

Foxtons Group plc
INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2017
27 JULY 2017

Foxtons Group plc, London's leading estate agent, today announces its financial results for the half year ended 30 June 2017.

Financial summary

| Half year ended 30 June | H1 2017 | H1 2016 |
|---------------------------------------|---------------|---------|
| Group revenue | £58.5m | £68.8m |
| Group Adjusted EBITDA ¹ | £7.1m | £13.1m |
| Profit before tax | £3.8m | £10.5m |
| Net cash from operating activities | £3.8m | £10.2m |
| Net free cash flow ² | £2.1m | £6.8m |
| Basic Earnings per share | 1.2p | 3.0p |
| Interim dividend per share - ordinary | 0.43p | 1.67p |

Financial highlights:

- Lettings revenue £32.1m down 2% versus prior year; Volumes up 1% with several growth initiatives underway, offset by fall in rental rates. Remains a resilient, recurring revenue stream.
- Sales revenue £22.2m down 29% in the half; mainly driven by the Q1 surge in the prior year. Q2 sales revenue down 3% overall versus prior year and impacted by increased political uncertainty towards the end of the period.
- Alexander Hall mortgage revenue £4.2m, down 9% reflecting tough prior year comparatives.
- Focus on tight cost control with costs down £3.7m versus prior year.
- Robust balance sheet with no debt. £10.6m cash as at 30 June 2017.
- 0.43p interim dividend in line with policy.

Operational highlights:

- Maintained No 1 position in both sales and lettings delivering market leading service for customers:
 - Customer service scores of 9.5/10 (TrustPilot) and 4.6/5 (Google reviews).
 - 96% success rate in achieving asking prices in sales and lettings .
 - Further focus on deepening staff expertise.
- New technology platforms built to enhance customer experience including the MyFoxtons portal for buyers and tenants.
- Several new initiatives launched or launching in H2 designed to accelerate the growth in lettings portfolio.
- Two branches opened in February as planned. Network now covers 80% of the London market.
- Strategic focus on maximising upside potential from newer branches.

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

"Our performance has been resilient in the context of a London property market that has been further impacted by unprecedented economic and political uncertainty. Whilst sales commissions in the second quarter as a whole were down 3% versus prior year, sales exchanges and our under offer pipeline weakened through June and the early part of July. The growth in our lettings portfolio was encouraging, up 2% to c.19,800 tenancies and now accounts for 55% of group revenues, delivering a steady and recurring income stream.

"During the last six months we have maintained our relentless focus on delivering a market leading service for our customers and that remains our priority. We recently launched MyFoxtons for tenants and buyers, a sophisticated online portal to complement the equivalent for landlords and vendors launched last year, and early feedback has been encouraging. We have several new and exciting initiatives underway designed to build our lettings portfolio and strengthen our customer offer further. While conditions remain challenging, we are confident that these initiatives, together with the strength of our network, our balance sheet and our brand will support long term growth for our shareholders."

For further information, please contact:

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A live webcast of the management team's presentation 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: U.K. +44(0)330 336 9105, U.S.: +1 719 457 2086 Confirmation Code: 3639821. There will also be a replay for 14 days after the presentation, replay dial in: London/UK: +44 (0)207 984 7568, and US: +1 719 457 0820. Conference code: 3639821

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.
2. Net free cash flow is defined by the Group as net cash from operating activities less net cash used in investing activities exclusive of exceptional items. This is considered to represent the most appropriate measure of net cash flow generated from the business, excluding amounts distributed to shareholders.

