

Foxtons Group plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2016

29 JULY 2016

Foxtons Group plc, London's leading estate agent, today announces its financial results for the half year ended 30 June 2016.

Financial summary

- Group Revenue £68.8m (H1 2015: £71.1m)
- Adjusted EBITDA¹ of £13.1m (H1 2015: £20.5m)
- Adjusted EBITDA margin of 19.1% (H1 2015: 28.9%)
- Profit before tax of £10.5m (H1 2015: £18.1m)
- Cash returns to shareholders during H1 2016 total £28.3m comprising total dividends of £17.1m and £11.2m of share buy-backs (H1 2015: £14.5m)
- Interim dividend maintained at 1.67 pence per share (pps) (H1 2015: 1.67pps), while due to the uncertain economic environment a special dividend will not be paid (2015: 3.10pps)
- Five new branches opened during the first half in line with our organic, self-funded expansion strategy taking the total number of Foxtons branches to 63. Two further branches on track to open during the second half.

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

"Uncertainty surrounding the EU referendum led to slow residential property markets in London during the first half of the year. Although we achieved a Q1 revenue record due to a surge in property sales transactions in March ahead of the introduction of the stamp duty premium for buy to let properties and second homes, Q2 experienced a sharp contraction and we believe that the overall level of property sales transactions made in London during the first half of the year is substantially down on last year. The result of the referendum to leave Europe is likely to lead to a prolonged period of further uncertainty and we do not expect London residential property sales markets to show signs of recovery before the end of the year.

"Despite the current market uncertainty, Foxtons is well positioned as London's most recognised brand in the property sector with a strong balance sheet and significant cash generation. As we enter into the second half of the year, we have several initiatives underway to promote the growth of our lettings business and our less mature branches remain focussed on delivering market share gains. We are reviewing the pace of our branch openings over the short-term and may slow the pace of expansion in response to market conditions. However, longer term, whilst recent political events have produced uncertainty for buyers and sellers, we expect London to remain a highly attractive property market for sales and lettings and we remain committed to our goal to reach 100 branches across greater London".

For further information, please contact:

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A live webcast of the management team's presentation to analysts and investors at 9:00 a.m. today can be accessed via the Group's website at www.foxtongroup.co.uk. An audio dial in will also be available – dial in details: +44(0)20 3427 1912, Confirmation Code: **2074177**. There will also be a replay for 14 days after the presentation, replay dial in: London/UK: +44 (0)20 3427 0598, and US: +1 347 366 9565. Conference code: 2074177.

1. Adjusted EBITDA is defined by the Group as profit before tax, depreciation, amortisation, finance costs, finance income, exceptional items, profit on disposal of assets and share based payments. Refer to note 3. This is used as a key performance indicator of underlying trading performance on the basis that it excludes one-off exceptional charges and management incentive schemes.

PERFORMANCE AT A GLANCE

	Six months ended 30 June		
	2016	2015	
Income statement			
Revenue	£68.8m	£71.1m	(3.1%)
Adjusted EBITDA	£13.1m	£20.5m	(35.9%)
Profit before tax	£10.5m	£18.1m	(42.2%)
Adjusted EBITDA margin	19.1%	28.9%	
Earnings per share			
Basic EPS	3.0p	5.1p	(41.2%)
Returns to shareholders:			
Cash paid during the period			
Total dividends paid	£17.1m	£14.5m	
Share buy-backs	£11.2m	-	
Total cash returns in the period	£28.3m	£14.5m	
Dividends payable			
Interim	1.67pps	1.67pps	
Special	-	3.10pps	
Total	1.67pps	4.77pps	
Cash flow			
Operating cash conversion ¹	83.1%	82.6%	
Net free cash flow ²	£6.8m	£12.9m	
Net free cash flow as a percentage of Adjusted EBITDA	51.5%	62.7%	
Period end cash balance	£4.1m	£20.9m	
KPIs			
Sales revenue	£31.3m	£33.7m	(7.0%)
Sales units	2,314	2,578	(10.2%)
Revenue per sales unit	£13,522	£13,057	+3.6%
Lettings revenue	£32.6m	£33.5m	(2.7%)
Lettings units	9,127	10,310	(11.5%)
Revenue per lettings unit	£3,573	£3,252	+9.9%
Mortgage broking revenue	£4.7m	£3.6m	+27.9%
Units	2,152	1,699	+26.7%
Average revenue per broking unit	£2,162	£2,141	+1.0%

