Foxtons Group plc
FINAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2020
10 MARCH 2021

Foxtons Group plc, London's leading estate agent, today announces its results for the year ended 31 December 2020.

Overview

Despite the significant challenges created by Covid-19, the Group delivered strong operational and financial performance. In particular, our professional and committed employees, business model and integrated technology platforms enabled us to safely deliver essential services to customers. Our resilient lettings business, swift cost action and a strong second half of the year, in which we capitalised on increased levels of demand, led to improved year on year profitability. We continue to deliver against our strategic priorities, with the recent acquisition of Douglas & Gordon reflecting significant progress against our customer acquisition, retention and growth strategy. The new financial year has started strongly.

Financial summary and highlights

	2020	2019
Group revenue	**£93.5m**	£106.9m
Group adjusted operating profit/(loss)[1]	**£1.9m**	(£0.7m)
Group statutory loss before tax	**(£1.4m)**	(£8.8m)
Net free cash inflow/(outflow)[2]	**£4.3m**	(£2.6m)
Basic loss per share	**(1.0p)**	(2.8p)
Net cash[2]	**£37.0m**	£15.5m

- Group revenue declined by 12% to £93.5m
  - Lettings revenue: £57.2m (2019: £65.7m); down 13% (including £1.4m tenant fee impact)
  - Sales revenue: £28.2m (2019: £32.6m); down 13%
  - Mortgage broking revenue: £8.1m (2019: £8.5m); down 5%
  - Strong operational recovery once first lockdown was eased, with improved H2 performance
- Group adjusted operating profit of £1.9m (2019: £0.7m loss), through a £15.9m reduction in operating costs which offset a £13.4m reduction in revenue, achieved by decisive management action as well as government support
- Net cash position of £37.0m (2019: £15.5m) at 31 December 2020, supported by the placing proceeds of £21.1m and net free cash inflow of £4.3m
- £3m share buyback announced in December 2020, with £1.8m returned to date
- There will be no final dividend in line with our dividend policy

Operational highlights and acquisitions

- Reacted swiftly to provide a Covid-19 secure environment for employees and customers utilising our centralised business model and integrated technology platforms to maintain service to customers throughout the year
- Continued our customer acquisition, retention and growth strategy
  - 3 lettings book acquisitions were completed in the year, a total investment of £4.6m, adding a combined 1,600 tenancies
  - Douglas & Gordon acquired in March 2021 for £14.25m adding a further 2,900 tenancies
  - Increased market share across all business areas, established a market-leading position in Build to Rent
  - Broadened our reach through the launch of the Foxtons China Sales Desk and expansion into South East England through a virtual delivery model

2021 trading update and outlook

Following the recovery of profitability in the second half of 2020, Foxtons' financial performance has continued to improve into 2021. Group revenue for the first two months of 2021 is well ahead of 2020 (and 2019) and continued tight cost control has resulted in significant growth in Group operating profit over that period.

The sales commission pipeline started 2021 more than 30% higher than prior year and has led to much improved revenue growth in the first two months of the year. Despite the significant increase in units sold to date, the value of the pipeline has remained stable over this period at levels last seen in early 2017.

Stock levels in lettings are also well ahead of 2020 and, although a relative excess supply of rental properties in London has driven down average rents by 12% versus prior year, we have so far been able to fully mitigate the impact on average commissions through greater volumes as tenants look to take advantage of more attractive prices.

Mortgage broking has also started the year well with higher new purchase activity, driven by the stronger sales market.

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

"Foxtons has showed itself to be a flexible and resilient business when faced with the unprecedented challenges presented by Covid-19. We focused on the safety of our staff and customers, as well as the interests of all stakeholders, and in the context of considerable uncertainty, took steps to protect our business. This allowed us to maintain essential services to priority customers when the property market was forced to close in March 2020 and rapidly build back capacity when it was re-opened in June 2020. As a result, we were pleased to deliver a strong second half performance and progress our strategic agenda, most notably through the acquisition of high-quality lettings books and growing our market share.

"We are grateful for the shareholder support we received and now have a strong financial position to support our business and strategy. Improved second half trading gave us confidence to announce the return of £3m of excess capital to shareholders in the form of the ongoing share buyback.

"I am also enormously grateful for the proactive, flexible and resilient response shown by my colleagues to the challenges they faced this year. We successfully made rapid and significant changes to our operations in order to support our customers in challenging times and quickly adjusted to doing business in the new operating environment.

"2021 has got off to a strong start, with further improvement in financial performance and the acquisition of Douglas & Gordon demonstrating the continued progress against our acquisition and growth strategy. The March 2021 budget announcement, which brought more certainty for our customers, and the rollout of the mass vaccination programme is expected to result in higher volumes in the residential sales market which, with our expertise and results focused proposition, we are well placed to benefit from."

For further information, please contact:

Foxtons Group plc	
Richard Harris, Chief Financial Officer Muhammad Patel, Investor Relations	+44 20 7893 6261 investor@foxtonsgroup.co.uk
Sanctuary Counsel	
Robert Morgan / Rachel Miller	+44 7557 413 275 / +44 7918 606 667

The Company will host a conference call at 9:00am (GMT) for analysts and investors on the following numbers: UK: +44 (0)330 336 9127, US: +1 323-794-2551, Confirmation Code: 5598982

The presentation will be webcast live. To access you will be required to pre-register using the following link: https://globalmeet.webcasts.com/starthere.jsp?ei=1437109&tp_key=83ef40d350

A replay of the call will be available for 3 days after the event on the following numbers: UK: +44 (0)207 660 0134, US: +1 719-457-0820, Confirmation code: 5598982

[1]Adjusted operating profit/(loss) is defined as profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. The Group's alternative performance measures (APMs) are defined and purpose explained within Note 14.

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

PERFORMANCE AT A GLANCE

	2020	**2019**	**Change**
Income statement			
Group revenue	**£93.5m**	£106.9m	(12%)
Group adjusted operating profit/(loss)[1]	**£1.9m**	(£0.7m)	£2.6m
Group adjusted operating profit/(loss) margin[1]	**2.0%**	(0.6%)	260 bps
Group statutory loss before tax	**(£1.4m)**	(£8.8m)	£7.4m
Loss per share			
Basic and diluted loss per share	**(1.0p)**	(2.8p)	1.8p
Adjusted basic and diluted loss per share[1]	**(0.7p)**	(1.1p)	0.4p
Cash and cash flow			
Net cash[1]	**£37.0m**	£15.5m	£21.5m
Net cash from operating activities	**£14.7m**	£9.8m	£4.9m
Net free cash inflow/(outflow)[1]	**£4.3m**	£(2.6m)	£6.9m
Segmental metrics			
Lettings revenue	**£57.2m**	£65.7m	(13%)
Lettings volumes	**18,595**	19,844	(6%)
Average revenue per lettings transaction	**£3,081**	£3,313	(7%)
Sales revenue	**£28.2m**	£32.6m	(13%)
Sales volumes	**2,034**	2,423	(16%)
Revenue per sales transaction	**£13,854**	£13,463	3%
Mortgage broking revenue	**£8.1m**	£8.5m	(5%)
Mortgage volumes	**4,361**	4,442	(2%)
Average revenue per mortgage transaction	**£1,853**	£1,921	(4%)

[1] These measures are APMs used by the Group and are defined and purpose explained within Note 14.

CHAIRMAN'S STATEMENT

After several enjoyable and interesting years on the Board, I was delighted to assume the role of Chairman in March 2020. My thanks to Garry Watts for his leadership since our listing in 2013.

Whilst this year has obviously been incredibly challenging, it has been a privilege to chair a business that reacted so decisively to a significant shock. 2020 started with promise, soon became highly uncertain, but ended with the business well-placed to handle further challenges and capitalise on opportunities as they arise.

After encouraging signs in the sales market in January and February 2020 we, and indeed the whole industry, were severely affected by the Covid-19 spring lockdown. This resulted in the closure of all our branches and a £15m reduction in revenue over the course of the second and third quarters of 2020 compared to the prior year. Faced with this unprecedented challenge, the business responded swiftly by ensuring the safety of employees and customers and maintaining service particularly to key workers and those in financial distress. We took steps to ensure Foxtons' viability by preserving liquidity, reducing costs and raising capital. It has been a crisis that we could not have navigated without the support of all of Foxtons' stakeholders: the commitment of our employees; the support of our customers and suppliers who showed a patient understanding the limitations of doing business under lockdown; and our shareholders who backed Foxtons in its time of need.