Performance at a glance

| | Six months ended 30 June | | |
|---|--------------------------|----------------|-------|
| | H1 2017 | H1 2016 | |
| Income statement | | | |
| Revenue | £58.5m | £68.8m | (15%) |
| Adjusted EBITDA | £7.1m | £13.1m | (46%) |
| Profit before tax | £3.8m | £10.5m | (64%) |
| Adjusted EBITDA margin | 12.2% | 19.1% | |
| Earnings per share | | | |
| Basic EPS | 1.2p | 3.0p | (60%) |
| Returns to shareholders: | | | |
| Cash paid during the period | | | |
| Total paid | £0.9m | £17.1m | |
| Share buy-backs | - | £11.2m | |
| Total cash returns in the period | £0.9m | £28.3m | |
| Dividends payable | | | |
| Interim | 0.43pps | 1.67pps | |
| Special | - | - | |
| Total | 0.43pps | 1.67pps | |
| Cash flow | | | |
| Operating cash conversion ¹ | 45.1% | 83.1% | |
| Net free cash flow | £2.1m | £6.8m | |
| Net free cash flow as a percentage of Adjusted EBITDA | 29.5% | 51.5% | |
| Period end cash balance | £10.6m | £4.1m | |
| KPIs | | | |
| Sales revenue | £22.2m | £31.4m | (29%) |
| Sales units | 1,544 | 2,314 | (33%) |
| Revenue per sales unit | £14,412 | £13,615 | +6% |
| Lettings revenue | £32.1m | £32.7m | (2%) |
| Lettings units | 9,435 | 9,322 | 1% |
| Revenue per lettings unit | £3,399 | £3,507 | (3%) |
| Mortgage broking revenue | £4.2m | £4.7m | (9%) |
| Units | 1,992 | 2,152 | (7%) |
| Average revenue per broking unit | £2,119 | £2,162 | (2%) |

Definitions:

1. Operating cash conversion is computed as Adjusted operating cash flow/Adjusted EBITDA. Adjusted operating cash flow is defined as the summation of Adjusted EBITDA, change in working capital and net capital spend. This is considered to represent the key performance indicator for operating cash flow, excluding income tax payments.

Chief Executive's review

First half Group revenue was £58.5 million (2016: £68.8 million) and comprised sales revenue of £22.2 million (2016: £31.4 million), lettings revenue of £32.1 million (2016: £32.7 million) and mortgage broking revenue of £4.2 million (2016: £4.7 million).

Sales revenue fell 29%, mainly reflecting the surge in transactions in Q1 2016 prior to the increase in stamp duty on buy-to-let and second homes. Sales revenue was down 44% in Q1 versus prior year, and down by 3% in Q2 versus prior year. Lettings continued to provide a resilient, less-cyclical revenue stream and now represents 55% of the Group's revenues. Lettings revenue was down 2% on the prior year, with downward pressures on rents partly offset by increased volumes. Alexander Hall, our mortgage broker, was down 9% driven by prior year volumes in Q1 ahead of the changes to stamp duty.

Group Adjusted EBITDA reduced to £7.1 million (2016: £13.1 million) driven principally by lower revenue in the sales business. We delivered against our cost reduction targets, delivering £3.7m of savings, despite business rates increases, one-off costs and inflationary pressures.

The Group continues to be cash generative, delivering £2.1m of free cash flow, and remains debt free.

Property sales market

The sales market continues to be weighed down by the impact of stamp duty tax changes introduced during 2016. The unexpected general election led to a further slowing of transaction levels in Q2 2017.

However, despite these short-term issues, 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 long-term attractiveness is unlikely to diminish. London continues to be a highly 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 has increased by c.1.2m from 2005 to 2016 with only c.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 market

London has experienced a significant shift in tenure with nearly 30% of private households now living in rented accommodation, double that seen a decade ago. This increase in demand for private rentals in London underpins our lettings business, which continues to be a key element of our future growth strategy.

Our lettings business is the largest single brand portfolio in London and has benefitted from an increased operational focus alongside well-received new customer initiatives in the period. We are starting to see encouraging growth in our portfolio, which increased to c.19,800 from c.19,400 in the prior year. The proportion of actively managed properties in the portfolio also increased in the period, to 32% (2016: 31%). We also achieved growth in our short lets business despite the corporate relocation market remaining constrained.

Whilst demand for rental properties remains high, the first half of the year saw a 5% decrease in average rental prices driven by both supply and demand factors; supply of rental property increased following the surge in buy-to-let activity in Q1 2016, whilst demand weakened following the European Union referendum and inflationary pressures on household incomes.

The growth of high-quality, professionally managed Institutional PRS has increased choice and quality in the rental sector. Foxtons is well placed to benefit from this emerging rental product; our market-leading lettings experience, IT infrastructure and operational processes have been well received by Institutional PRS operators. Our pipeline remains strong, however many schemes remain at build stage.