Definitions:

- Operating cash conversion is computed as Adjusted operating cash flow/Adjusted EBITDA. Adjusted operating cash flow is defined as the summation of Adjusted EBITDA, change in working capital and net capital spend. This is considered to represent the key performance indicator for operating cash flow, excluding income tax payments.
- Net free cash flow is defined by the Group as net cash from operating activities less net cash used in investing activities exclusive of exceptional items. This is considered to represent the most appropriate measure of net cash flow generated from the business, excluding amounts distributed to shareholders.

CHIEF EXECUTIVE'S REVIEW

Review of the half year

Uncertainty surrounding the EU referendum led to slow residential property markets in London during the first half of the year. Although we achieved a Q1 revenue record due to a surge in property sales transactions in March ahead of the introduction of the stamp duty premium for buy to let properties and second homes, Q2 experienced a sharp contraction and we believe that the overall level of property sales transactions made in London during the first half of the year is substantially down on last year.

First half Group revenue comprises sales commission of £31.3m (H1 2015: £33.7m), lettings revenue of £32.6m (H1 2015: £33.5m) and mortgage broking revenue of £4.7m (H1 2015: £3.6m). Property sales volumes have held up well against weak market conditions, supported by growth in our new branches. Lettings revenue fell marginally being also impacted by uncertainty caused by the Referendum. Total revenue fell by 3.1%, while Adjusted EBITDA fell by 35.9% and profit before tax fell by 42.2%. Adjusted EBITDA was significantly impacted due to the sharpness of the contraction of revenues in Q2 and the fact that underlying costs continued to increase as we expanded the network by a further seven new branches versus H1 2015, a 13.1% increase.

Property sales

The result of the referendum to leave Europe is likely to lead to a prolonged period of further uncertainty and we do not expect London residential property sales markets to show signs of recovery before the end of the year. However, irrespective of the decision to leave the EU, London remains an economic and financial powerhouse, with an enviable level of global reach and influence. With its solid infrastructure and skilled workforce supporting both financial and commercial sectors, its attractiveness is unlikely to diminish. London continues to be a very attractive property market driven by high population density and limited housing stock. Significant pent-up demand for housing is driven by the fact that population growth has not been matched by new house builds. Based on the latest London census figures, population has increased by circa 1.2m from 2005 to 2015 with only circa 200,000 new homes built. These fundamental demand and supply dynamics mean that transactions will increase once a greater level of economic certainty returns to the market.

Lettings

London has experienced a significant shift in tenure with nearly 30% of households now living in private rented accommodation, double the rate seen in the last decade. This huge increase in demand for private rentals in London provides a solid base for our lettings business. In addition, the continuing increase in London's population maintains an upward pressure on rental rates. The lettings market continues to be a key element of our business strategy due to its profitability and stability provided by the non-transactional revenue streams within lettings.

However, competition in lettings has intensified. Since 2009, the number of registered ARLA lettings agents has more than doubled. Consequently, we have launched a number of strategic initiatives to enhance our lettings business including trialling a zero lettings campaign¹ in selected new branch openings and developing our business in the institutional Private Rental Sector (PRS). We have recently been awarded a further PRS contract and believe that the growth of the sector is an exciting opportunity for our lettings business.

Organic expansion

Foxtons has chosen to grow through organic expansion as it is a lower risk, low cost, strategy. There are many opportunities available within London over the foreseeable future and we will concentrate our expansion into outer London as it is not only profitable but also reduces our reliance on central London. We expect significant growth in volumes in outer London due to affordability issues in zones² 1 and 2.

Since IPO, we have opened 21 new branches of which 20 are outside Zone 1. Two further branches are due to open in the autumn. Looking ahead, we have identified a significant number of areas in Zones 2-6 which meet Foxtons' mid-market focus and where we anticipate a growing property market for sales volumes and lettings. We are reviewing the pace of our branch openings over the short-term and may slow the pace of expansion in response to market conditions. However, longer term, we remain committed to our goal to reach 100 branches across greater London

¹ Zero lettings campaign refers to an incentive to attract new properties onto our lettings portfolio through offering the landlord the first 12 months commission free.