Our teams reacted quickly to the Government's guidelines ensuring our operations were Covid-19 secure when we reopened our branches in June 2020, which also prepared us to operate safely during subsequent lockdowns.

Our technology systems and extensive customer databases are an important competitive advantage for Foxtons and enabled us to continue providing high levels of service to customers even when branches were closed. We are investing to maintain this advantage. During the year, we rolled out a range of customer-focused technology solutions and implemented a new customer data platform. We also resumed our acquisition activity through acquiring more than 1,600 tenancies, with historical annual revenues of £2.8m. In March 2021, we announced the acquisition of Douglas & Gordon, a high quality London estate agent with a well-respected brand and large lettings business with 2,900 tenancies. There is strong strategic logic to acquiring lettings books at attractive valuations which, when combined with our existing business, provide attractive returns. The Board has also evaluated a number of other initiatives to expand the business by leveraging our core strengths of people, brand recognition and technology.

Foxtons is driven by its purpose - we do more than help people move, we also help people move up in the world by offering job opportunities to people from all backgrounds and experiences. Whilst we lead the London market on sales and lettings, I am particularly proud that in doing so we provide meaningful job opportunities for hundreds of people enabling them to rapidly develop their skills in business. This has never been more apparent than during the pandemic where we maintained employment, assisted by Government, of almost all our workforce. It was a pleasure to see the relish with which colleagues returned to work in our Covid-19 secure offices and branches. I am also proud that the diversity of our people very much mirrors the diversity of the city we serve.

A key element of our environmental impact is our vehicle fleet. As a member of the Climate Group's EV100 initiative we have committed to transitioning to electric vehicles (EVs) as soon as possible and at the very latest by 2030. During the year, we invested in our own charging infrastructure at our head office.

Although no dividend has been paid this year, we are mindful that in ordinary times this is a cash generative business. Our capital allocation encompasses reinvestment in the business, dividend policy and other forms of returning cash; for example, through share buy backs or special dividends. After consideration of our cash needs following the capital raise and subsequent resilient trading, we announced in December 2020 a modest share buyback programme of up to £3m.

The Foxtons model, which combines a distinctive company culture with excellent technology, proved to be robust in the face of extreme business disruption. I am proud of how our teams pulled together to secure our viability and do the right thing for customers, some of whom faced very challenging personal circumstances. Our proven resilience means we look forward with confidence and with the financial resources to further our strategy.

Ian Barlow
Chairman

CHIEF EXECUTIVE'S REVIEW

2020 performance

Although Foxtons' performance in 2020 was severely impacted by Covid-19, last year was also one that demonstrated the value of our key strategic capabilities – our brilliant people who worked so hard to keep each other and our customers safe; our IT systems that enabled key staff to serve customers effectively from home during the spring lockdown; and our culture, which kept us positive throughout and saw us return to work with real enthusiasm in June 2020. The spring lockdown forced the closure of our branches and head office for 10 weeks during the second quarter of the year, meaning revenues were severely constrained over this usually busy period. With property markets essentially on hold, new business in sales effectively ceased and the Group suffered a 28% decline in sales revenue for the first half of the year compared to 2019. Although our lettings business showed real resilience and there was an element of catch-up in sales in the final quarter, helped somewhat by the Government's Stamp Duty relief effective from July 2020, these mitigating factors were understandably not enough to offset the impact of the spring lockdown on full year Group revenues.

For the full year, Group revenue was £93.5m (2019: £106.9m) comprising lettings revenue of £57.2m (2019: £65.7m), sales revenue of £28.2m (2019: £32.6m) and mortgage broking revenue of £8.1m (2019: £8.5m). Decisive cost action helped to more than offset the fall in revenue, resulting in adjusted operating profit of £1.9m (2019: £0.7m loss). Statutory loss before tax was £1.4m (2019: £8.8m).

Lettings volumes reduced by 6% across the year due to the impact of Covid-19, although market share gains later in the year enabled us to partly mitigate the impact of reduced activity during the first lockdown. With fewer overseas students and corporate relocations, average rental values for the year were down 6%. During the final quarter, lettings revenues were flat compared to the prior year, with a 10% increase in new deal volumes, driven by market share gains and increased levels of market activity, being offset by a 12% decrease in average rental values.

Despite finishing the year strongly, the business was not able to make up the revenues lost from lower sales transactions during the year. Whilst sales revenues fell 13% in the year, the sales commission pipeline improved significantly as the market opened back up, ending the year at its highest level since 2017.

Revenue in our mortgage broking business, Alexander Hall, was down 5% compared to 2019 due to reduced market volumes, which were partially offset by market share increases.

Protecting the business during Covid-19

Covid-19 has had a material impact on the business in the form of forced branch closures, business restrictions and weakening consumer sentiment. It also represented a significant health risk to our colleagues, customers, suppliers and community. Our focus has been on three areas, firstly, ensuring all of our key stakeholders are safe, secondly, protecting the business to ensure its viability and thirdly, to continue to deliver our strategic programmes, where safe to do so.

We reacted swiftly to lockdown measures by temporarily closing branches and moving effectively to remote working and virtual viewings. These measures lasted from 23 March 2020 through to the end of May 2020. The hard work of our brilliant employees and the flexibility of our centralised business model and technology applications enabled us to effectively deliver essential services to customers throughout the disruption. This was largely the result of the efforts of a core team of 300 colleagues who provided essential support to customers from home. During the spring lockdown, we completed 300,000 virtual viewings, processed 4,000 urgent property management work orders and supported 1,000 essential house moves for key workers. Despite the pandemic, we maintained high customer satisfaction at 4.8 out of 5, according to Trustpilot.

The expectation of a significant reduction in revenues during the spring lockdown required us to take action on costs. We minimised discretionary expenditure and introduced 20% pay reductions for all Directors and the vast majority of higher-paid employees during the branch closures. Collectively, this enabled us to reduce costs by £9m. Additionally, £4.4m of wages claimed under the Coronavirus Job Retention Scheme (CJRS) were passed through to furloughed employees and we benefitted from £2.5m of Government support primarily in the form of business rates relief. The combination of decisive action on costs and government support helped to more than offset the fall in revenue resulting in adjusted operating profit of £1.9m (2019: £0.7m loss).

When our branches re-opened on 1 June 2020, it was important for us to stand on our own two feet as soon as possible. Most of the 750 colleagues we furloughed in March 2020 had returned to work by July 2020, with the business returning to full capacity by the end of September 2020 since when we have made no further use of CJRS. I am proud to say that despite the uncertainty caused by Covid-19, employee engagement reached a record high of 84% in 2020, according to a survey conducted by Willis Towers Watson.

After the spring lockdown, the whole team, supported by our Covid-19 employee-led health and safety committee, worked hard to ensure all aspects of our business were made Covid-19 secure so our colleagues could work safely and our customers could proceed with their property plans. The Covid-19 health and safety committee met regularly to devise and review our processes, which were validated by Capita, a leading third-party health and safety expert. In addition, Capita has periodically mystery-shopped Foxtons branches to confirm we remain compliant.

Foxtons entered the pandemic in a strong financial position but the Board considered it prudent to provide sufficient liquidity and flexibility to support the business through our reasonable worst-case scenario and to help it exit the anticipated period of disruption in a strong financial position. In April 2020, with the business severely restricted and with no clarity over when normality would return, we took the decision to raise capital through a share placing, raising £21.1m of net proceeds from our supportive shareholders which gave us the security to be able to handle a variety of scenarios and to further our strategic agenda.

Overall, Covid-19 presented an unforeseen and potentially existential threat to Foxtons but we can be proud of the operational and financial decisions we made to secure the safety of our key stakeholders and the viability of the business.

Strategic progress

The capital raise gave us the confidence to weather a reasonable worst-case scenario and we avoided having to resort to major operational changes, allowing us to continue to make progress with our growth strategy. Lettings is a particular focus for the business because it provides greater protection against the sales cycle and our cash position allowed us to invest in high quality lettings businesses which we have successfully integrated into our operationally geared business model. In addition to the lettings acquisitions we completed in 2020, we recently announced the acquisition of Douglas & Gordon, a well-respected brand with a strong lettings business.