As the lettings market grows, it is becoming more complex too, with significant new regulation, legislation and tax changes introduced in recent years. Against this background our high quality lettings business is the sensible choice for landlords and tenants looking for a long term partner who can safeguard their interests.

Outlook

Looking ahead, we expect trading conditions to remain challenging for the remainder of 2017 given the effects of ongoing economic and political uncertainty.

Our balanced business model, underpinned by less cyclical lettings income, provides resilience against sales market cycles and we continue to target growth in this area. Enhanced operational focus, customer initiatives and utilisation of technology and data have already shown some progress in H1 and we aim to build on this in H2.

Foxtons remains in an attractive position with a robust balance sheet, good cash generation and with no debt. We have made good progress aligning our cost base with market conditions. We will continue to review and optimise our business structure and leverage our proprietary technology and data (including 4 million property records) to make our agents as productive and competitive as possible.

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. We have several initiatives underway to promote growth in our lettings business and our less mature branches remain focused on growing market share. Our high-touch approach to customer service continues to be a key differentiator, and as the most recognised residential brand in London, we are uniquely positioned to manage through the market uncertainties and take advantage of any change in conditions.

Nic Budden
Chief Executive Officer

Financial review

Summary income statement

| Half year ended 30 June | H1 2017 | H1 2016 | % change |
|------------------------------------|---------------|---------|----------|
| Group revenue | £58.5m | £68.8m | (15%) |
| Group Adjusted EBITDA | £7.1m | £13.1m | (46%) |
| Profit before tax | £3.8m | £10.5m | (64%) |
| Net cash from operating activities | £3.8m | £10.2m | (63%) |
| Basic Earnings per share | 1.2p | 3.0p | (60%) |
| Dividend per share | 0.43p | 1.67p | (74%) |

Note: Alternative performance measures such as "Adjusted EBITDA" are presented as alternatives to IFRS equivalent measures as they provide a clearer understanding of the Group's underlying performance.

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.

| £m | H1 2017 | H1 2016 | % variance |
|------------------|-------------|-------------|------------|
| Sales | 22.2 | 31.4 | (29%) |
| Lettings | 32.1 | 32.7 | (2%) |
| Mortgage broking | 4.2 | 4.7 | (9%) |
| Total revenue | 58.5 | 68.8 | (15%) |

Sales

The London property sales market was significantly impacted by a marked step down in activity due to political uncertainty and taxation changes affecting buy-to-let properties. Revenues fell by 29% versus the prior year, primarily driven by a 33% fall in volumes. "Average revenue per transaction" increased by 6% versus prior year. This increase was due to underlying London price inflation with the average price of Foxtons property sales increasing to £589k (H1-2016: £573k) together with an increasing number of deals at multi-agency rates.

Lettings

The Lettings segment continues to provide a consistent recurring revenue stream which comprises over half of group revenues. Lettings revenue remained resilient, down 2% versus prior year driven by lower rental rates in the market, partly offset by increased deal volumes.

Mortgage broking

Mortgage broking revenue fell by 9%, principally driven by reduced volumes due to reduced activity in the property sales market.

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 2017 | H1 2016 |
|--------------------|-------------|---------|
| Sales | 38% | 46% |
| Lettings | 55% | 47% |
| Mortgage broking | 7% | 7% |
| Total revenue | 100% | 100% |

Organic expansion

The Group opened two new branches during the period in Wembley and Wood Green. The network now totals 67 branches. Further openings will be dependent on conditions in the property sales market and we will focus on the maturing of our newer branches.

Segmental Group Adjusted EBITDA

| Adjusted EBITDA | H1 2017 | H1 2017 | H1 2016 | H1 2016 |
|-----------------------|---------|---------|---------|---------|
| | £m | margin | £m | margin |
| Sales | 1.4 | 6.5% | 5.2 | 16.7% |
| Lettings | 4.9 | 15.4% | 7.1 | 21.7% |
| Mortgage broking | 0.8 | 18.1% | 0.8 | 17.1% |
| Group Adjusted EBITDA | 7.1 | 12.2% | 13.1 | 19.1% |

Lettings EBITDA and margin reduced versus prior year driven primarily by lower revenue, and an increased apportionment of shared central costs, which for the purposes of segmental reporting are allocated between the sales and lettings segments according to headcount. As H1 2017 headcount was higher in the lettings business than that of the sales business, a higher proportion of shared cost has been allocated to Lettings than was the case in the prior year. The contribution margin in Lettings prior to the allocation of shared central costs was in line with the prior year.