² zones as defined by Transport for London (TFL)

Dividends and share buy-backs

The Company completed a one-off share buy-back programme in February 2016 at a cost of £11.2m. In total, since the commencement of the programme (16 December 2015), the company has purchased 7.1m shares at a total cost of £12.0m being 2.5% of shares in issue.

In addition, due to the continued strong cash generation of the Company, the Board has decided to maintain the interim dividend at 1.67pps (2015: 1.67pps) and as a consequence of the current uncertain environment to not pay a special dividend (2015: 3.10pps). Payment will be made on 27 September 2016 to shareholders on the register at close of business on 2 September 2016. The Shares will be quoted ex-dividend on 1 September 2016.

Since IPO we have returned £90m to shareholders including the previously mentioned share buy-backs and dividends due to be paid this September.

Outlook

In the current market uncertainty, Foxtons is well positioned as London's most recognised brand in the property sector with a strong balance sheet and significant cash generation. As we enter into the second half of the year, we have several initiatives underway to promote the growth of our lettings business and our less mature branches remain focussed on delivering market share gains. We are reviewing the pace of our branch openings over the short-term and may slow the pace of expansion in response to market conditions. However, longer term, whilst recent political events have produced uncertainty for buyers and sellers, we expect London to remain a highly attractive property market for sales and lettings and we remain committed to our goal to reach 100 branches across greater London.

Nic Budden

Chief Executive Officer

Business review

Revenue

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

Revenue growth:

£m	H1 2016	H1 2015	% variance
Sales	31.3	33.7	(7.0%)
Lettings	32.6	33.5	(2.7%)
Mortgage broking	4.7	3.6	+27.9%
Other	0.2	0.3	
Total revenue	68.8	71.1	(3.1%)

Sales

Sales revenue fell by 7.0% due to uncertainty surrounding the EU referendum offset partially by organic growth from new branch openings. Within the half year the introduction of the 3% stamp duty premium on buy to let purchases brought forward many transactions into Q1 and a sharp reduction in Q2. Q1 sales revenue was £19.9m (2015: £15.5m) while Q2 was £11.4m (2015: £18.2m). Overall transaction volumes were down 10.2% while "Average revenue per deal" increased by 3.6% reflecting underlying London price inflation, offset partially by our expansion into the lower priced outer regions of London. During 2016 the average price of Foxtons property sales was £573k (H1 2015: £543k).

Lettings

Lettings revenue fell by 2.7% with volumes down 11.5% offset partially by increased average revenue per deal of 9.9% due to an increase in rental values together with a change in mix of lettings units. Volumes are being impacted by uncertainty surrounding the EU referendum, increasing tenancy lengths and a high level of renewals together with an increase in competition in the market. Lettings makes up nearly 50% of Group revenue and continues to provide a relatively stable income stream compared to the more volatile property sales market, thereby providing significant downside protection to the Group.

Mortgage broking

Revenue increased by 27.9%. This was volume driven primarily due to a 20.6% increase in adviser headcount enabling the division to take advantage of the significant number of leads provided by the estate agency business.

Organic expansion

The Group has continued its organic expansion programme, opening five new branches during the first half of the year in Loughton, Sutton, New Malden, Bishops Park (Fulham) and Maida Vale. The network now comprises 63 branches. Organic expansion is a lower risk, low cost growth route (compared to acquisitions) with many opportunities available within London over the foreseeable future. Our expansion is concentrating on outer London as it is not only profitable but also reduces our reliance on central London which has been significantly impacted by lower market volumes relative to outer London markets.

Balanced business

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

% of total revenue	H1 2016	H1 2015
Sales	45.4%	47.4%
Lettings	47.4%	47.2%
Mortgage broking	6.8%	5.1%
Other	0.4%	0.3%
Total revenue	100.0%	100.0%

Administration expenses

Administration expenses were £58.4m (2014: £53.0m) representing an increase of £5.4m, 10.1% on prior year and include:

- Increase of £2.5m (11.8%) in sales and lettings salaries and other cost of sales moving broadly in line with an increase in branch headcount of 12.3% and a 13.1% increase in the number of new branches.
- Branch overhead costs increased by £1.2m (9.0%) primarily reflecting the opening of seven new branches since June 2015. With a 13.1% increase in the average number of branches year on year, average costs per branch fell by 3.6%.
- HQ costs (Chiswick Park) increased by £1.3m (11.0%). Cost increases were higher than normal due to certain one-off costs totalling £0.6m plus on-going cost increases in salaries £0.3m and enhancements to our IT system £0.2m. Average HQ costs per branch fell by 1.8%.

