHEET POSITIONS

At 31 December the significant balance sheet positions were:

- Goodwill of £17.7m (2020: £11.4m) and other intangible assets of £107.3m (2020: £103.5m), with the increase due to the acquisition of D&G which contributed £6.3m of goodwill and £5.4m of intangible assets.
- Interest in associate and investments of £3.3m (2020: £1.2m), with the increase reflecting a £3.0m investment in PD Innovations Limited, trading as Boomin, and a £1.0m disposal of an interest in Propoly.
- Trade and other receivables of £16.0m (2020: £13.9m) and trade and other payables of £14.5m (2020: £10.3m).
- Held for sale assets of £7.4m (2020: nil) and held for sale liabilities of £7.4m (2020: nil) relating to the D&G sales business disposal group. Held for sale assets include £3.7m of cash.
- Total contract assets of £4.6m (2020: £2.0m) and total contract liabilities of £9.4m (2020: £8.7m), with the increase in the contract asset driven by the acquisition of D&G.
- Lease liabilities of £48.1m (2020: £51.6m) and right-of-use assets of £43.8m (2020: £44.4m).

CAPITAL ALLOCATION AND DIVIDENDS

Beyond working capital needs we use our cash to continue to fund investment in the organic development of the business, both people and technology, and to prioritise lettings portfolio acquisitions. The Group's ordinary dividend policy is to return 35% to 40% of profit after tax (excluding one-off non-cash items) to shareholders as an ordinary dividend, with excess cash after operational requirements and investments distributed to shareholders.

As shown below, the total Group made a profit after tax of £3.6m after excluding £3.7m of non-cash adjusted items and the £6.1m non-cash deferred tax accounting re-measurement (required due to the UK corporation tax rate increasing from 19% to 25%).

From continuing and discontinued operations	**2021 £m**
Loss after tax (continuing operations)	(1.3)
Loss after tax (discontinued operations)	(4.8)
Loss after tax (total Group)	**(6.2)**
Add back: non-cash adjusted items (net of tax)	3.7
Add back: deferred tax charges (due to UK corporation tax rate change)	6.1
Profit after tax for dividend policy (total Group)	**3.6**
Interim dividend (paid)	0.18p per share
Final dividend (proposed)	0.27p per share

An interim dividend of 0.18p per share was paid in September 2021. The Board has proposed a final dividend of 0.27p per share bringing the total ordinary dividend for the year to 0.45p per share (2020: nil). The proposed dividend will be paid, subject to shareholders approval at the AGM in June 2022, on 24 June 2022 to shareholders on the register at 13 May 2022. The shares will be quoted ex-dividend on 12 May 2022.

CAPITAL RETURNS

A total of £5.7m (2020: £0.3m) of shares have been bought back to return excess capital to shareholders. £2.7m shares were bought back through the programme announced in December 2020 and £3.0m through the programme announced in July 2021. Over the course of 2020 and 2021 a total of £6.0m of shares have been bought back.

POST BALANCE SHEET EVENTS AND RELATED PARTY TRANSACTIONS

On 14 January 2022 the Group announced the simultaneous disposal of the D&G sales business, including all of its branches, and the integration of the D&G lettings business into the Foxtons infrastructure. The D&G sales business was disposed of on 11 February 2022 for nominal consideration to its CEO, James Evans, following shareholder approval at a General

Meeting on 10 February 2022. £3.7m of cash was left in the business to cover working capital requirements and retained liabilities, which would otherwise have had to be incurred by the Group.

Shareholder approval was required due to James Evans being a Director of D&G, a subsidiary undertaking of the Group prior to the disposal, and he therefore constituted a related party to the Group under Chapter 11 of the Listing Rules. Therefore, as required by the Listing Rules, the disposal required approval by shareholders at a General Meeting.

Under the terms of the disposal, D&G will operate under restrictive covenants which protect the lettings portfolio retained by the Group, including existing customer contracts and relationships, and the employees that have transferred to Foxtons.

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 in a net cash position, is entirely UK-based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5.0m RCF which has been extended to June 2024 and remains undrawn.

PENSIONS

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

RISK MANAGEMENT

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to pages 15 and 16 for details of the Group's risk management framework and principal risks and uncertainties.

GOING CONCERN, PROSPECTS AND VIABILITY

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Furthermore, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year viability period. Refer to Note 1 of the financial statements for details of the Group's going concern assessment.

Richard Harris
Chief Financial Officer

1 March 2022

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 Group and its shareholders in the constantly changing environment in which it operates. The Board, through the Audit Committee, regularly reviews the principal risks facing the Group, together with the relevant mitigating controls, and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks, including climate-related risks, and changes to existing risks. 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 risks 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 risk areas. A common risk register is used across the Group to monitor gross and residual risk, with the results being assessed by the Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

The principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group.

External risks

Risk	Impact on the Group
Market risk	Although there have been improvements in the sales market, transaction levels continue to be below historical levels. The key factors driving market risk are: • affordability, which in turn may reduce transaction levels; • arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment; • the market being reliant on the availability of mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely affect the Group; • the market being impacted by changes in Government policy such as future changes in stamp duty taxes or increased regulation in the lettings market. In 2021, stamp duty relief provided stimulus to the sales market and associated market transactions; and • geopolitical risk which may increase market uncertainty and customer confidence.
Covid-19	Although 2021 transaction volumes have recovered at above pre-pandemic levels, Covid-19 has introduced additional market and operational risk. Key elements of the risk include: • continuing negative impact on the UK economy and consumer confidence which may adversely impact residential property sales transaction levels or rental levels in the medium term; • although the risk is reducing as the vaccine and booster programme progresses, there remains a risk the Group's offices and branches may have to temporarily close, property viewings could be required to switch to virtual viewings, and customer-facing activities could be restricted due to lockdowns; and • there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers.
Competitor challenge	The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, services or methods of working, including online and hybrid agents, which could give them a competitive advantage.
Compliance with the legal and regulatory environment	Breaches of laws or regulations could lead to financial penalties and reputational damage. Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting tenant deposits in line with the relevant regulations. Our mortgage broking business is authorised and regulated by the FCA and could be subject to sanctions for non-compliance.