We continue to consider investments in data, technology and proptech where they promote further differentiation for Foxtons. Our performance under the lockdown measures is a reminder of how important it is to stay at the forefront of technology in this industry and we will continue to invest in this area to ensure we retain a leadership position.

We have a well-known brand, motivated team and reasonable supply and demand dynamics in sales, lettings and mortgage broking. Our best-in-class technology continues to provide a compelling differentiator, and our disciplined approach to cost remains strong.

The lettings business and market

Covid-19 put pressure on rents as demand from new tenants faded and new rental properties came on to the market causing excess supply, particularly in Central London following the temporary closure of a number of short-let booking platforms. Average rents fell by about 6% over the course of the year, with a 12% decrease in the final quarter.

Covid-19 placed significant restrictions on our ability to let new properties during the spring lockdown and commission from new transactional activity was heavily constrained during that period. However, a significant proportion of our lettings revenues in terms of renewal and property management fees are recurring in nature, providing a level of underpin to our commissions. These non-transactional elements of our business held up well and helped partially alleviate the impact of Covid-19 on overall lettings revenue.

Our premium service proposition in lettings and the strength of our IT systems, which enable landlords and tenants to transact online, helped us win significant market share during the spring and summer. We have seen good growth in lettings applicants and listings, and revenues have now returned to pre-lockdown levels. We ended the year with significantly more listings than at the same point in 2019 and with a record number of live tenancies.

The sales business and market

The sales market began 2020 showing strong momentum following the election in December 2019. Although we were able to carry out virtual viewings and essential moves during the spring lockdown, we saw much lower levels of activity through the normally busy spring market and into the summer. Once lockdown was eased, the market quickly picked up, driven by pent-up demand and the Government's Stamp Duty holiday which we believe has brought forward purchasing decisions. This took time to translate into revenues but, by September 2020, sales commissions were growing and we closed the year with a pipeline up 32% compared to the same point last year. Transactions are taking longer to move through to exchange due to constrained supply chains and the natural economic uncertainty left in the wake of the pandemic is also driving higher than normal transaction fall-through rates. However, revenue in Q4 was up 16% on the prior year and this performance has strengthened further in Q1 2021.

Our purpose

Our purpose has been implicit within our business strategy for many years. For me, it has always been about more than property. We also offer a great start to those embarking on their career in estate agency by actively seek candidates from a broad and diverse range of backgrounds. We are able to build a competitive advantage from seeing potential in people that sometimes others may overlook. We hire many graduates but we also hire people without typical academic qualifications as long as they display the core skills and values that will make them successful in Foxtons.

It works. I'm extremely proud that the diversity of Foxtons' workforce genuinely mirrors the city we serve. This goes to the core of who we are and we believe it makes us stronger than our competitors and means we can better serve our customers and it's something that I feel personally very strongly about. We need to be a business that offers opportunities, particularly after the pandemic, and it's something we will build on in the coming year.

Our efforts have not gone unnoticed. Last year, Foxtons was not only recognised by the University of Bath and the Chartered Institute of Personnel and Development as a responsible business during the Covid-19 crisis, but also won the Business Culture Diversity and Inclusion Award.

2021 trading update and outlook

Following the recovery of profitability in the second half of 2020, Foxtons' financial performance has continued to improve into 2021. Group revenue for the first two months of 2021 is well ahead of 2020 (and 2019) and continued tight cost control has resulted in significant growth in Group operating profit over that period.

The sales commission pipeline started 2021 more than 30% higher than prior year and has led to much improved revenue growth in the first two months of the year. Despite the significant increase in units sold to date, the value of the pipeline has remained stable over this period at levels last seen in early 2017.

Stock levels in lettings are also well ahead of 2020 and, although a relative excess supply of rental properties in London has driven down average rents by 12% versus prior year, we have so far been able to fully mitigate the impact on average commissions through greater volumes as tenants look to take advantage of more attractive prices.
Mortgage broking has also started the year well with higher new purchase activity, driven by the stronger sales market.

Nic Budden

Chief Executive Officer

FINANCIAL REVIEW

Overview

Group revenue for the year fell by 12% to £93.5m (2019: £106.9m) due to the impact of Covid-19, with revenue from lettings down 13%, revenue from sales down 13%, and revenue from mortgage broking down 5%.

Group adjusted operating profit was £1.9m, compared to a £0.7m loss in 2019, with profitability protected through £15.9m of operating cost reductions. Cost reductions included £9m of cost savings, including a 20% pay reduction for all Directors and the vast majority of employees during branch closures, £4.4m of wages claimed under the CJRS passed through to furloughed employees and £2.5m of Government support primarily in the form of business rates relief. The business returned to full capacity by the end of September 2020, with no use of the CJRS thereafter. The Group will continue to benefit from rates relief for its trading branches through to the end of June 2021.

The Group's statutory loss before tax was £1.4m (2019: £8.8m).

At 31 December 2020, the Group held a net cash balance of £37m (2019: £15.5m), with no external borrowings (2019: nil). The Group's £5m revolving credit facility (RCF) was temporarily fully drawn in March 2020, as a precautionary measure in response to the uncertain financial conditions that prevailed at the time, and subsequently repaid in full by July 2020. The Group retains access to the facility if required in the future.

Summary income statement

Year ended 31 December	**2020** **£m**	2019 £m	Change
Group revenue	**93.5**	106.9	(12%)
Group contribution[1]	**58.1**	67.1	(13%)
Group adjusted operating profit/(loss)[1]	**1.9**	(0.7)	2.6
Adjusted items	**(1.1)**	(5.7)	4.6
Net finance costs	**(2.2)**	(2.4)	0.2
Group statutory loss before tax	**(1.4)**	(8.8)	7.4
Basic and diluted loss per share	**(1.0p)**	(2.8p)	1.8p
Adjusted basic and diluted loss per share[1]	**(0.7p)**	(1.1p)	0.4p

[1]Measures are APMs. APMs are defined, purpose explained and reconciled to statutory measures within Note 14 of the financial statements.

Revenue

The Group consists of three operating segments: Lettings, sales and mortgage broking.

Year ended 31 December	**2020** **£m**	2019 £m	Change
Lettings	**57.2**	65.7	(13%)
Sales	**28.2**	32.6	(13%)
Mortgage broking	**8.1**	8.5	(5%)
Group revenue	**93.5**	106.9	(12%)

Lettings

Lettings revenues fell by 13% over the course of 2020. The spring lockdown heavily impacted Q2 2020 revenues which were 34% lower than the prior year primarily due to a reduction in new tenancy revenue and despite recurring renewal and property management revenues providing some resilience. In the second half of the year, the lettings business was able to capitalise on the market recovery benefitting from strong stock levels and market share gains. Lettings units were 1% higher in H2 2020 than prior year, but average rental prices on long-let deals over the same period were 8% lower. The average revenue per lettings transaction was £3,081 (2019: £3,313).

Sales
Sales revenues fell by 13% over the course of 2020. Prior to the spring lockdown, the value of the sales commission pipeline was 20% higher than the prior year, but the introduction of the spring lockdown meant that revenues were flat during the quarter. Covid-19 impacted the final two weeks of the first quarter and into the second quarter, with Q2 2020 revenues 53% lower than the prior year.

In the second half of the year, the number of sales instructions and offers accepted were significantly higher than the same period last year, driven by pent-up demand following the re-opening of the property market and Stamp Duty relief. This started to convert into revenues in September 2020, and the improvement accelerated in the last two months of the year. Resulting second half revenues were broadly flat with the sales commission pipeline being 32% higher at 31 December 2020 compared to the prior year. The average revenue per sales transaction in 2020 was £13,854 (2019: £13,463) and the average property selling price was £574,000 (2019: £572,000).

Mortgage broking
Mortgage broking revenue fell by 5% to £8.1m (2019: £8.5m). This reduction reflects a decline in new mortgages attributable to the significantly reduced sales volumes noted above, partially offset by growth in remortgages which provided resilience through the period. Average revenue per mortgage transaction was £1,853 (2019: £1,921).