£m	H1 2016	H1 2015	Var.	% Var.
Sales & Lettings salaries and other COS	23.6	21.1	2.5	11.8%
<i>Cost as % of total revenue</i>	<i>34.3%</i>	<i>29.8%</i>		
Administration costs related to:				
Branches	14.7	13.5	1.2	9.0%
HQ costs (Chiswick Park)	12.9	11.6	1.3	11.0%
Depreciation and amortisation	2.4	2.1	0.3	15.0%
All other administration costs ¹	4.8	4.7	0.1	1.4%
Administrative expenses	58.4	53.0	5.4	10.1%
Efficiency indices:				
Average branch costs	0.24	0.25		-3.6%
Average HQ costs per branch	0.21	0.22		-1.8%

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

Profitability analysis

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

£m	H1 2016	H1 2015
Sales	5.0	10.0
Lettings	7.0	9.8
Mortgage broking	0.8	0.5
Other	0.3	0.2
Group Adjusted EBITDA	13.1	20.5

The movement in Adjusted EBITDA is analysed in the table below. The majority of the fall in Adjusted EBITDA has been caused by reduced EBITDA (primarily revenue) in branches opened pre-2015 as a consequence of current market conditions.

£m	
H1 – 2015 Adjusted EBITDA	20.5
Fall in EBITDA from branches opened pre-2015	(7.1)
Revenue from new ¹ branches	2.5
Costs – new branches	(2.0)
HQ – one-off costs	(0.6)
HQ – on-going cost increases	(0.5)
Mortgage broking EBITDA increase	0.3
H1-2016 Adjusted EBITDA	13.1

¹defined as branches opened 2015 or later and branches yet to be opened

Sales margins in particular and Lettings margins to a lesser degree reduced due to the uncertainties caused by the EU referendum, together with the continued growth in the branch network adding to the number of immature branches in the Foxtons network. Mortgage broking continues to produce margin improvements from significant revenue growth.

	H1 2016	H1 2015
Sales	16.1%	29.8%
Lettings	21.5%	29.2%
Mortgage broking	17.1%	13.4%
Group Adjusted EBITDA margin	19.1%	28.9%

Seasonality

EBITDA generation is not phased equally during the year due to a certain degree of seasonality in the business. Seasonality is seen in both Sales and Lettings with Q3 being the peak period for Lettings revenues. In addition, EBITDA phasing is impacted by the Foxtons expansion programme with openings skewed to the first half of the year. By the second half of the year new branches are beginning to generate revenues and move towards profitability. Historically, Adjusted EBITDA has been weighted towards the second half of the year with a ratio of circa 46:54 (H1:H2). However, due to the current level of market volatility, it remains to be seen whether this trend will be repeated in 2016.

Operating profit

Operating profit of £10.4m (2015: £18.0m) reduced due to the uncertainties caused by the EU referendum, stamp duty changes and other economic factors together with the continued growth in the branch network adding to the number of immature branches in the Foxtons network plus increased depreciation and amortisation charges. There were no exceptional items in either the current or prior year.

Profit before tax (PBT)

PBT of £10.5m (2015: £18.1m) fell due to the operational performance noted above. The Group had no finance costs as it remained debt-free in the period.

Taxation

The business activities of Foxtons all operate within the UK and are all UK tax registered. The Group does not have any complex tax structures in place and has made significant tax payments during the year. The Company has benefited from reduced UK corporation tax rates. The rate has fallen from 21% (1 April 2014) to 20% (1 April 2015). These tax rates produce a rate of 20.0% for the 2016 financial year and a blended rate of 20.25% for 2015. The effective tax rates for the Group are in line with these blended rates being 19.7% for 2016 and 20.5% for 2015.

Tax payments during the half year totalled £4.2m (2015: £4.2m).

Earnings per share (EPS)

Basic and diluted EPS fell by 41.2% to 3.0p (2015: 5.1p) due to the fall in profits after tax of 41.6%.

Cash flow

Net free cash flow fell to £6.8m (2015: £12.9m) in line with the reduced profitability of the Group.