Sales EBITDA and margin reduced versus prior year driven primarily by lower revenue, partially offset by lower costs arising from lower headcount.

Seasonality

EBITDA generation is not phased equally during the year. Seasonality is seen in both Sales and Lettings with Q3 being the peak period for Lettings revenues. Historically, Adjusted EBITDA has been weighted towards the second half of the year with a ratio of circa 47:53 (H1:H2).

Profit before tax (PBT)

Profit before tax (PBT) was £3.8 million (H1 2016: £10.5 million) and was after charging administrative expenses of £54.7 million (H1 2016: £58.4 million), a reduction of £3.7 million (6%) driven mainly by headcount reductions, all through natural attrition, as we controlled costs as market conditions worsened. There were no exceptional items in either the current or prior year.

Taxation

The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate 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. Foxtons always sets out to be transparent, open and honest in its dealings with tax authorities. Foxtons' effective tax rate is 11.4% (2016: 19.7%). This may be compared to the statutory blended corporation tax rate of 19.25% (2016: 20.0%). The effective tax rate fell due to the recognition of a deferred tax asset relating to a non-trading inter-company loan relationship from prior years. Tax payments during the first half of the year totalled £1.1 million (H1 2016: £4.2million).

Earnings per share (EPS)

Basic EPS was 1.2p (H1 2016: 3.0p) driven by reduced profitability, partially offset by a deferred tax credit in the period.

Cash flow

Net free cash flow for the period was £2.1 million (H1 2016: £6.8 million). The reduction was primarily due to reduced EBITDA (£6.0m), and an adverse movement in working capital (£3.5m), partially offset by lower tax payments +£3.1m and lower net capital spend +£1.7m. The adverse working capital movement was caused by debtors returning to more normal levels in June 2017 after a relatively weak end to the 2016 year which in turn led to relatively low debtors at the start of 2017. This adverse working capital movement was the main reason for the reduction in operating cash conversion, which was 45.1% (H1 2016: 83.1%)

The Group held net cash of £10.6m as at period end, and has a £10m Revolving Credit Facility which remains entirely undrawn.

Dividends

The Board's priorities for free cash flow are to fund investment in the future development of the business, maintain a strong balance sheet and to return excess cash to shareholders.

A final dividend in respect of 2016 of 0.33p per share was paid in May 2017. In line with our policy of returning 35% to 40% of profit after tax as an ordinary dividend, a 2017 interim dividend of 0.43p per share will be paid in September 2017 (2016 interim: 1.67p per share). Payment will be made on 26 September 2017 to shareholders on the register at close of business on 1 September 2017. The shares will be quoted ex-dividend on 31 August 2017.

Share buy-backs

No share buy-backs were undertaken during the period (H1-2016: £11.2 million).

Post balance sheet events

There are no post balance sheet events to report.

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 entirely UK-based with no foreign currency risks; 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.

Mark Berry

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 2016 Annual Report and Accounts.

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 a reduction in London's standing as a major financial city caused by the UK's 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 such as banning tenants' fees.</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 and cyber risk | <p>Foxtons business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks 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 interim announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the directors' current views and information known to them at 26 July 2017. The directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

Statement of Directors' responsibilities

We confirm that to the best of our knowledge:

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

By order of the Board

Chief Executive Officer
Nic Budden
26 July 2017

Chief Financial Officer
Mark Berry
26 July 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2017

| | Notes | Six months to 30 June 2017 (Unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|---|-------|---|--|--|
| Continuing operations | | | | |
| Revenue | | 58,541 | 68,846 | 132,688 |
| Administrative expenses | | (54,727) | (58,412) | (113,877) |
| Operating profit | | 3,814 | 10,434 | 18,811 |
| Finance income | | (3) | 33 | 34 |
| Finance costs | | (40) | - | (80) |
| Profit before tax | | 3,771 | 10,467 | 18,765 |
| Tax | 4 | (431) | (2,062) | (3,043) |
| Profit and total comprehensive income for the year | | 3,340 | 8,405 | 15,722 |
| Earnings per share | | | | |
| Basic and diluted (pence per share) | 6 | 1.2 | 3.0 | 5.7 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

| Notes | 30 June 2017 (unaudited) £'000 | 30 June 2016 (unaudited) £'000 | 31 December 2016 (audited) £'000 |
|--|---|---|--|
| Non-current assets | | | |
| Goodwill | 19,168 | 19,168 | 19,168 |
| Other intangible assets | 100,625 | 99,727 | 100,104 |
| Property, plant and equipment | 26,450 | 27,832 | 28,077 |
| Deferred tax assets | 909 | 332 | 468 |
| | 147,152 | 147,059 | 147,817 |
| Current assets | | | |
| Trade and other receivables | 11,700 | 12,282 | 7,753 |
| Prepayments | 5,729 | 5,558 | 5,681 |
| Cash and cash equivalents | 10,634 | 4,093 | 9,476 |
| | 28,063 | 21,933 | 22,910 |
| Total assets | 175,215 | 168,992 | 170,727 |
| Current liabilities | | | |
| Trade and other payables | (13,204) | (11,723) | (11,313) |
| Current tax liabilities | (943) | (1,585) | (1,184) |
| Provisions | (305) | (206) | (286) |
| Deferred revenue and lettings refund liability | (4,353) | (4,709) | (4,473) |
| | (18,805) | (18,223) | (17,256) |
| Net current assets | 9,258 | 3,710 | 5,654 |
| Non-current liabilities | | | |
| Deferred tax liabilities | (16,830) | (17,820) | (16,830) |
| | (16,830) | (17,820) | (16,830) |
| Total liabilities | (35,635) | (36,043) | (34,086) |
| Net assets | 139,580 | 132,949 | 136,641 |
| Equity | | | |
| Share capital | 2,751 | 2,751 | 2,751 |
| Own shares held | (720) | (1,540) | (1,540) |
| Other capital reserve | 2,582 | 2,582 | 2,582 |
| Capital redemption reserve | 71 | 71 | 71 |
| Share premium | - | - | - |
| Retained earnings | 134,896 | 129,085 | 132,777 |
| Total equity | 139,580 | 132,949 | 136,641 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2017

| | 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 2017 | 2,751 | (1,540) | 2,582 | 71 | - | 132,777 | 136,641 |
| Total comprehensive income for the year | - | - | - | - | - | 3,340 | 3,340 |
| Dividends | - | - | - | - | - | (908) | (908) |
| Exercise of shares from EBT | - | 820 | - | - | - | (820) | - |
| Credit to equity for share based payments | - | - | - | - | - | 507 | 507 |
| Balance at 30 June 2017 (unaudited) | 2,751 | (720) | 2,582 | 71 | - | 134,896 | 139,580 |

| | 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 2016 | 2,817 | (1,540) | 2,582 | 5 | 52,727 | 95,994 | 152,585 |
| Total comprehensive income for the period | - | - | - | - | - | 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 (unaudited) | 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 2016 | 2,817 | (1,540) | 2,582 | 5 | 52,727 | 95,994 | 152,585 |
| Total comprehensive income for the year | - | - | - | - | - | 15,722 | 15,722 |
| Dividends | - | - | - | - | - | (21,694) | (21,694) |
| 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 | - | - | - | - | - | 1,215 | 1,215 |
| Balance at 31 December 2016 | 2,751 | (1,540) | 2,582 | 71 | - | 132,777 | 136,641 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2017

| | Note | Six months to 30 June 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|---|------|---|--|--|
| Net cash from operating activities | 7 | 3,795 | 10,197 | 23,385 |
| Investing activities | | | | |
| Interest received | | (3) | 33 | 34 |
| Proceeds on disposal of property, plant and equipment | | 20 | 166 | 399 |
| Purchases of property, plant and equipment | | (1,134) | (3,351) | (6,296) |
| Purchases of intangibles | | (572) | (276) | (704) |
| Net cash used in investing activities | | (1,689) | (3,428) | (6,567) |
| Financing activities | | | | |
| Dividends paid | | (908) | (17,108) | (21,694) |
| Cancellation of share premium expenses | | - | (24) | (24) |
| Interest paid | | (40) | - | (80) |
| Share buy-back | | - | (11,163) | (11,163) |
| Net cash used in financing activities | | (948) | (28,295) | (32,961) |
| Net increase/(decrease) in cash and cash equivalents | | 1,158 | (21,526) | (16,143) |
| Cash and cash equivalents at beginning of year | | 9,476 | 25,619 | 25,619 |
| Cash and cash equivalents at end of year | | 10,634 | 4,093 | 9,476 |