Internal risks

Risk	Impact on the Group
IT systems and cyber risk	Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service. Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber attacks leading to interruption of service, corruption of data or theft of personal data. Such a failure or loss could also result in reputational damage, fines or other adverse consequences.
People	There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool. Additional risk could arise in the event there are changes in our industry or markets that result in less attractive career opportunities.
Reputation and brand	The Group's reputation and brand may be impacted from both a customer perspective and an investor perspective: *Customer perspective:* Foxtons is a strong, single-network brand with a reputation for delivering exceptional service as well as the highest brand awareness in London estate agency. Our reputation and brand provide competitive advantage and are critical to maintaining and protecting the future prospects of the business. There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations, or because our actions are considered to be inappropriate. *Investor perspective:* During 2021, there has been challenge from activist investors which has led to increased levels of adverse media coverage. Although there has been little impact on customer sentiment or satisfaction, such coverage can negatively impact broader investor relations and activity.

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 1 March 2022. 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 2022 Annual Report and Accounts.

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

- the consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Directors confirm that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

On behalf of the Board

Nic Budden
Chief Executive Officer
1 March 2022

Richard Harris
Chief Financial Officer
1 March 2022

CONSOLIDATED STATEMENT OF INCOME STATEMENT

For the year ended 31 December 2021

Continuing operations	Notes	2021 £'000	2020 £'000
Revenue	2	**126,475**	93,550
Direct operating costs		**(47,933)**	(35,449)
Other operating costs		**(70,954)**	(57,254)
Operating profit		**7,588**	847
Other losses		**(26)**	(37)
Finance income		**37**	111
Finance costs		**(2,046)**	(2,277)
Profit/(loss) before tax from continuing operations		**5,553**	(1,356)
Tax charge	4	**(6,893)**	(1,835)
Loss for the year from continuing operations		**(1,340)**	(3,191)
Discontinued operations			
Loss after tax for the year from discontinued operations	5	**(4,826)**	-
Loss for the year attributable to shareholders of the Company		**(6,166)**	(3,191)

Earnings/(loss) per share

From continuing operations			
Basic and diluted loss per share	7	**(0.4p)**	(1.0p)

Adjusted results

From continuing operations			
Adjusted operating profit[1]	2	**8,942**	1,904
Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share[2]	7	**6,176**	(521)
Adjusted basic and diluted earnings/(loss) per share[2]	7	**1.9p**	(0.2p)

[1] Adjusted operating profit is an APM and is reconciled to statutory loss before tax in Note 2. Adjusted operating profit from continuing operations is presented before charging £1.4m of adjusted items (2020: £1.1m) as set out in Note 3.

[2] Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share from continuing operations is presented before charging £1.5m of adjusted items including associated tax charges (2020: £0.9m) and £6.1m of non-cash deferred tax accounting re-measurement charges (2020: £1.8m), as set out in Note 7.

[3] Adjusted basic and diluted earnings/(loss) per share is an APM and is reconciled to statutory earnings/(loss) per share in Note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss for the year attributable to shareholders of the Company		**(6,166)**	(3,191)
Other comprehensive income:			
Items that will not be reclassified to profit or loss (net of tax):			
Changes in fair value of equity instruments at FVOCI		**40**	-
Other comprehensive income for the period		**40**	-
Total comprehensive loss for the period		**(6,126)**	(3,191)
Total comprehensive loss attributable to shareholders of the Company arising from:			
Continuing operations		**(1,340)**	(3,191)
Discontinued operations		**(4,786)**	-
		(6,126)	(3,191)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Non-current assets			
Goodwill	8	**17,716**	11,420
Other intangible assets	8	**107,269**	103,542
Property, plant and equipment		**9,652**	10,548
Right-of-use assets	9	**43,832**	44,444
Contract assets		**899**	350
Interest in associate and investments		**3,317**	1,237
Deferred tax assets		**1,744**	1,904
		184,429	173,445
Current assets			
Trade and other receivables		**16,011**	13,866
Contract assets		**3,657**	1,653
Current tax assets		**303**	76
Cash and cash equivalents		**19,374**	36,984
Assets classified as held for sale		**7,412**	-
		46,757	52,579
Total assets		**231,186**	226,024
Current liabilities			
Trade and other payables		**(14,485)**	(10,309)
Current tax liabilities		**-**	-
Lease liabilities	9	**(8,825)**	(10,849)
Contract liabilities		**(8,231)**	(7,659)
Provisions		**(342)**	(367)
Liabilities classified as held for sale		**(7,412)**	-
		(39,295)	(29,184)
Net current assets		**7,462**	23,395
Non-current liabilities			
Lease liabilities	9	**(39,258)**	(40,709)
Contract liabilities		**(1,141)**	(1,080)
Provisions		**(1,486)**	(1,216)
Deferred tax liabilities		**(26,504)**	(19,379)
		(68,389)	(62,384)
Total liabilities		**(107,684)**	(91,568)
Net assets		**123,502**	134,456
Equity			
Share capital	11	**3,301**	3,301
Merger reserve	12	**20,568**	20,568
Other reserves	12	**2,653**	2,653
Own shares reserve		**(6,059)**	(374)
Retained earnings		**103,039**	108,308
Total equity		**123,502**	134,456

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 1 March 2022. Signed on behalf of the Board of Directors

Richard Harris
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		**3,301**	**20,568**	**2,653**	**(374)**	**108,308**	**134,456**
Loss for the year attributable to shareholders of the Company		**-**	**-**	**-**	**-**	**(6,166)**	**(6,166)**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**40**	**40**
Dividends	6	**-**	**-**	**-**	**-**	**(583)**	**(583)**
Own shares acquired in the period		**-**	**-**	**-**	**(5,697)**	**-**	**(5,697)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**1,452**	**1,452**
Settlement of share incentive plan		**-**	**-**	**-**	**12**	**(12)**	**-**
Balance at 31 December 2021		**3,301**	**20,568**	**2,653**	**(6,059)**	**103,039**	**123,502**