Balance of business
Our balance of business enables the Group to withstand fluctuations in the property market thereby providing protection from the potentially volatile sales market. The lettings business benefits from recurring revenue streams in the form of a stable landlord base, tenancy renewals, re-lets and monthly property management income. During 2020, the lettings business with its annuity like characteristics has contributed 61% (2019: 62%) of the Group's revenue.

% of total revenue	**2020**	2019
Lettings	**61%**	62%
Sales	**30%**	30%
Mortgage broking	**9%**	8%
	100%	100%

Profitability

Contribution, contribution margin, adjusted operating profit/(loss) and adjusted operating profit/(loss) margin are APMs which management uses to monitor the profitability of the Group and operating segments. The Group's APMs are defined and purpose explained in Note 14.

Contribution and contribution margin
Contribution is revenue less direct salary costs and cost of bad debt. Group contribution decreased to £58.1m (2019: £67.1m) as a result of reduced sales and lettings revenue.

Group contribution margin decreased to 62.1% (2019: 62.7%). Direct salary costs were mitigated by payments under the CJRS with headcount adjusted to reflect market conditions, whilst ensuring the level and quality of staffing was appropriate for the levels of business activity.

Year ended 31 December	**2020 £m**	**2020 margin**	2019 £m	2019 margin
Lettings	**40.2**	**70.2%**	46.7	70.9%
Sales	**14.1**	**50.0%**	16.4	50.4%
Mortgage broking	**3.8**	**46.8%**	4.0	47.2%
Group contribution	**58.1**	**62.1%**	67.1	62.7%

Adjusted operating profit/(loss) and adjusted operating profit/(loss) margin
Adjusted operating profit for the period was £1.9m, compared to a £0.7m loss in 2019. The increase in profitability is driven by £15.9m of cost reductions achieved by minimising Group expenditure, claiming £4.4m of wages under the CJRS passed through to furloughed employees and £2.5m of Government support primarily in the form of business rates relief.

Management has decided that adjusted operating profit rather than adjusted EBITDA is a more appropriate measure by which segment performance is monitored and resource allocation decisions made. For the purposes of segmental reporting, shared costs are allocated between the lettings business and the sales business in proportion to headcount. Further detail is provided in Note 2.

Year ended 31 December	**2020 £m**	**2020 margin**	2019 £m	2019 margin
Lettings	**6.3**	**11.1%**	4.2	6.4%
Sales	**(5.8)**	**(20.8%)**	(6.3)	(19.2%)
Mortgage broking	**1.4**	**17.6%**	1.4	16.0%
Group adjusted operating profit/(loss)	**1.9**	**2.0%**	(0.7)	(0.6%)

Adjusted items

Adjusted operating profit excludes a net £1.1m adjusted items charge (2019: £5.7m) relating to branch impairments, property restructure costs and head office reorganisation costs.

Statutory loss before tax

The statutory loss before tax in the period was £1.4m (2019: £8.8m) after charging direct operating costs of £35.4m (2019: £39.8m) and other operating costs of £57.3m (2019: £73.4m). Within other operating costs, the following charges have been incurred:

- Depreciation of £11.9m (2019: £13.0m)
- Amortisation of £0.8m (2019: £0.6m), including £0.3m (2019: nil) relating to the acquisition of acquired intangibles
- Share-based payment charges of £1.0m (2019: £0.7m)
- Adjusted items charges of £1.1m (2019: £5.7m)

The Group has incurred net finance costs of £2.2m (2019: £2.4m).

Taxation

The Group has a low risk approach to its tax affairs. All business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The effective tax rate for the period was (135.3%) (2019: 11.9%) which compares to the statutory corporation tax rate of 19.0% (2019: 19.0%).

The main driver affecting the effective tax rate is the change in the enacted UK corporation tax rate which increased from 17% to 19% in the year, resulting in the net deferred tax liability being remeasured at 19% to £17.5m (2019: £14.8m).

Tax refunds during the year totalled £0.2m (2019: £0.2m).

Loss per share

Basic and diluted loss per share was 1.0p (2019: 2.8p). Basic and diluted adjusted loss per share was 0.7p (2019: 1.1p).

Cash flow and net cash

The Group held net cash, which excludes lease liabilities, of £37.0m at 31 December 2020 (2019: £15.5m) with no external borrowing (2019: nil). The year-on-year increase is primarily attributable to the equity placing in April 2020 which raised £21.1m of net proceeds. The Group utilised the Government's VAT deferral scheme in the period to provide additional liquidity protection during the year with all deferred amounts repaid in full ahead of the year end.

Net free cash inflow of £4.3m (2019: £2.6m outflow), included the deferral of £2.3m of lease payments following agreements with lease providers as a result of the Covid-19 disruption which will be settled over the next 12 months.

Year ended 31 December	**2020** **£m**	2019 £m
Operating cash inflow before movements in working capital	**15.1**	12.2
Working capital outflow	**(0.6)**	(2.6)
Income taxes refund	**0.2**	0.2
Net cash from operating activities	**14.7**	9.8
Repayment of IFRS 16 lease liabilities	**(10.0)**	(12.0)
Net cash used in investing activities[1]	**(0.4)**	(0.4)
Net free cash inflow/(outflow)	**4.3**	(2.6)

[1] Excludes £3.8m of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired)

Acquisitions

During the year, the Group has acquired three lettings books for a total investment of £4.6m, measured on a cash and debt free basis, as part of its growth strategy:

- On 28 February 2020, the Group acquired 100% of the share capital of London Stone Properties Limited and its subsidiary London Stone Property Sales Limited (collectively 'London Stone Properties');
- On 7 October 2020, the Group acquired 100% of the share capital of Pillars Estates Limited; and
- On 23 November 2020, the Group acquired 100% of the share capital of Aston Rowe Holdings Limited and its subsidiary Aston Rowe Limited (collectively 'Aston Rowe').

Acquired net assets have been provisionally fair valued at the date of acquisition and include £3.3m of customer contract intangibles and £2.1m of acquired goodwill. The acquisitions contributed £1.3m of revenue and £0.7m of profit to the Group's 2020 performance from the respective acquisition dates.

Other balance sheet positions

At 31 December 2020, the Group's total lease liability is £51.6m (2019: £55.9m) and includes £1.9m (2019: nil) of deferred lease payments. The payments have been deferred under temporary arrangements with the Group's landlords and vehicle leasing company and will be settled over the next 12 months.

The Group completed an equity placing in April 2020 resulting in net proceeds of £21.1m to support the Group through the closure of the property market as a result of Covid-19 and also to navigate the wider uncertain macroeconomic backdrop that existed at that time. A total of 54,993,367 ordinary shares were issued at a total premium to nominal value of £21.5m and £0.9m of incremental transaction costs were incurred, resulting in a net total premium of £20.6m that has been recognised as a merger reserve.

Capital allocation policy and dividends

The capital allocation policy of the Group continues to be reviewed in the context of the Group's strategy, working capital requirements, trading performance and the potential economic outlook. The Group's core dividend policy is to return 35-40% of profit after tax to shareholders as an ordinary dividend. The Group made a statutory loss after tax and therefore no dividend will be paid.

Following the equity placing, the Group's trading performance has exceeded original expectations, enabling the Group to progress its strategy and deploy capital on attractive opportunities, specifically investing £4.6m, on a cash and debt free basis, in three lettings books in the year.

In 2021, we continued with our lettings book acquisition strategy and on 2 March 2021, announced the acquisition of the entire issued share capital of Douglas & Gordon Estate Agents Limited ("Douglas & Gordon") and its subsidiary companies for £14.25m, on a cash and debt free basis. The consideration was fully satisfied in cash, except for a deferred cash consideration of £0.5m. Douglas & Gordon is a high quality London estate agent with a well-respected brand and large lettings business delivering around 65% of its total revenues from 2,900 tenancies.

In December 2020, the Group announced a share buyback programme up to a maximum consideration of £3m after taking into account the cash position of the Group, cash requirements to pursue strategic growth opportunities, working

capital requirements and the possibility of further Covid-19 disruption. A total of £0.3m of shares had been bought back as at 31 December 2020, and £1.8m as at 9 March 2021.

Post balance sheet events

On 2 March 2021, the Group announced the acquisition of the entire issued share capital of Douglas & Gordon and its subsidiary companies. Douglas & Gordon's reported revenue and EBITDA (pre-IFRS 16) for the year to March 2020 was £16.5m and £0.6m, respectively. Reported gross assets at 31 March 2020 were £6.1m.