Due to the continued cash generation of the Company, no overdraft facilities were in place at period end and the business remains debt-free. Post period end the Company entered into a three year Revolving Credit Facility (RCF) of £10.0m in response to the lower cash reserves held by the company since undertaking the share buy-back together with the uncertain market conditions now existing.

Dividends

- The 2015 final and special dividend of 6.23p per share (pps) was paid in May 2016.
- 2016 interim dividend maintained at 1.67pps (H1 2015: 1.67pps), while due to the uncertain economic environment a special dividend will not be paid (2015: 3.10pps). The interim dividend will be paid to shareholders in September 2016

Share buy-back

The Company commenced a share buy-back programme on 16 December 2015, to make on-market purchases of Foxtons ordinary shares in line with the Company's policy of returning excess cash to Shareholders, funded from accumulated cash resources. During December 2015 the Company purchased 0.5m shares at a total cost of £0.9m. The share buy-back programme continued into 2016, ending in February, purchasing a further 6.6m shares at a cost of £11.2m. In total 2.5% of issued shares were re-purchased as part of the programme. This and any future buy-back programmes are not intended to lead to a change in the Company's dividend policy.

Share premium

At the 2016 AGM shareholders voted in favour of a resolution to cancel the entire amount of the share premium account and transfer the sum of £52.7m to distributable reserves. Approval from the High Court was obtained on the 22 June 2016 and the Share Premium cancellation and transfer is reflected in these statements.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk.

Financial risk for the Group is low as:

- The Group is debt-free;
- The Group is totally UK based with no foreign currency risk; and
- Surplus cash balances are held with major UK based banks.

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

Pensions

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

Gerard Nieslony

Chief Financial Officer

PRINCIPAL RISKS

Risk management

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

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

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

The following principal risks and uncertainties are consistent with those disclosed in the 2015 Annual Report and Accounts. However, market risk has increased since the decision of the UK to leave the EU while competitor challenge has increased particularly in the lettings market.

External factors

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

Internal factors

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

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 29 July 2016. The directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

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

By order of the Board

Chief Executive Officer
Nic Budden
28 July 2016

Chief Financial Officer
Gerard Nieslony
28 July 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2016

	Notes	Six months to 30 June 2016 (Unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Continuing operations				
Revenue				
Sales		31,289	33,662	72,197
Lettings		32,614	33,532	68,946
Mortgage broking		4,652	3,637	8,251
Other		291	232	394
Total revenue		68,846	71,063	149,788
Administrative expenses		(58,412)	(53,043)	(108,867)
Operating profit		10,434	18,020	40,921
Finance income		33	83	150
Finance costs		-	8	(22)
Profit before tax		10,467	18,111	41,049
Tax	4	(2,062)	(3,717)	(6,460)
Profit and total comprehensive income for the year		8,405	14,394	34,589
Earnings per share				
Basic and diluted (pence per share)	6	3.0	5.1	12.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

Notes	30 June 2016 (unaudited) £'000	30 June 2015 (unaudited) £'000	31 December 2015 (audited) £'000
Non-current assets			
Goodwill	19,168	19,168	19,168
Other intangible assets	99,727	99,000	99,501
Property, plant and equipment	27,832	25,152	27,016
Deferred tax assets	332	736	294
	147,059	144,056	145,979
Current assets			
Trade and other receivables	12,282	15,367	12,147
Prepayments	5,558	5,528	6,106
Cash and cash equivalents	4,093	20,877	25,619
	21,933	41,772	43,872
Total assets	168,992	185,828	189,851
Current liabilities			
Trade and other payables	(11,723)	(10,957)	(10,926)
Current tax liabilities	(1,585)	(3,565)	(3,672)
Provisions	(206)	(135)	(195)
Deferred revenue and lettings refund liability	(4,709)	(4,877)	(4,653)
	(18,223)	(19,534)	(19,446)
Net current assets	3,710	22,238	24,426
Non-current liabilities			
Deferred tax liabilities	(17,820)	(19,800)	(17,820)
	(17,820)	(19,800)	(17,820)
Total liabilities	(36,043)	(39,334)	(37,266)
Net assets	132,949	146,494	152,585
Equity			
Share capital	2,751	2,822	2,817
Own shares held	(1,540)	(1,540)	(1,540)
Other capital reserve	2,582	2,582	2,582
Capital redemption reserve	71	-	5
Share premium	-	52,727	52,727
Retained earnings	129,085	89,903	95,994
Total equity	132,949	146,494	152,585