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		2,751	-	2,653	(56)	110,433	115,781
Loss for the year attributable to shareholders of the Company		-	-	-	-	(3,191)	(3,191)
Other comprehensive income for the year		-	-	-	-	-	-
Dividends	6	-	-	-	-	-	-
Share issuance	11	550	20,568	-	-	-	21,118
Own shares acquired in the period		-	-	-	(318)	-	(318)
Credit to equity for share-based payments		-	-	-	-	1,066	1,066
Balance at 31 December 2020		3,301	20,568	2,653	(374)	108,308	134,456

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Operating activities			
Operating profit from continuing operations	2	**7,588**	847
Operating loss from discontinued operations	2, 5	**(5,051)**	-
Operating profit from continuing and discontinued operations		**2,537**	847
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**13,047**	11,945
Amortisation of intangible assets	8	**1,652**	847
Held for sale impairment	5	**3,227**	-
Branch asset impairment	3	**468**	1,661
Interest in associate impairment	3	**681**	-
Gain on disposal of property, plant and equipment and right-of-use assets		**(1,367)**	(460)
Increase/(decrease) in provisions		**245**	(792)
Share-based payment charges		**1,471**	1,046
Operating cash flows before movements in working capital		**21,961**	15,094
Increase in receivables		**(2,062)**	(620)
Increase in payables		**3,756**	6
Cash generated by operations		**23,655**	14,480
Income taxes (paid)/received		**(179)**	192
Net cash from operating activities		**23,476**	14,672
Investing activities			
Interest received		**15**	68
Proceeds on disposal of property, plant and equipment		**154**	220
Proceeds on disposal of interest in associate and investments		**160**	57
Purchases of property, plant and equipment		**(1,976)**	(630)
Purchases of intangibles	8	**(2)**	(88)
Purchases of investments		**(3,000)**	-
Acquisition of subsidiaries (net of cash acquired)	10	**(11,451)**	(3,768)
Net cash used in investing activities		**(16,100)**	(4,141)
Financing activities[1]			
Dividends paid	6	**(583)**	-
Interest paid		**(21)**	(61)
Repayment of lease liabilities	9	**(15,228)**	(10,015)
Sub-lease receipts		**258**	299
Purchase of own shares		**(5,697)**	(318)
Net proceeds from issue of ordinary share capital	11	**-**	21,117
Proceeds from external borrowings		**-**	5,000
Repayment of external borrowings		**-**	(5,050)
Net cash (used in)/generated in financing activities		**(21,271)**	10,972
Net (decrease)/increase in cash and cash equivalents		**(13,895)**	21,502
Cash and cash equivalents at beginning of year[2]		**36,984**	15,482
Cash and cash equivalents at end of year[2]		**23,089**	36,984
Comprised of:			
Cash and cash equivalents at end of the year (continuing operations)		**19,374**	36,984
Cash included in assets held for sale at end of the year (discontinued operations)		**3,715**	-

[1] All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities, as no external borrowings have been drawn down or repaid during the year. Refer to Note 9 for a reconciliation of lease liabilities.

[2] Total Group balances, which include continuing and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 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.

1.2 Basis of preparation

The consolidated preliminary results of the Company for the year ended 31 December 2021 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2021 were approved by the Directors on 1 March 2022. These consolidated preliminary results have been prepared in accordance with the accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They do not include all the information required for full annual financial statements to comply with UK-adopted International Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2021.

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

The financial information for the year ended 31 December 2021 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. 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.

Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Company's 2022 Annual General Meeting.

1.3 Going concern

Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. At 31 December 2021, the Group held a cash and cash equivalents balance relating to continuing operations of £19.4m (31 December 2020: £37.0m), had no external borrowings and an undrawn £5.0m rolling credit facility (RCF) which has been extended in the year and expires in June 2024.

Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested using a reverse stress scenario which incorporates a deterioration in market conditions, with specific consideration given to the ongoing impact of Covid-19.

The reverse stress scenario incorporates a severe reduction in trading from March 2022 to October 2022 against plan, approximately 1.7 times more severe than that experienced from March 2020 to October 2020 during the spring 2020 Covid-19 lockdown and recovery period.

In the unlikely event of the reverse stress scenario, the Group would have a negative cash position in May 2023, assuming the RCF facility is not available due to covenants being breached. Under such a scenario, additional mitigating action could be taken to protect liquidity such as raising additional funds, seeking agreement to defer lease payments and further reducing discretionary spend.

The Group expects the RCF to be available throughout the going concern review period with ongoing compliance with the RCF's covenants. The going concern assumption is not dependent on the availability of the RCF.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty within these consolidated preliminary results are the same as those within the 2021 Annual Report and Accounts: 'Useful economic life of the brand intangible asset' and 'impairment of intangibles with an indefinite life'.

2. 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) lettings, (ii) sales; and (iii) mortgage broking.

(i) Lettings generates commission from the letting and management of residential properties and income from interest earned on tenants' deposits.
(ii) Sales generates commission on sales of residential property.
(iii) Mortgage broking generates commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Since the lettings and sales 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 is headcount in each segment.

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

Segment assets and liabilities and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 8.

Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined below), finance income, finance cost and other gains/losses. As explained in Note 15, this measure is used by the Directors for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit margin is used to measure the delivery of the Group's strategic priorities.

Adjusted items

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 3 for further information of the adjusted items recognised in the period.