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 has no external borrowings;
- 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. The Group has a £5m RCF which expires in June 2022 and is undrawn.

Pensions

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

Risk management

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Details of the Group's risk management framework and principal risks are set out below.

Going concern

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Refer to Note 1 of the financial statements for details of the Group's going concern assessment.

Related parties

Related party transactions are disclosed in Note 13 of the financial statements.

Richard Harris

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 Group and its shareholders in the constantly changing environment in which it operates. The Board regularly reviews the principal risks facing the Group 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. 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 management updates, output from the various executive risk committees and reports from internal audit.

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 additional risks and uncertainties not presently known to management or deemed to be less material at the date of this report may also have an adverse effect on the Group.

External risks

Risk	Impact on the Group
Market Risk	The Group continues to be impacted by the prolonged downturn in the London sales market and transaction levels have deteriorated further in 2020 due to Covid-19. The key factors driving the risk level are: • affordability, which in turn may reduce transaction levels; • arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment, including the UK's decision to leave the EU; • the market being reliant on the availability of mortgage finance, a deterioration in which may adversely affect the Group; • the market being impacted by changes in government policy such as changes in stamp duty taxes or increased regulation in the lettings market. In July 2020 UK government announced an increase in the stamp duty threshold with a view of stimulating an accelerated recovery in the UK housing market. This favourable change mitigates some of the market risk in the short term; and • Covid-19 has introduced additional market risk and operational risk which is captured as a separate principal risk below.
Covid-19	The Group's performance has been significantly impacted by Covid-19. Although transaction volumes have recovered broadly back to pre-Covid-19 levels, the pandemic has introduced additional market and operational risk. Although the extent of the risk is considered moderate, with vaccine programmes underway the level of risk is reducing. Key aspects of the risk include: • continuing negative impact on the UK economy and consumer confidence which is expected to adversely impact residential property transaction levels in the medium term. The speed and extent of recovery is difficult to predict and therefore there is a high degree of uncertainty in the market outlook; • although the risk is reducing as the vaccine programme progresses, there remains a risk the Group's offices and branches may have to temporarily close, property viewings could be required to switch to virtual viewings and customer-facing activities could be restricted due to future lockdowns; and • there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers.

Competitor challenge	The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, services, methods of working including online and hybrid agents which could give them a competitive advantage.
Compliance with the legal and regulatory environment	Breaches of laws or regulations could lead to financial penalties and reputational damage. The mortgage broking division is authorised and regulated by the FCA and could be subject to sanctions for non-compliance.

Internal risks

Risk	Impact on the Group
IT systems and cyber risk	Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents together and enables efficient processes and the ability to deliver higher levels of customer service. Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service, corruption of data or theft of personal data. Such a failure or loss could also result in reputational damage, fines or other adverse consequences.
People	There is a risk that the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. This risk may occur in the event competition for talent increases or there are changes in our industry or markets that result in less attractive career opportunities.
Reputation and brand	Foxtons is a strong, single network brand with a reputation for delivering exceptional service and the highest brand awareness in London estate agency. Our reputation and brand provides competitive advantage and is critical to maintaining and protecting the future prospects of the business. There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations, or our actions considered to be inappropriate. In the current Covid-19 environment there is an additional risk that employees' actions and behaviours do not comply with the Group's health and safety policies and procedures or that the policies and procedures are ineffective.

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 9 March 2021. The Directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

Responsibility statement

The following statement will be contained in the 2020 Annual Report and Accounts.

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

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

On behalf of the Board

Nic Budden
Chief Executive Officer
9 March 2021

Richard Harris
Chief Financial Officer
9 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

Continuing operations	Notes	2020 £'000	2019 £'000
Revenue	2	**93,550**	106,894
Directly operating costs		**(35,449)**	(39,829)
Other operating costs		**(57,254)**	(73,406)
Operating profit/(loss)		**847**	(6,341)
Other losses		**(37)**	(82)
Finance income		**111**	149
Finance costs		**(2,277)**	(2,546)
Loss before tax		**(1,356)**	(8,820)
Tax (charge)/credit	4	**(1,835)**	1,045
Loss and total comprehensive loss for the year		**(3,191)**	(7,775)
Loss per share			
Basic and diluted (pence per share)	6	**(1.0)**	(2.8)

Adjusted results from continuing operations

Adjusted operating profit/(loss)[1]	2	**1,904**	(683)
Adjusted basic and diluted loss per share (pence per share)[2]	6	**(0.7)**	(1.1)

[1] Adjusted operating profit/(loss) is an APM and is reconciled to statutory loss before tax in Note 2. The adjusted operating profit/(loss) measure is presented before charging £1.1m of adjusted items (2019: £5.7m) as set out in Note 3.

[2] Adjusted basic and diluted loss per share is an APM and is reconciled to statutory loss per share in Note 6. The measure is calculated using an adjusted loss after tax of £2.3m (2019: £3.1m) before charging £1.1m of adjusted items (2019: £5.7m) and an associated tax credit of £0.2m (2019: £0.9m).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Non-current assets			
Goodwill	7	**11,420**	9,349
Other intangible assets	7	**103,542**	100,995
Property, plant and equipment		**10,548**	13,020
Right-of-use assets	8	**44,444**	51,404
Contract assets		**350**	564
Interest in associate and investments		**1,237**	1,274
Deferred tax assets		**1,904**	2,056
		173,445	178,662
Current assets			
Trade and other receivables		**13,866**	13,424
Contract assets		**1,653**	969
Current tax assets		**76**	342
Cash and cash equivalents		**36,984**	15,482
		52,579	30,217
Total assets		**226,024**	208,879
Current liabilities			
Trade and other payables		**(10,309)**	(10,479)
Current tax liabilities		**-**	-
Lease liabilities	8	**(10,849)**	(9,690)
Contract liabilities		**(7,659)**	(1,426)
Provisions		**(367)**	(6,255)
		(29,184)	(27,850)
Net current assets		**23,395**	2,367
Non-current liabilities			
Lease liabilities	8	**(40,709)**	(46,174)
Contract liabilities		**(1,080)**	(1,295)
Provisions		**(1,216)**	(949)
Deferred tax liabilities		**(19,379)**	(16,830)
		(62,384)	(65,248)
Total liabilities		**(91,568)**	(93,098)
Net assets		**134,456**	115,781
Equity			
Share capital	10	**3,301**	2,751
Merger reserve	11	**20,568**	-
Other reserves	11	**2,653**	2,653
Own shares reserve		**(374)**	(56)
Retained earnings		**108,308**	110,433
Total equity		**134,456**	115,781

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 9 March 2021.

Signed on behalf of the Board of Directors

Richard Harris
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	**Share capital £'000**	**Merger reserve £'000**	**Other reserves £'000**	**Own shares reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2020		**2,751**	**-**	**2,653**	**(56)**	**110,433**	**115,781**
Loss and total comprehensive loss for the year		**-**	**-**	**-**	**-**	**(3,191)**	**(3,191)**
Dividends	5	**-**	**-**	**-**	**-**	**-**	**-**
Share issuance	10, 11	**550**	**20,568**	**-**	**-**	**-**	**21,118**
Own shares acquired in the period		**-**	**-**	**-**	**(318)**	**-**	**(318)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**1,066**	**1,066**
Balance at 31 December 2020		**3,301**	**20,568**	**2,653**	**(374)**	**108,308**	**134,456**

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2,751	-	2,653	(720)	118,640	123,324
Loss and total comprehensive loss for the year		-	-	-	-	(7,775)	(7,775)
Dividends	5	-	-	-	-	-	-
Own shares acquired in the period		-	-	-	(54)	-	(54)
Credit to equity for share-based payments		-	-	-	-	735	735
Settlement of share incentive plan		-	-	-	718	(1,167)	(449)
Balance at 31 December 2019		2,751	-	2,653	(56)	110,433	115,781