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 2016 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 2016, as described in those financial statements. These policies have been applied in preparing the condensed financial statements for the 6 months ended 30 June 2017 and 30 June 2016.

Seasonality

Seasonality of the business is discussed in the financial 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.

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 2017:

| | Sales £'000 | Lettings £'000 | Mortgage Broking £'000 | Consolidated £'000 |
|--|----------------|-------------------|------------------------------|-----------------------|
| Revenue | 22,252 | 32,069 | 4,220 | 58,541 |
| Adjusted EBITDA | 1,452 | 4,926 | 763 | 7,141 |
| <i>Adjusted EBITDA margin</i> | 6.5% | 15.4% | 18.1% | 12.2% |
| Depreciation | | | | (2,512) |
| Amortisation | | | | (51) |
| Profit on disposal of property, plant and equipment | | | | (230) |
| Finance income | | | | (3) |
| Finance cost | | | | (40) |
| Share based payment charge | | | | (534) |
| Profit before tax | | | | 3,771 |

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 | Consolidated £'000 |
|--|----------------|-------------------|------------------------------|-----------------------|
| Revenue | 31,506 | 32,688 | 4,652 | 68,846 |
| Adjusted EBITDA | 5,263 | 7,084 | 795 | 13,142 |
| <i>Adjusted EBITDA margin</i> | 16.7% | 21.7% | 17.1% | 19.1% |
| Depreciation | | | | (2,425) |
| Amortisation | | | | (51) |
| Profit on disposal of property, plant and equipment | | | | 57 |
| Finance income | | | | 33 |
| Finance costs | | | | - |
| Share based payment charge | | | | (289) |
| Profit before tax | | | | 10,467 |

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 2016:

| | Sales | Lettings | Mortgage Broking | Consolidated |
|--|---------------|-----------------|-----------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 |
| Revenue | 55,489 | 68,349 | 8,850 | 132,688 |
| Adjusted EBITDA | 7,021 | 16,155 | 1,425 | 24,601 |
| <i>Adjusted EBITDA margin</i> | <i>12.7%</i> | <i>23.6%</i> | <i>16.1%</i> | <i>18.5%</i> |
| Depreciation | | | | (4,949) |
| Amortisation | | | | (101) |
| Profit on disposal of property, plant and equipment | | | | 113 |
| Finance income | | | | 34 |
| Finance cost | | | | (80) |
| Share based payment charge | | | | (854) |
| Profit before tax | | | | 18,765 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

4. Tax

| | Six months to 30 June 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|--------------------------------------|---|--|--|
| Current tax | | | |
| Current tax charge | 872 | 2,100 | 3,834 |
| Deferred tax (credit)/charge | (441) | (38) | (791) |
| Tax on profit on ordinary activities | 431 | 2,062 | 3,043 |

From 1 April 2017, the UK corporate tax rate fell to 19% and there will be a further reduction in the UK corporation tax rate to 17% from April 2020. The effective corporation tax rate for the year ended 31 December 2017 is likely to be circa 17% (year ended 31 December 2016: 19.7%) of the estimated taxable profit for the period.