Segment revenues and results

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2021:

Continuing operations **2021**	Notes	**Lettings** **£'000**	**Sales** **£'000**	**Mortgage broking** **£'000**	**Consolidated** **£'000**
Revenue		**74,342**	**42,673**	**9,460**	**126,475**
Contribution	15	**51,685**	**22,799**	**4,058**	**78,542**
Contribution margin	15	**69.5%**	**53.4%**	**42.9%**	**62.1%**
Adjusted operating profit/(loss)	15	**8,904**	**(1,501)**	**1,539**	**8,942**
Adjusted operating profit/(loss) margin	15	**12.0%**	**(3.5%)**	**16.3%**	**7.1%**
Adjusted items	3				**(1,354)**
Operating profit					**7,588**
Other losses					**(26)**
Finance income					**37**
Finance cost					**(2,046)**
Profit before tax from continuing operations					**5,553**

The following is an analysis of the Group's results split by continuing and discontinued operations for the year ended 31 December 2021:

2021	**Continuing operations** **£'000**	**Discontinued operations** **£'000**	**Total Group** **£'000**
Revenue	**126,475**	**6,842**	**133,317**
Contribution	78,542	3,992	82,534
Contribution margin	62.1%	58.3%	61.9%
Adjusted operating profit/(loss)	**8,942**	**(1,824)**	**7,118**
Adjusted operating profit/(loss) margin	7.1%	(26.7%)	5.3%
Adjusted items	(1,354)	(3,227)	(4,581)
Operating profit/(loss)	**7,588**	**(5,051)**	**2,537**
Other losses	(26)	-	(26)
Finance income	37	1	38
Finance cost	(2,046)	(151)	(2,197)
Profit/(loss) before tax	**5,553**	**(5,201)**	**352**

Other information

	Lettings **£'000**	**Sales** **£'000**	**Mortgage broking** **£'000**	**Consolidated** **£'000**
Depreciation and amortisation				
Continuing operations	(8,192)	(5,276)	(119)	(13,587)
Discontinued operations	-	(1,112)	-	(1,112)
Group total	**(8,192)**	**(6,388)**	**(119)**	**(14,699)**

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2020:

Continuing operations **2020**	Notes	**Lettings** **£'000**	**Sales** **£'000**	**Mortgage broking** **£'000**	**Consolidated** **£'000**
Revenue		57,291	28,180	8,079	93,550
Contribution	15	40,241	14,079	3,781	58,101
Contribution margin	15	70.2%	50.0%	46.8%	62.1%
Adjusted operating profit/(loss)	15	6,335	(5,849)	1,418	1,904
Adjusted operating profit/(loss) margin	15	11.1%	(20.8%)	17.6%	2.0%
Adjusted items	3				(1,057)
Operating profit					847
Other losses					(37)
Finance income					111
Finance cost					(2,277)
Loss before tax from continuing operations					(1,356)

Other information				
Depreciation and amortisation from continuing operations	(7,645)	(5,026)	(121)	(12,792)

For the year ended 31 December 2020 no operations were classified as discontinued operations.

3. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin and adjusted loss per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 15. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2021 **£'000**	2020 £'000
Property related credit[1]	**(908)**	(1,078)
Branch asset impairment charge[2]	**468**	1,661
Impairment of interest in associate[3]	**681**	-
Transaction related costs[4]	**633**	-
Reorganisation costs	**480**	474
	1,354	1,057

[1] Property related credit relates to a re-estimation of the provision for adjusted items resulting in a charge of £612k (2020: £831k), £1,404k credit from net gain on the disposal and/or lease modifications of IFRS 16 balances relating to vacant branches (2020: £247k) and £116k (2020: £nil) of other income.
[2] The branch impairment charge relates to plant, property and equipment £181k (2020: £500k) and right-of-use assets £287k (2020: £1,161k).
[3] The impairment of interest in associate relates to an impairment of the carrying value of an interest in associate.
[4] Transaction related costs relate to costs involved with the acquisition of D&G, and subsequent disposal of the D&G Sales business.

Net cash outflow from adjusted items during the year totalled £1.0m (2020: £0.8m). Future cash outflows from adjusted items charged between 2018 and 2021 are expected to total £2.2m.

4. TAXATION

Recognised in the Group income statement

The components of the tax charge/(credit) recognised in the Group income statement are:

	2021 £'000	2020 £'000
Current tax		
Current period UK corporation tax	**176**	–
Credit in respect of prior periods	**(18)**	(257)
Total current tax charge/(credit)	**158**	(257)
Deferred tax		
Origination and reversal of temporary differences	**344**	118
Impact of change in tax rate	**6,060**	1,764
Adjustment in respect of prior periods	**(44)**	210
Total deferred tax charge	**6,360**	2,092
Tax charge on loss on ordinary activities from continuing and discontinued operations	**6,518**	1,835
Less: discontinued operations tax credit	**375**	-
Tax charge on loss on ordinary activities from continuing operations	**6,893**	1,835

Corporation tax for the year ended 31 December 2021 is calculated at 19% (2020: 19%) of the estimated taxable profit for the period.

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was substantively enacted on 24 May 2021. As IFRS requires deferred tax to be measured at tax rates that have been substantively enacted at the reporting date, the Group's deferred tax balances have been re-measured accordingly and the impact has been reflected within the consolidated financial statements. The impact of the change in tax rate has been adjusted out of earnings for the purposes of calculating adjusted earnings per share due to its distortive nature, refer to Note 7.

Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 19% (2020: 19%), because of the following factors:

	2021 £'000	2020 £'000
Profit/(loss) before tax from continuing operations	**5,553**	(1,356)
Tax at the UK corporation tax rate (see above)	**1,055**	(258)
Tax effect of expenses that are not deductible/income that are not taxable in determining taxable profit	**495**	261
Other short-term timing differences – share options	**161**	135
Adjustment in respect of previous periods	**(62)**	(47)
Impact on deferred tax of change in tax rate	**6,060**	1,764
Recognition of a deferred tax asset	**(816)**	(20)
Tax charge on loss on ordinary activities	**6,893**	1,835
Effective tax rate	**124.1%**	(135.3%)

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit.

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £20k (2020: £20k credit) and relates to deferred tax arising on share based payment schemes.

5. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 1 March 2021, the Group acquired 100% of the share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies (collectively, 'D&G Group'), thereby obtaining control.

On 10 November 2021, the Board approved the integration of the Douglas & Gordon ('D&G') lettings business into the Foxtons network and the simultaneous disposal of the D&G sales business to Lochlan Holdings Limited ('Lochlan'), a company owned by the CEO of Douglas & Gordon Limited.

On 10 February 2022, the shareholders of the Company approved the disposal of the D&G sales business, which was a related party transaction under the Listing Rules, via an ordinary resolution at a General Meeting.