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Operating activities			
Operating profit/(loss)		**847**	(6,341)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**11,945**	12,954
Branch asset impairment	3	**1,661**	4,300
Gain on disposal of property, plant and equipment and right-of-use assets		**(460)**	(350)
Amortisation of intangibles		**847**	563
(Decrease)/increase in provisions		**(792)**	838
Share-based payment charges		**1,046**	685
Cash settlement of share incentive plan		**-**	(449)
Operating cash flows before movements in working capital		**15,094**	12,200
Increase in receivables		**(620)**	(2,902)
Increase in payables		**6**	274
Cash generated by operations		**14,480**	9,572
Income taxes received		**192**	204
Net cash from operating activities		**14,672**	9,776
Investing activities			
Interest received		**68**	87
Proceeds on disposal of property, plant and equipment		**220**	134
Proceeds on disposal of investments		**57**	-
Purchases of property, plant and equipment		**(630)**	(426)
Purchases of intangibles		**(88)**	(103)
Purchases of investments		**-**	(67)
Acquisition of subsidiaries (net of cash acquired)	9	**(3,768)**	-
Net cash used in investing activities		**(4,141)**	(375)
Financing activities[1]			
Dividends paid	5	**-**	-
Interest paid		**(61)**	(77)
Repayment of lease liabilities	8	**(10,015)**	(11,972)
Sub-lease receipts		**299**	258
Purchase of own shares		**(318)**	(54)
Net proceeds from issue of ordinary share capital	10	**21,117**	-
Proceeds from external borrowings		**5,000**	-
Repayment of external borrowings		**(5,050)**	-
Net cash generated/(used) in financing activities		**10,972**	(11,845)
Net increase/(decrease) in cash and cash equivalents		**21,502**	(2,444)
Cash and cash equivalents at beginning of year		**15,482**	17,926
Cash and cash equivalents at end of year		**36,984**	15,482

[1] All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities. Refer to Note 8 for a reconciliation of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 General information

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

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

1.2 Basis of preparation

The consolidated preliminary results of the Company for the year ended 31 December 2020 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2020 were approved by the Directors on 9 March 2021. These consolidated preliminary results have been prepared in accordance with the recognition and measurement criteria of IFRS. They do not include all the information required for full annual financial statements to comply with IFRS, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2020.

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

The financial information for the year ended 31 December 2020 does not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. The auditor has reported on these accounts; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Statutory accounts for the year ended 31 December 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's 2021 Annual General Meeting.

1.3 Going concern

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. At 31 December 2020, the Group held a cash balance of £37.0m (2019: £15.5m), no external borrowings and an undrawn £5.0m RCF.

Actions taken during the year

On 17 April 2020, the Group announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0m. As part of the placing, the Group analysed a broad range of potential scenarios, primarily based on assumptions for the residential sales and lettings markets in London to recover to more normal levels of activity. The proceeds provided the Group with sufficient liquidity and flexibility through the anticipated period of disruption and enabled the Group exit the year in a strong financial position.

Covid-19 has significantly impacted trading in 2020, with both demand and supply in sales and lettings being adversely affected by the lockdown. In response, management rapidly undertook a number of actions in order to minimise the impact of the lockdown on cash flow.

These actions included utilising the Government's CJRS, temporary salary reductions across employees and all Directors, agreeing temporary flexibility and payment deferral with some of the Group's landlords and its vehicle leasing company and reducing discretionary spend. In addition to the actions taken by management, the Group is eligible for business rates relief in the tax year 2020/21.

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

The reverse stress scenario incorporates a severe reduction in trading from March 2021 to May 2021, approximately 1.4 times more severe as that experienced from March 2020 to May 2020 during the spring lockdown, followed by a protracted recovery from June 2021 to December 2021 that is slower than that from June 2020 to September 2020.

In the unlikely event of the reverse stress scenario, the Group would have a negative cash position in December 2021, assuming the RCF facility is not available due to covenants being breached. Under such a scenario, additional mitigating action could be taken to protect liquidity such as raising additional funds, seeking agreement to defer lease payments and further reducing discretionary spend.

The Group expects the RCF to be available throughout the going concern review period with ongoing compliance with the RCF's covenants. The going concern assumption is not dependent on the availability of the RCF. The Group expects to renew the RCF, or have access a similar facility, following expiry to manage liquidity risk.

1.4 Critical accounting judgements and key sources of estimation uncertainty

The critical accounting judgements and key sources of estimation uncertainty within these consolidated preliminary results are the same as those within the 2020 Annual Report and Accounts: 'Useful economic life of the brand intangible asset' and 'impairment of intangibles with an indefinite life'.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

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

The operating and reportable segments of the Group are (i) lettings, (ii) sales; and (iii) mortgage broking.

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

Since the lettings and sales segments operate out of the same premises and share support services, a significant proportion of costs have to be apportioned between the segments. The basis of apportionment used is headcount in each segment.

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

Segment assets and liabilities and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 7.

Adjusted operating profit/(loss) and adjusted operating profit/(loss) margin

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before adjusted items (defined below), finance income, finance cost and other gains/losses. As explained in Note 14, this measure replaces adjusted EBITDA and is used by the Directors for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit/(loss) margin is used to measure the delivery of the Group's strategic priorities.

Adjusted items

Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and adjusted loss per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment

charges, significant acquisition costs and any other significant exceptional items. Refer to Note 3 for further information of the adjusted items recognised in the period.

Segment revenues and results

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

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

Other information					
Depreciation and amortisation		**(7,645)**	**(5,026)**	**(121)**	**(12,792)**

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2019:

2019	Notes	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue		65,741	32,621	8,532	106,894
Contribution	14	46,614	16,427	4,024	67,065
Contribution margin	14	70.9%	50.4%	47.2%	62.7%
Adjusted operating profit/(loss)	14	4,213	(6,262)	1,366	(683)
Adjusted operating profit/(loss) margin	14	6.4%	(19.2%)	16.0%	(0.6%)
Adjusted items	3				(5,658)
Operating loss					(6,341)
Finance income					149
Finance cost					(2,546)
Other losses					(82)
Loss before tax					(8,820)

Other information					
Depreciation and amortisation		(5,066)	(8,372)	(79)	(13,517)

3. ADJUSTED ITEMS

Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and adjusted loss per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 14. The following items have been classified as adjusted items in the period.

	2020 £'000	2019 £'000
Property restructure (income)/costs[1]	**(1,078)**	1,175
Reorganisation costs	**474**	183
Branch asset impairment[2]	**1,661**	4,300
	1,057	5,658

[1]The property restructure income relates to a net release of the adjusted item provision of £831k (2019: £42k) and the net gain on disposals of right-of-use assets £247k (2019: £250k).
[2]The branch asset impairment charge relates to plant, property and equipment £500k (2019: £1,349k) and right-of-use assets £1,161k (2019: £2,951k).

Cash outflow from these adjusted items during the year totalled £0.8m (2019: £1.1m). Future cash outflows from adjusted items recognised in both 2018 and 2020 are expected to total £1.5m.

4. TAXATION

Recognised in the Group income statement

The components of the tax charge/credit recognised in the Group income statement are as the below:

	2020 £'000	2019 £'000
Current tax		
Current period UK corporation tax	**-**	-
Credit in respect of prior periods	**(257)**	(333)
Total current tax credit	**(257)**	(333)
Deferred tax		
Origination and reversal of temporary differences	**118**	(1,201)
Impact of change in tax rate	**1,764**	146
Adjustment in respect of prior periods	**210**	343
Total deferred tax charge/(credit)	**2,092**	(712)
Tax charge/(credit) on loss on ordinary activities	**1,835**	(1,045)

Corporation tax for the year ended 31 December 2020 is calculated at 19% (2019: 19%) of the estimated taxable profit for the period.

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer go ahead and that rates would remain at 19%. As IFRS requires deferred tax to be measured at tax rates that have been substantively enacted at the reporting date, the Group's deferred tax balances have been remeasured at 19% and the impact has been reflected within the consolidated financial statements.

Reconciliation of effective tax charge

The tax on the Group's loss before tax recognised in the Group's income statements differs from the standard UK corporation tax rate of 19% (2019: 19%), because of the following factors:

	2020 **£'000**	2019 £'000
Loss before tax	**(1,356)**	(8,820)
Tax at the UK corporation tax rate (see above)	**(258)**	(1,676)
Tax effect of expenses that are not deductible/income that are not taxable in determining taxable profit	**261**	319
Other short-term timing differences – share options	**135**	182
Adjustment in respect of previous periods	**(47)**	10
Impact on deferred tax of change in tax rate	**1,764**	146
Recognition of a deferred tax asset	**(20)**	(26)
Tax charge/(credit) on loss on ordinary activities	**1,835**	(1,045)
Effective tax rate	**(135.3%)**	11.9%

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

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly credited to equity is £20k (2019: £3k) and relates to deferred tax arising on share based payment schemes.