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2016

	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	2,817	(1,540)	2,582	5	52,727	95,994	152,585
Total comprehensive income for the year	-	-	-	-	-	8,405	8,405
Dividends	-	-	-	-	-	(17,108)	(17,108)
Share buyback	(66)	-	-	66	-	(11,163)	(11,163)
Share premium cancellation net of transaction costs	-	-	-	-	(52,727)	52,703	(24)
Credit to equity for share based payments	-	-	-	-	-	254	254
Balance at 30 June 2016	2,751	(1,540)	2,582	71	-	129,085	132,949

	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	2,822	(1,540)	2,582	-	52,727	89,699	146,290
Total comprehensive income for the period	-	-	-	-	-	14,394	14,394
Dividends	-	-	-	-	-	(14,535)	(14,535)
Credit to equity for share based payments	-	-	-	-	-	345	345
Balance at 30 June 2015 (unaudited)	2,822	(1,540)	2,582	-	52,727	89,903	146,494

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2016

		Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Net cash from operating activities	Note 7	10,197	15,974	39,704
Investing activities				
Interest received		33	83	150
Proceeds on disposal of property, plant and equipment		166	153	233
Purchases of property, plant and equipment		(3,351)	(3,341)	(7,564)
Purchases of intangibles		(276)	-	(518)
Net cash used in investing activities		(3,428)	(3,105)	(7,699)
Financing activities				
Dividends paid		(17,108)	(14,535)	(27,970)
Other		(24)	10	-
Interest paid		-	-	(22)
Share buy-back		(11,163)	-	(927)
Net cash used in financing activities		(28,295)	(14,525)	(28,919)
Net increase/(decrease) in cash and cash equivalents		(21,526)	(1,656)	3,086
Cash and cash equivalents at beginning of year		25,619	22,533	22,533
Cash and cash equivalents at end of year		4,093	20,877	25,619

1. General information

Foxtons Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, the "Group") is the provision of services to the residential property market in the UK.

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

The information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Significant accounting policies

Compliance with International Financial Reporting Standards

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

Basis of preparation

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

Going concern

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

Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those financial statements. These policies have been applied in preparing the condensed financial statements for the 6 months ended 30 June 2016 and 30 June 2015.

Seasonality

Seasonality of the business is discussed in the business review section.

3. Business and geographical segments

Products and services from which reportable segments derive their revenue

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

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

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

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

Income/costs within Adjusted EBITDA not allocated to an operating segment primarily relate to solicitors' referral fees and rental of unused office space.

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

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

3. Business and geographical segments (continued)

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2016:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	31,289	32,614	4,652	68,555	291	68,846
Adjusted EBITDA	5,049	7,008	795	12,852	290	13,142
<i>Adjusted EBITDA margin</i>	<i>16.1%</i>	<i>21.5%</i>	<i>17.1%</i>		<i>99.6%</i>	<i>19.1%</i>
Depreciation						(2,425)
Amortisation						(51)
Profit on disposal of property, plant and equipment						57
Finance income						33
Finance cost						-
Share based payment charge						(289)
Profit before tax						10,467

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2015

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	33,662	33,532	3,637	70,831	232	71,063
Adjusted EBITDA	10,020	9,778	487	20,285	231	20,516
<i>Adjusted EBITDA margin</i>	<i>29.8%</i>	<i>29.2%</i>	<i>13.4%</i>		<i>99.5%</i>	<i>28.9%</i>
Depreciation						(2,188)
Profit on disposal of property, plant and equipment						85
Finance income						83
Finance costs						8
Share based payment charge						(393)
Profit before tax						18,111

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

4. Tax

From 1 April 2015, the UK corporate tax rate fell to 20%. Corporation tax for the year ended 31 December 2016 is calculated at 20% (year ended 31 December 2015: 20.25%) of the estimated taxable profit for the period.

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Current tax			
Current tax charge	2,100	3,576	7,858
Deferred tax (credit)/charge	(38)	141	(1,398)
Tax on profit on ordinary activities	2,062	3,717	6,460

There will be a reduction in the UK corporation tax rate to 19% from April 2017 and a further reduction to 18% from April 2020. The reduction in future corporation tax rates resulted in a deferred tax credit in 2015 of £1.98 million in respect of the intangible brand asset which together with deferred tax adjustments in respect of prior periods led to a credit to the income statement of £1.4 million.