On 11 February 2022, the D&G lettings customer contracts and relationships were transferred from Douglas & Gordon Limited to Foxtons Limited by way of a distribution in specie at net book value. Immediately after the transfer, the D&G sales business, including branch and head office leases, was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan for nominal consideration of £2.

In accordance with IFRS 5 '*Non-current Assets Held for Sale and Discontinued Operations*', the D&G sales business, a disposal group, has been presented as a discontinued operation. The assets and liabilities of the disposal group were classified as assets held for sale on 10 November 2021.

Discontinued operations: Income statement

The following results of the operations classified as a discontinued operation have been eliminated from the Group's continuing operations results, as are shown as a single line item in the consolidated income statement.

		2021 (£'000)		**2020 (£'000)**
	Before adjusted items	**Adjusted items**	**After adjusted items**	
Revenue	**6,842**	**-**	**6,842**	-
Direct operating costs	**(2,855)**	**-**	**(2,855)**	-
Other operating costs	**(5,811)**	**-**	**(5,811)**	-
Adjusted operating loss	**(1,824)**	**-**	**(1,824)**	-
Held for sale impairment loss	**-**	**(3,227)**	**(3,227)**	-
Operating loss	**(1,824)**	**(3,227)**	**(5,051)**	-
Other losses	**-**	**-**	**-**	-
Finance income	**1**	**-**	**1**	-
Finance cost	**(151)**	**-**	**(151)**	-
Loss before tax	**(1,974)**	**(3,227)**	**(5,201)**	-
Tax credit	**375**	**-**	**375**	-
Loss for the year from discontinued operations attributable to shareholders of the Company	**(1,599)**	**(3,227)**	**(4,826)**	-

Earnings/(loss) per share	**Before adjusted items**		**After adjusted items**	
Basic and diluted loss per share from discontinued operations	**(0.5p)**	**-**	**(1.5p)**	-

Discontinued operations: Cash flows

The net cash flows incurred by discontinued operations are as follows:

	2021 **£'000**	2020 £'000
Net cash outflow from operating activities	**(1,045)**	-
Net cash outflow from investing activities	**(172)**	-
Net cash outflow from financing activities	**(1,117)**	-
Net cash outflow	**(2,334)**	-

Assets held for sale

The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2021 are as follows:

	2021 **£'000**
Intangible assets	**19**
Property, plant and equipment	**906**
Investments	**234**
Right-of-use assets	**4,605**
Trade and other receivables	**1,160**
Cash and cash equivalents	**3,715**
Assets classified as held for sale	**10,639**
Held for sale impairment charge	**(3,227)**
Assets classified as held for sale (net of impairment charge)	**7,412**
Trade and other payables	**(1,941)**
Current tax liabilities	**(131)**
Deferred tax liabilities	**(70)**
Provisions	**(770)**
Lease Liabilities	**(4,500)**
Liabilities classified as held for sale	**(7,412)**
Net assets classified as held for sale (net of impairment charge)	**-**

The held for sale impairment charge of £3.2m recognised is derived as follows:

	2021 **£'000**
Net assets classified as held for sale (before impairment charge)	**3,227**
Consideration for sale	-
Held for sale impairment charge	**(3,227)**

6. DIVIDENDS

	2021 **£'000**	2020 £'000
Interim dividend for the year ended 31 December 2021: 0.18p (2020: Nil) per ordinary share	**583**	-
	583	-

For 2021, the Board has proposed a final dividend of 0.27p per ordinary share (£0.8m) to be paid on 24 June 2022.

7. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share is calculated by dividing the earnings/(loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary shares into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share awards granted to employees.

	Continuing operations		**Total Group (Continuing and discontinued operations)**	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Loss for the purposes of basic and diluted loss earnings/(loss) per share	**(1,340)**	(3,191)	**(6,166)**	(3,191)
Adjusted for:				
Adjusted items (including associated taxation)[1]	**1,456**	906	**4,683**	906
Deferred tax re-measurement (due to UK corporation tax rate change)	**6,060**	1,764	**6,060**	1,764
Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share	**6,176**	(521)	**4,577**	(521)

[1] Adjusted items relating to continuing operations of £1,354k (2020: £1,057k) per Note 3, and associated tax charge of £102k (2020: £151k charge), resulting in an after tax charge of £1,456k (2020: £906k). Adjusted items relating to discontinued operations of £3,227k (2020: £nil) per Note 5, less £nil associated tax charge (2020: £nil), resulting in an after tax cost of £3,227k (2020: £nil).

Number of shares	**2021**	2020	**2021**	2020
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**324,045,184**	313,816,658	**324,045,184**	313,816,658
Effect of potentially dilutive ordinary shares	**4,285,275**	2,224,672	**4,285,275**	2,224,672
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**328,330,459**	316,041,330	**328,330,459**	316,041,330
Loss per share (basic and diluted)[1]	**(0.4p)**	(1.0p)	**(1.9p)**	(1.0p)
Adjusted earnings/(loss) per share (basic and diluted)[2]	**1.9p**	(0.2p)	**1.4p**	(0.2p)

[1] The diluted loss per share is equal to the basic loss per share due to the potentially dilutive share awards resulting in a reduction in the loss per share and being anti-dilutive.

[2] The 2020 comparators have been restated to reflect the impact of the 2020 deferred tax remeasurement on the adjusted loss to enable year-on-year comparability.

Refer to Note 5 for the calculation of the earnings/(loss) per share for discontinued operations.