5. DIVIDENDS

The Group made a statutory loss after tax and therefore no dividend for the year will be paid in line with the Group's dividend policy. Further consideration of the Group's capital allocation policy can be found in the Financial Review above.

6. LOSS PER SHARE

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

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

	2020 **£'000**	2019 £'000
Loss for the purposes of basic and diluted loss per share	**(3,191)**	(7,775)
Adjusted for:		
Adjusted items (including associated taxation)[1]	**906**	4,713
Adjusted loss for the purposes of adjusted loss per share	**(2,285)**	(3,062)

[1] Adjusted items totalling £1,057k (2019: £5,658k) per Note 3, less associated tax of £151k (2019: £945k), resulting in an after tax cost of £906k (2019: £4,713k).

Number of shares	**2020**	2019
Weighted average number of ordinary shares for the purposes of basic loss per share	**313,816,658**	274,922,915
Effect of potentially dilutive ordinary shares	**2,224,672**	-
Weighted average number of ordinary shares for the purpose of diluted loss per share	**316,041,330**	274,922,915
Basic loss and diluted loss per share (in pence per share)[1]	**(1.0)**	(2.8)
Basic and diluted adjusted loss per share (in pence per share)[1]	**(0.7)**	(1.1)

[1] As the Company made a statutory loss after tax and an adjusted loss after tax in 2019 and 2020, the diluted loss per share is equal to the basic loss per share. This is due to the potentially dilutive share awards resulting in a reduction in the loss per share and are therefore anti-dilutive.

7. GOODWILL AND OTHER INTANGIBLES

2020	Goodwill £'000	Brand £'000	Software £'000	Customer contracts £'000	Total £'000
Cost					
At 1 January 2020	**19,168**	**99,000**	**2,489**	**494**	**121,151**
Additions	**-**	**-**	**88**	**-**	**88**
Transfer	**-**	**-**	**30**	**-**	**30**
Acquired through business combinations (refer to Note 9)	**2,071**	**-**	**-**	**3,726**	**5,347**
At 31 December 2020	**21,239**	**99,000**	**2,607**	**3,770**	**126,616**
Accumulated amortisation and impairment losses					
At 1 January 2020	**9,819**	**-**	**567**	**421**	**10,807**
Amortisation	**-**	**-**	**500**	**347**	**847**
At 31 December 2020	**9,819**	**-**	**1,067**	**768**	**11,654**
Net carrying value					
At 31 December 2020	**11,420**	**99,000**	**1,540**	**3,002**	**114,962**
At 1 January 2020	**9,349**	**99,000**	**1,922**	**73**	**110,344**

2019	Goodwill £'000	Brand £'000	Software £'000	Customer contracts £'000	Total £'000
Cost					
At 1 January 2019	19,168	99,000	2,386	494	121,048
Additions	-	-	103	-	103
At 31 December 2019	19,168	99,000	2,489	494	121,151
Accumulated amortisation and impairment losses					
At 1 January 2019	9,819	-	105	320	10,244
Amortisation	-	-	462	101	563
At 31 December 2019	9,819	-	567	421	10,807
Net carrying value					
At 31 December 2019	**9,349**	**99,000**	**1,922**	**73**	**110,344**
At 1 January 2019	**9,349**	**99,000**	**2,281**	**174**	**110,804**

Annual impairment review

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

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

	2020 £'000	2019 £'000
Lettings goodwill	**11,420**	9,349
Brand asset – sales and lettings	**99,000**	99,000
	110,420	108,349

Lettings goodwill is allocated to the lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

The brand asset has been tested for impairment by aggregating the value in use relating to the sales and lettings segments. This grouping of CGUs represents the lowest level at which management monitors the brand

internally, and reflects the way in which the brand asset is viewed as relating to the sales and lettings segments as a whole, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

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

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

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

c) Impairment review assumptions

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

Cash flow assumptions

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

Long-term growth rates

To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2019: 2%) into perpetuity.

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

Discount rates

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

The pre-tax discount rate used to discount lettings cash flows used in the assessment of lettings goodwill is 10.9% (2019: 8.9%). The pre-tax discount rate used to discount aggregated sales and lettings cash flows used in the assessment of the brand asset is 11.1% (2019: 9.2%).

d) Sensitivity analysis

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

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

The impairment model indicates brand asset headroom of £57.5m (2019: £66.3m) or 35% (2019: 38%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan whilst also complying with the requirements of the relevant accounting standard. Sales revenue is to recover to between the levels experienced in 2016 and 2017, which equates to an average increase of 11.1% over the forecast period. Lettings

revenue is assumed to grow at an average rate of 4.6% over the forecast period, excluding future lettings book acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue compound annual growth rate (CAGR) over the forecast period reduces from 6.9% to 5.5%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2017 levels by 2025 with an average 7% increase over the forecast period, lettings revenue growth is limited to 3% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £20.5m.

8. LEASES

Group as a lessee

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

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

Right-of-use assets

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	58,408	2,641	61,049
Additions	116	3,554	3,670
Disposals	(488)	(113)	(601)
Depreciation	(7,811)	(1,952)	(9,763)
Impairment charge	(2,951)	-	(2,951)
At 31 December 2019	**47,274**	**4,130**	**51,404**
Additions	1,217	2,162	3,379
Acquired through business combinations	581	–	581
Disposals	(247)	(149)	(396)
Depreciation	(6,941)	(2,422)	(9,363)
Impairment charge	(1,161)	–	(1,161)
At 31 December 2020	**40,723**	**3,721**	**44,444**

The right-of-use assets associated with closed branches and a small number of other underperforming branches were fully/partially impaired during the year. The cost of these assets was £1.3m, accumulated depreciation was £0.1m and net book value was £1.2m. The impairment loss of £1.2m has been classified as an adjusted item (refer to Note 3).

Lease Liabilities

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

	Property £'000	**Motor vehicles £'000**	**Total £'000**
At 1 January 2019	59,795	2,641	62,436
Additions	-	3,556	3,556
Disposals	(507)	(118)	(625)
Interest charge	2,374	95	2,469
Payments	(9,948)	(2,024)	(11,972)
At 31 December 2019	**51,714**	**4,150**	**55,864**
Additions	1,217	2,162	3,379
Acquired through business combinations	581	-	581
Disposals	(331)	(136)	(467)
Interest charge	2,111	105	2,216
Payments	(8,145)	(1,870)	(10,015)
At 31 December 2020	**47,147**	**4,411**	**51,558**
Current	8,805	2,044	10,849
Non-current	38,342	2,367	40,709

Of the movements in the year, cash payments in respect to principal lease instalments totalling £10.0m were made (2019: £12.0m) and the remaining net movement of £5.7m (2019: £5.4m) was non-cash in nature.

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

	2020 £'000	2019 £'000
Maturity analysis – contractual undiscounted cash flows		
Within one year	**12,735**	11,763
In the second to fifth years inclusively	**30,771**	32,606
After five years	**15,240**	20,746
	58,746	65,115

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), in line with the IFRS 16 short-term lease exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2020, the Group had a commitment of less than £0.1m in relation to short-term leases.

Amounts recognised in the profit or loss

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

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	**9,363**	9,763
Impairment charge of right-of-use assets	**1,161**	2,951
Interest expense on lease liabilities	**2,216**	2,469
Expenses relating to short-term leases	**915**	804
Total amount recognised in profit or loss	**13,603**	15,987

The Group as an intermediate lessor

Finance lease receivables

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

	2020 **£'000**	2019 £'000
Finance income under finance leases recognised in the period	**43**	62

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

	2020 **£'000**	2019 £'000
Within one year	**283**	304
In the second to fifth years inclusive	**276**	347
After five years	**-**	-
	559	651

9. BUSINESS COMBINATIONS

During the period, the Group acquired 100% of the share capital of two non-listed holding companies and three non-listed trading entities, as part of the Group's strategy to acquire high quality lettings books and to increase the Group's branch network. The trading entities are independent London estate agents, primarily focussed on providing lettings and property management services.