5. Dividends

| | Six months to 30 June 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|--|---|--|--|
| Amounts recognised as distributions to equity holders in the period: | | | |
| Final and special dividends year ended 31 Dec 2015: 6.23p (2014: 5.16p) per ordinary share | - | 17,108 | 17,108 |
| Interim and special dividends year ended 31 Dec 2016: 1.67p (2015: 4.77p) per ordinary share | - | - | 4,586 |
| Final and special dividends year ended 31 Dec 2016: 0.33p (2015: 6.23p) per ordinary share | 908 | - | - |
| | 908 | 17,108 | 21,694 |

For 2017, the Board has declared an interim dividend of 0.43p per ordinary share (£1.2 million) to be paid in September 2017. 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 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|--|---|--|---|
| Earnings for the purposes of basic and diluted earnings per share being profit for the year | 3,340 | 8,405 | 15,722 |
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 274,710,237 | 275,724,200 | 275,161,239 |
| Effect of dilutive potential ordinary shares | 525,366 | 653,008 | 786,455 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 275,235,603 | 276,377,208 | 275,947,694 |
| Basic and diluted earnings per share (in pence per share) | 1.2 | 3.0 | 5.7 |

7. Notes to the cash flow statement

| | Six months to 30 June 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|--|---|--|--|
| Operating profit | 3,814 | 10,434 | 18,811 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 2,512 | 2,425 | 4,949 |
| (Gain)/loss on disposal of property, plant and equipment | 230 | (57) | (113) |
| Amortisation of intangibles | 51 | 51 | 101 |
| Increase in provisions | 18 | 11 | 91 |
| Share based payment cost | 535 | 289 | 854 |
| Operating cash flows before movements in working capital | 7,159 | 13,153 | 24,693 |
| Decrease/(Increase) in receivables | (3,994) | 412 | 4,819 |
| Increase in payables | 1,770 | 852 | 195 |
| Less NI on share based payments | (28) | (35) | - |
| Cash generated by operations | 4,907 | 14,382 | 29,707 |
| Income taxes paid | (1,112) | (4,185) | (6,322) |
| Net cash from operating activities | 3,795 | 10,197 | 23,385 |

Cash and cash equivalents

| | Six months to 30 June 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|---------------------------|---|--|--|
| Cash and cash equivalents | 10,634 | 4,093 | 9,476 |

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 2017, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £90.5 million (30 June 2016: £87.5 million, 31 December 2016: £87.4 million). Neither this amount nor the matching liabilities to the clients concerned is included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the Financial Services Compensation Scheme ("FSCS") under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

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 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|---|-------|--|--|---|
| Adjusted EBITDA | 3 | 7,141 | 13,142 | 24,601 |
| Decrease/(Increase) in receivables | 7 | (3,994) | 412 | 4,819 |
| Increase in payables | 7 | 1,770 | 852 | 195 |
| Increase in provisions | 7 | 18 | 11 | 91 |
| Purchases of property, plant and equipment | | (1,134) | (3,351) | (6,296) |
| Less NI on share based payment | | (28) | (35) | - |
| Purchases of intangibles | | (572) | (276) | (704) |
| Proceeds on disposal of property, plant and equipment | | 20 | 166 | 399 |
| Adjusted operating cash | | 3,221 | 10,921 | 23,105 |
| Operating cash conversion | | 45.1% | 83.1% | 93.9% |

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 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|---|-------|---|--|--|
| Net cash from operating activities | 7 | 3,795 | 10,197 | 23,385 |
| Investing activities | | | | |
| Interest received | | (3) | 33 | 34 |
| Proceeds on disposal of property, plant and equipment | | 20 | 166 | 399 |
| Purchases of property, plant and equipment ¹ | | (1,134) | (3,351) | (6,296) |
| Purchases of intangibles | | (572) | (276) | (704) |
| Net cash used in investing activities | | (1,689) | (3,428) | (6,567) |
| Net free cash flow | | 2,106 | 6,769 | 16,818 |
| Adjusted EBITDA | 3 | 7,141 | 13,142 | 24,601 |
| Net free cash as a percentage of Adjusted EBITDA | | 29.5% | 51.5% | 68.4% |

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 2017 (unaudited) £'000 | Six months to 30 June 2016 (unaudited) £'000 | Year ended 31 December 2016 (audited) £'000 |
|-----------------------------|---|--|--|
| Cash and cash equivalents | 10,634 | 4,093 | 9,476 |
| Trade and other receivables | 11,700 | 12,282 | 7,753 |
| Trade and other payables | (13,204) | (11,723) | (11,313) |

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 2017 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 11. 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 2017 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

Statutory Auditor

London, United Kingdom

26 July 2017