8. GOODWILL AND OTHER INTANGIBLES

2021	Goodwill £'000	Brand £'000	Software £'000	Customer contracts and relationships £'000	Total £'000
Cost					
At 1 January 2021	**21,239**	**99,000**	**2,607**	**3,770**	**126,616**
Additions	**-**		**2**	**-**	**2**
Acquired through business combinations (refer to Note 13)	**6,296**	**-**	**23**	**5,373**	**11,692**
Transfer to assets held for sale	**-**	**-**	**(25)**	**-**	**(25)**
At 31 December 2021	**27,535**	**99,000**	**2,607**	**9,143**	**138,285**
Accumulated amortisation and impairment losses					
At 1 January 2021	**9,819**	**-**	**1,067**	**768**	**11,654**
Amortisation	**-**	**-**	**528**	**1,124**	**1,652**
Disposal	**-**	**-**	**-**	**-**	**-**
Transfer to assets held for sale	**-**	**-**	**(6)**	**-**	**(6)**
At 31 December 2021	**9,819**	**-**	**1,589**	**1,892**	**13,300**
Net carrying value					
At 31 December 2021	**17,716**	**99,000**	**1,018**	**7,251**	**124,985**
At 1 January 2021	**11,420**	**99,000**	**1,540**	**3,002**	**114,962**

2020	Goodwill £'000	Brand £'000	Software £'000	Customer contracts and relationships £'000	Total £'000
Cost					
At 1 January 2020	19,168	99,000	2,489	494	121,151
Additions	-	-	88	-	88
Transfer	-	-	30	-	30
Acquired through business combinations	2,071	-	-	3,276	5,347
At 31 December 2020	21,239	99,000	2,607	3,770	126,616
Accumulated amortisation and impairment losses					
At 1 January 2020	9,819	-	567	421	10,807
Amortisation	-	-	500	347	847
At 31 December 2020	9,819	-	1,067	768	11,654
Net carrying value					
At 31 December 2020	11,420	99,000	1,540	3,002	114,962
At 1 January 2020	9,349	99,000	1,922	73	110,344

Annual impairment review

a) Carrying value of goodwill and intangible assets with indefinite lives

The carrying values of goodwill and intangible assets with indefinite lives are summarised below. These assets have been subject to an annual impairment review.

	2021 £'000	2020 £'000
Lettings goodwill	**17,719**	11,420
Brand asset – sales and lettings	**99,000**	99,000
	116,719	110,420

- Lettings goodwill is allocated to the lettings group of CGUs and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the value in use relating to relevant sales and lettings groups of CGUs. This grouping of CGUs represents the lowest level at which management monitors the brand internally, and reflects the way in which the brand asset is viewed as relating to the relevant sales and lettings CGUs as a whole, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

The Group tests goodwill and the indefinite life brand asset annually for impairment, or more frequently if there are indicators of impairment, in accordance with IAS 36 '*Impairment of Assets*'.

The Group has determined the recoverable amount of each group of CGUs from value in use calculations. The value in use calculations use cash flow projections from formally approved budgets and forecasts covering a five-year period, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate for the relevant group of CGUs.

Following the annual impairment review, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

The assumptions used in the annual impairment review are detailed below:

Cash flow assumptions

The key assumptions in determining the cash flows are expected changes in sales and lettings volumes throughout the forecast period, together with likely changes to associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of observable trends and expectations of future changes in the market, including the ongoing impact of Covid-19.

Long-term growth rates

To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2020: 2%) into perpetuity.

The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates, external industry forecasts of long-term growth in the housing market and inflation rates and with reference to historical and macro-economic trading performance in the UK.

Discount rates

In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's weighted average cost of capital (WACC), and is calculated using a capital asset pricing model and incorporates lease debt held under IFRS 16.The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

The pre-tax discount rate used to discount lettings cash flows used in the assessment of lettings goodwill is 11.5% (2020: 10.9%). The pre-tax discount rate used to discount aggregated sales and lettings cash flows used in the assessment of the brand asset is 11.5% (2020: 11.1%).

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying values of goodwill and the brand asset are sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying values. Lettings goodwill showed significant headroom against all sensitivity scenarios, while the brand asset is sensitive to reasonable possible changes in key assumptions.

The key assumption in the brand impairment assessment is the forecast revenues for the sales and lettings businesses. The carrying value of the brand asset is not highly sensitive to changes in discount rates or long-term growth rates.

The impairment model indicates brand asset headroom of £65.7m (2020: £57.5m) or 36% (2020: 35%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard. Sales revenue is to recover by 2026 to the levels experienced in 2016, which equates to an average increase of 5.1% over the forecast period. Lettings revenue is assumed to grow at an average rate of 3.1% over the forecast period, excluding future lettings book acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue compound annual growth rate (CAGR) over the forecast period reduces from 3.8% to 2.5%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2016 levels by 2026 with an average 2.5% increase over the forecast period, lettings revenue growth is limited to 2.1% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £4.9m.

9. LEASES

Group as a lessee

The Group has lease contracts for its head office, branches and for motor vehicles used in its operations. With the exception of short-term leases, each lease is recognised on the balance sheet with a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Generally, the right-of-use assets can only be used by the Group, unless there is a contractual right for the Group to sub-lease the asset to another party. The Group is also prohibited from selling or pledging the leased assets as security.

Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the year are outlined below:

	Property £'000	**Motor vehicles £'000**	**Total £'000**
At 1 January 2020	47,274	4,130	51,404
Additions	1,217	2,162	3,379
Acquired through business combinations	581	-	581
Disposals	(247)	(149)	(396)
Depreciation	(6,941)	(2,422)	(9,363)
Impairment charge	(1,161)	-	(1,161)
At 31 December 2020	**40,723**	**3,721**	**44,444**
Additions	**4,642**	**4,931**	**9,573**
Acquired through business combinations	**4,633**	**732**	**5,365**
Lease modifications	**551**	**-**	**551**
Disposals	**(426)**	**(166)**	**(592)**
Depreciation	**(7,383)**	**(3,234)**	**(10,617)**
Impairment charge	**(287)**	**-**	**(287)**
Assets transferred to held for sale	**(4,044)**	**(561)**	**(4,605)**
At 31 December 2021	**38,409**	**5,423**	**43,832**

Lease liabilities

The carrying amounts of lease liabilities recognised and the movements during the year are outlined below:

	Property £'000	**Motor vehicles £'000**	**Total £'000**
At 1 January 2020	51,714	4,150	55,864
Additions	1,217	2,162	3,379
Acquired through business combinations	581	-	581
Disposals	(331)	(136)	(467)
Interest charge	2,111	105	2,216
Payments	(8,145)	(1,870)	(10,015)
At 31 December 2020	**47,147**	**4,411**	**51,558**
Additions	**4,642**	**4,931**	**9,573**
Acquired through business combinations	**4,765**	**732**	**5,497**
Lease modifications	**(310)**	**-**	**(310)**
Disposals	**(514)**	**(168)**	**(682)**
Interest charge	**2,015**	**160**	**2,175**
Payments	**(11,173)**	**(4,055)**	**(15,228)**
Liabilities transferred to held for sale	**(3,964)**	**(536)**	**(4,500)**
At 31 December 2021	**42,608**	**5,475**	**48,083**
Current	6,550	2,275	8,825
Non-current	36,058	3,200	39,258

The difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.9m, is recognised as an adjusted item as disclosed in Note 3.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £15.2m were made (2020: £10.0m) and the remaining net movement of £11.8m (2020: £5.7m) was non-cash in nature.