5. Dividends

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Amounts recognised as distributions to equity holders in the period:			
Final and special dividends year ended 31 Dec 2014: 5.16p (2013: 5.44p) per ordinary share	-	14,535	14,535
Interim and special dividends year ended 31 Dec 2015: 4.77p (2014: 4.54p) per ordinary share	-	-	13,435
Final and special dividends year ended 31 Dec 2015: 6.23p (2014: 5.16p) per ordinary share	17,108	-	-
	17,108	14,535	27,970

For 2016, the Board has declared an interim dividend of 1.67p per ordinary share (£4.6 million) to be paid in September 2016. An interim special dividend will not be paid. These financial statements do not reflect the dividend payable.

6. Earnings per share

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	8,405	14,394	34,589
Number of shares			
Weighted average number of ordinary shares for the purposes of basic earnings per share	275,724,200	281,676,468	281,656,997
Effect of dilutive potential ordinary shares	653,008	518,132	512,631
Weighted average number of ordinary shares for the purpose of diluted earnings per share	276,377,208	282,194,600	282,169,628
Basic and diluted earnings per share (in pence per share)	3.0	5.1	12.3

7. Notes to the cash flow statement

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Operating profit	10,434	18,020	40,921
Adjustments for:			
Depreciation of property, plant and equipment	2,425	2,188	4,491
Gain on disposal of property, plant and equipment	(57)	(85)	(109)
Amortisation of intangibles	51	-	17
Increase in provisions	11	5	66
Share based payment cost	289	393	687
Operating cash flows before movements in working capital	13,153	20,521	46,073
Decrease/(Increase) in receivables	412	(3,794)	(1,151)
Increase in payables	852	3,463	3,126
Less NI on share based payments	(35)	(48)	-
Cash generated by operations	14,382	20,142	48,048
Income taxes paid	(4,185)	(4,168)	(8,344)
Net cash from operating activities	10,197	15,974	39,704

Cash and cash equivalents

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Cash and cash equivalents	4,093	20,877	25,619

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

8. Related party transactions

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

Trading transactions

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

9. Client monies

At 30 June 2016, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £87.5 million (30 June 2015: £88.7 million, 31 December 2015: £84.8 million). Neither this amount nor the matching liabilities to the clients concerned is included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

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

10. Operating cash conversion and net free cash flow

The Group utilises two key performance indicators for cash, namely:

- Operating cash conversion; and
- Net free cash flow

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

	Notes	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Adjusted EBITDA	3	13,142	20,516	46,007
Decrease/(Increase) in receivables	7	412	(3,794)	(1,151)
Increase in payables	7	852	3,463	3,126
Increase in provisions	7	11	-	66
Purchases of property, plant and equipment		(3,351)	(3,341)	(7,564)
Less NI on share based payment		(35)	(48)	-
Purchases of intangibles		(276)	-	(518)
Proceeds on disposal of property, plant and equipment		166	153	233
Adjusted operating cash		10,921	16,949	40,199
Operating cash conversion		83.1%	82.6%	87.4%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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

	Notes	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Net cash from operating activities	7	10,197	15,974	39,704
Investing activities				
Interest received		33	83	150
Proceeds on disposal of property, plant and equipment		166	153	233
Purchases of property, plant and equipment ¹		(3,351)	(3,341)	(7,564)
Purchases of intangibles		(276)	-	(518)
Net cash used in investing activities		(3,428)	(3,105)	(7,699)
Net free cash flow		6,769	12,869	32,005

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

11. Financial instruments

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

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

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

	Six months to 30 June 2016 (unaudited) £'000	Six months to 30 June 2015 (unaudited) £'000	Year ended 31 December 2015 (audited) £'000
Cash and cash equivalents	4,093	20,877	25,619
Trade and other receivables	12,282	15,367	12,147
Trade and other payables	(11,723)	(10,957)	(10,926)

12. Post balance sheet event

Post period end the Company entered into a three year Revolving Credit Facility (RCF) of £10.0m in response to the lower cash reserves held by the company since undertaking the share buy-back together with the uncertain market conditions now existing.

INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 12. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

28 July 2016