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments which fall due as follows:

	2021 £'000	2020 £'000
Maturity analysis – contractual undiscounted cash flows from continuing operations		
Within one year	**11,491**	12,735
In the second to fifth years inclusively	**31,306**	30,771
After five years	**13,023**	15,240
	55,820	58,746

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), in line with the IFRS 16 short-term lease exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2021, the Group had a commitment of less than £0.1m in relation to short-term leases.

Amounts recognised in the profit or loss

The following are the amounts recognised in profit or loss during the year, in respect of the leases held by the Group as a lessee:

	2021 £'000			2020 £'000		
	Continuing operations	**Discontinued operations**	**Total Group**	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	**9,913**	**704**	**10,617**	9,363	-	9,363
Impairment charge of right-of-use assets	**287**	**-**	**287**	1,161	-	1,161
Interest expense on lease liabilities	**2,025**	**150**	**2,175**	2,216	-	2,216
Expenses relating to short-term leases	**1,328**	**179**	**1,507**	915	-	915
Total amount recognised in profit or loss	**13,553**	**1,033**	**14,586**	13,655	-	13,655

The Group as an intermediate lessor

Finance lease receivables

The Group is an intermediate lessor for various lease arrangements considered to be finance sub-leases. The amounts recognised in the profit or loss during the year are outlined below:

	2021 £'000	2020 £'000
Finance income under finance leases recognised in the period	**24**	43

At the balance sheet date, third parties had outstanding commitments due to the Group for future undiscounted minimum lease payments, which fall due as follows:

	2021 £'000	2020 £'000
Within one year	**190**	283
In the second to fifth years inclusive	**580**	276
After five years	**150**	-
	920	559

10. BUSINESS COMBINATIONS

D&G

On 1 March 2021, the Group acquired 100% of the share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies (collectively, 'D&G Group'), thereby obtaining control. The acquired subsidiary companies were Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited.

D&G Group is a high quality London estate agent operating two core businesses being a lettings business letting residential properties, representing approximately 60% of total revenues from 2,900 tenancies, and a sales business selling residential properties on behalf of clients. The acquisition was in line with the Group's strategy of acquiring businesses with high quality lettings portfolios. The consideration paid by Foxtons for the D&G Group was £15.5m with a cash balance left in the business of £3.9m which was in excess of its working capital requirements and known liabilities.

As set out in Note 5, on 11 February 2022, the acquired lettings customer contracts and relationships were transferred from Douglas & Gordon Limited to Foxtons Limited by way of a distribution in specie at net book value. Immediately after the transfer, the D&G sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited, for nominal consideration of £2.

From the date of acquisition to 31 December 2021, the D&G Group as a whole (continuing and discontinued operations) contributed £16.8m of revenue, £1.9m of adjusted operating profit and £1.5m of loss before tax to the total Group. If the combination had taken place at the beginning of the year, the total Group's revenue for the period would have been £2.8m higher and profit before tax £0.1m higher, excluding future synergies and amortisation of acquired intangible assets

Assets acquired and liabilities assumed

A purchase price allocation exercise has been completed which identified £5.4m of acquired intangible assets primarily relating to lettings customer contracts and relationships, which are identifiable and separable, and will be amortised over 15 years. £6.3m of goodwill has arisen on acquisition and is primarily attributable to synergies, new customers, the acquired workforce and business expertise.

The fair values of the identifiable assets and liabilities of the acquired entities as at the date of acquisition were:

	£'000
Assets	
Acquired intangible assets recognised on acquisition	**5,373**
Property, plant and equipment	**947**
Intangible assets	**23**
Right-of-use assets	**5,365**
Investments	**194**
Cash and cash equivalents	**3,872**
Trade and other receivables	**1,534**
Contract assets	**1,955**
Deferred tax asset	**50**
	19,313
Liabilities	
Trade and other payables	**(2,808)**
Contract liabilities	**(56)**
Lease liabilities	**(5,497)**
Current tax liability	**-**
Deferred tax liability	**(1,025)**
Provisions	**(770)**
	(10,156)
Total identifiable net assets at fair value	**9,157**
Goodwill arising on acquisition	**6,296**
Fair value of consideration transferred	**15,453**

The acquired goodwill has been allocated for impairment testing purposes to the Group's lettings CGU which are expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

The fair value of the trade receivables amounts to £0.9m. The gross amount of trade receivables is £1.1m and it is expected that the full contractual amounts can be collected except for £0.2m, which is provided for.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, less any acquisition related adjustments.

The deferred tax liability mainly comprises the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition.

Purchase consideration

	£'000
Amount settled in cash	**13,903**
Deferred cash consideration	**1,050**
Contingent cash consideration	**500**
Fair value of consideration transferred	**15,453**

Gross purchase consideration was £15.5m, with £13.9m paid in March 2021 and £1.1m paid in July 2021. Consideration paid in the year, net of cash acquired, was £11.1m and is included in cash flows from investing activities. Additionally, £0.5m of contingent cash consideration was paid on 1 March 2022 as part of the purchase agreement with the previous owners of the D&G Group, this contingent cash consideration is included within trade and other payables, and was due if the Group did not make any claims on the breach of any agreed warranties over a twelve month period after the acquisition date.

Prior period acquisitions

As disclosed in the 2020 Annual Report, the Group completed the acquisition of Aston Rowe Holdings Limited and its subsidiary company Aston Rowe Limited (collectively, Aston Rowe). Further consideration of £0.4m was paid during 2021 representing the settlement of deferred and contingent consideration, recognised within trade and other payables in the prior period.

Analysis of cash flows on acquisition

	£'000
Cash consideration	**(13,903)**
Deferred and contingent consideration paid in relation to current and prior year acquisitions	**(1,420)**
Cash acquired in subsidiaries	**3,872**
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	**(11,451)**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(464)**
Net cash flow on acquisitions	**(11,915)**

Transaction costs amounting to £0.5m are not included as part of consideration transferred and have been recognised as an adjusted item as disclosed in Note 3.

11. SHARE CAPITAL

	2021 £'000	2020 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January	**3,301**	2,751
Issuance of share capital	**-**	550
At 31 December	**3,301**	3,301

At 1 January 2021, the Company had 330,097,758 ordinary shares (1 January 2020: 275,104,391). As at 31 December 2021, the Company has 330,097,758 ordinary shares (2020: 330,097,758).

12. MERGER RESERVE AND OTHER RESERVES

	2021 **£'000**	2020 £'000
Merger reserve	**20,568**	20,568
Capital redemption reserve	**71**	71
Other capital reserve	**2,582**	2,582
	23,221	23,221

During the period, there were no movements in either the merger reserve, capital redemption or other capital reserve.

13. CLIENT MONIES

At 31 December 2021, client monies held within the Group in approved bank accounts amounted to £100.2m (31 December 2020: £85.2m). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited's and Douglas & Gordon Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the FSCS under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

14. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: *'Related Party Disclosures'*. The definition of key management personnel extends to the Directors of the Company.

	2021 **£'000**	2020 £'000
Short-term employee benefits	**2,535**	2,325
Post-employment benefits	**77**	76
Share-based payments	**1,168**	739
	3,780	3,140

Other transactions

As set out in Note 5, on 11 February 2022, the D&G sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO, a previous director of Douglas & Gordon Limited, and Lochlan constituting related parties.

15. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.
Our APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the period and the comparability between periods.

The definition, purpose and how the measures are reconciled to statutory measures are set out below.

The Group reports the following APMs:

a) Adjusted operating profit/(loss)

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items (defined within Note 1). This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance.

The closest equivalent IFRS measure to adjusted operating profit/(loss) is profit/(loss) before tax. Refer to Note 2 for a reconciliation between profit/(loss) before tax and adjusted operating profit/(loss).

b) Adjusted operating profit/(loss) margin

Adjusted operating profit/(loss) margin is defined as adjusted operating profit/(loss) divided by revenue. This APM is a key performance indicator of the Group and is used to measure the delivery of the Group's strategic priorities. Refer to Note 2 for the inputs used to derive adjusted operating profit/(loss) margin.

c) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and bad debt charges. Contribution margin is defined as contribution divided by revenue. Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between continuing operations revenue and contribution is presented below.

31 December 2021	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	**74,342**	**42,673**	**9,460**	**126,475**
Less: Directly attributable salary costs	(22,620)	(19,797)	(5,402)	(47,819)
Less: Bad debt charges	(37)	(77)	-	(114)
Contribution	**51,685**	**22,799**	**4,058**	**78,542**
Contribution margin	**69.5%**	**53.4%**	**42.9%**	**62.1%**

31 December 2020	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	57,291	28,180	8,079	93,550
Less: Directly attributable salary costs[1]	(17,032)	(14,086)	(4,303)	(35,421)
Less: Bad debt charges	(18)	(15)	5	(28)
Contribution	**40,241**	**14,079**	**3,781**	**58,101**
Contribution margin	**70.2%**	**50.0%**	**46.8%**	**62.1%**

[1]Includes £2.5m of Government support relating to CJRS passed through to furloughed employees recognised against direct operating costs.

d) Adjusted earnings/(loss) per share

Adjusted earnings/(loss) per share is defined as earnings/(loss) per share excluding adjusted items and any significant re-measurments of deferred tax balances as a result of UK corporate tax rate changes.

The measure is derived by dividing profit/(loss) after tax, adjusted for adjusted items and the impact of re-measuring deferred tax balances as a result of UK corporate tax rate changes, by the weighted average number of ordinary shares in issue during the financial period. The effect of potentially dilutive ordinary shares is incorporated into the diluted measure. This APM is a measure of management's view of the Group's underlying earnings/(loss) per share.

The closest equivalent IFRS measure is earnings/(loss) per share. Refer to Note 7 for a reconciliation between earnings/(loss) per share and adjusted earnings/(loss) per share.

e) Net free cash flow

Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired) and purchase of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2021 £'000	2020 £'000
Net cash from operating activities	**23,476**	14,672
Less: Repayment of IFRS 16 lease liabilities	**(15,228)**	(10,015)
Investing activities		
Interest received	**15**	68
Proceeds on disposal of property, plant and equipment	**154**	220
Proceeds on disposal of investments	**160**	57
Purchases of property, plant and equipment	**(1,976)**	(630)
Purchases of intangibles	**(2)**	(88)
Net cash used in investing activities	**(1,649)**	(373)
Net free cash inflow	**6,599**	4,284

f) Net cash/debt

Net cash/(debt) is defined as cash and cash equivalents less external borrowings. The APM has been introduced in the period to define how the Group measures net cash/(debt) which excludes IFRS 16 lease liabilities. The definition of the measure is consistent with the definition of the leverage ratio covenant attached to the Group's RCF and therefore monitored internally for the purposes of covenant compliance. A reconciliation of the measure is presented below.

	2021 £'000	2019 £'000
Cash and cash equivalents	**19,374**	36,984
External borrowings	**-**	-
Net cash	**19,374**	36,984

16. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2022, the shareholders of the Company approved the disposal of the D&G sales business, which was a related party transaction under the Listing Rules, via an ordinary resolution at a General Meeting.

On 11 February 2022, the D&G lettings customer contracts and relationships were transferred from Douglas & Gordon Limited to Foxtons Limited by way of a distribution in specie at net book value. Immediately after the transfer, the D&G sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan for nominal consideration of £2.