- London Stone Properties: On 28 February 2020, the Group acquired London Stone Properties Limited and its subsidiary London Stone Property Sales Limited (collectively "London Stone Properties").
- Pillars Estates: On 7 October 2020, the Group acquired Pillars Estates Limited.
- Aston Rowe: On 23 November 2020, the Group acquired Aston Rowe Holdings Limited and its subsidiary company Aston Rowe Limited (collectively "Aston Rowe").

The acquired intangible assets recognised from the three acquisitions consist of customer contracts which are identifiable and separable, and which are amortised over a period of seven years. The acquired goodwill is primarily attributable to new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated entirely to the lettings segment and is not expected to be deductible for tax purposes.

From the respective acquisition dates to 31 December 2020, the business combinations contributed £1.3m of revenue and £0.7m of profit. If the business combinations had taken place at the beginning of the year, revenue for the Group would have been £1.7m higher and loss before tax would have decreased by £0.6m, excluding the benefit of expected future synergies and amortisation of acquired intangibles.

Assets acquired and liabilities assumed

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

	London Stone Properties £'000	Pillars Estates £'000	Aston Rowe £'000	Total £'000
Assets				
Acquired intangible assets recognised on acquisition	1,438	304	1,534	3,276
Property, plant and equipment	9	-	-	9
Right-of-use assets	424	-	157	581
Investments	57	-	-	57
Cash and cash equivalents	2,513	80	1,044	3,637
Trade and other receivables	131	5	38	174
Contract assets	128	75	104	307
	4,700	**464**	**2,877**	**8,041**
Liabilities				
Trade and other payables	(104)	(51)	(264)	(419)
Contract liabilities	(62)	(40)	(170)	(272)
Lease liabilities	(424)	-	(157)	(581)
External borrowings	-	(50)	-	(50)
Current tax liability	(157)	(28)	(175)	(360)
Deferred tax liability	(277)	(58)	(291)	(626)
	(1,024)	**(227)**	**(1,057)**	**(2,308)**
Total identifiable net assets at fair value	**3,676**	**237**	**1,820**	**5,733**
Goodwill arising on acquisition	750	217	1,104	2,071
Fair value of consideration transferred	**4,426**	**454**	**2,924**	**7,804**

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

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

Purchase consideration

	London Stone Properties £'000	Pillars Estates £'000	Aston Rowe £'000	Total £'000
Amount settled in cash	4,216	454	2,525	7,195
Contingent cash consideration	210	-	338	548
Deferred cash consideration	-	-	61	61
Fair value of consideration transferred	**4,426**	**454**	**2,924**	**7,804**

As part of the purchase agreement with the previous owner of London Stone, £210,000 of contingent consideration has been agreed and is held in an escrow account. The additional cash amount will be due if the Group does not make any claims on the breach of any agreed warranties over a twelve month period after the acquisition date.

As at the acquisition date of the purchase of Aston Rowe, the fair value of the contingent consideration was estimated to be £338,000.

Analysis of cash flows on acquisition

	London Stone Properties £'000	Pillars Estates £'000	Aston Rowe £'000	Total £'000
Consideration settled in cash (included in cash flows from investing activities)	(4,426)	(454)	(2,525)	(7,405)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,513	80	1,044	3,637
Transaction costs of the acquisition (included in cash flows from operating activities)	(42)	(12)	(23)	(77)
Net cash flow on acquisition	**(1,955)**	**(386)**	**(1,504)**	**(3,845)**

10. SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January	**2,751**	2,751
Issuance of share capital	**550**	-
At 31 December	**3,301**	2,751

At 1 January 2020, the Company had 275,104,391 ordinary shares (1 January 2019: 275,104,391). As at 31 December 2020, the Company has 330,097,758 ordinary shares (2019: 275,104,391).

During the period, the authorised share capital was increased by £549,934 following the issue of 54,993,367 £0.01 ordinary shares. On 17 April 2020, a total of 54,993,367 new ordinary shares were issued in a placing transaction at a price of £0.40 per share, raising gross proceeds of £22.0m (before expenses). Net of expenses the proceeds were £21.1m. The shares represented approximately 19.9% of the Company's issued ordinary share capital (excluding treasury shares) prior to the placing.

11. MERGER RESERVE AND OTHER RESERVES

	2020 £'000	2019 £'000
Merger reserve	**20,568**	-
Capital redemption reserve	**71**	71
Other capital reserve	**2,582**	2,582
	23,221	2,653

The Group issued 54,993,367 of ordinary shares at a total premium to nominal value of £21.5m and incurred £0.9m of incremental transaction costs, resulting in a net total premium of £20.6m. The share issue was effected by way of a cash box placing. The Group has applied merger relief under the Companies Act 2006 and recognised a merger reserve of £20.6m which represents the net premium realised. During the period, there were no movements in either the capital redemption or other capital reserve.

12. CLIENT MONIES

At 31 December 2020, client monies held within the Group in approved bank accounts amounted to £85.2m (31 December 2019: £87.0m). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. The Group'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 under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

13. RELATED PARTY TRANSACTIONS

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

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

	2020 **£'000**	2019 £'000
Short-term employee benefits	**2,325**	2,355
Post-employment benefits	**76**	117
Share-based payments	**739**	612

14. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

Our APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the period and the comparability between periods.

Within the period the Group has introduced three new APMs: Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and net cash/(debt). The definition, purpose and how the measures are reconciled to statutory measures are set out below. The Group reports the following APMs:

a) Adjusted operating profit/(loss)

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

This measure has been introduced during the period and replaces adjusted EBITDA as the measure by which resource allocation and segment performance is monitored. Following the application of IFRS 16, adjusted operating profit/(loss) is considered to be a superior measure to adjusted EBITDA since the new measure includes the depreciation of IFRS 16 right-of-use assets and therefore the costs related to the Group's leased assets are appropriately captured with a profitability APM.

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

b) Adjusted operating profit/(loss) margin

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

c) Contribution and contribution margin

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

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

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

31 December 2019	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	**65,741**	**32,621**	**8,532**	**106,894**
Less: Directly attributable salary costs	(18,846)	(15,963)	(4,500)	(39,309)
Less: Bad debt charges	(281)	(231)	(8)	(520)
Contribution	**46,614**	**16,247**	**4,024**	**67,065**
Contribution margin	**70.9%**	**50.4%**	**47.2%**	**62.7%**

d) Adjusted earnings/(loss) per share

Adjusted earnings/(loss) per share is defined as earnings/(loss) per share excluding adjusted items. The measure is derived by dividing profit/(loss) after tax, adjusted for adjusted items, by the weighted average number of ordinary shares in issue during the financial period. The effect of potentially dilutive ordinary shares is incorporated into the diluted measure. This APM is a measure of management's view of the Group's underlying earnings/(loss) per share.

The closest equivalent IFRS measure is earnings/(loss) per share. Refer to Note 6 for a reconciliation between earnings/(loss) per share and adjusted earnings/(loss) per share.

e) Net free cash flow

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

	2020 **£'000**	2019 £'000
Net cash from operating activities	**14,672**	9,776
Less: Repayment of IFRS 16 lease liabilities	**(10,015)**	(11,972)
Investing activities		
Interest received	**68**	87
Proceeds on disposal of property, plant and equipment	**220**	134
Proceeds on disposal of investments	**57**	-
Purchases of property, plant and equipment	**(630)**	(426)
Purchases of intangibles	**(88)**	(103)
Purchases of investments	**-**	(67)
Net cash used in investing activities	**(373)**	(375)
Net free cash inflow/(outflow)	**4,284**	(2,571)

f) Net cash/debt

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

	2020 **£'000**	2019 £'000
Cash and cash equivalents	**36,984**	15,482
External borrowings	**-**	-
Net cash	**36,984**	15,482

15. EVENTS AFTER THE REPORTING PERIOD

On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited ('Douglas & Gordon') and its subsidiary companies for £14.25m, on a cash and debt free basis. The consideration was fully satisfied in cash, except for a deferred cash consideration of £0.5m.

Douglas & Gordon is a high quality London estate agent with a well-respected brand and large lettings business delivering around 65% of total revenues from 2,900 tenancies. The acquisition is in line with the Group's strategy of acquiring high quality businesses with strong lettings books.

Douglas & Gordon's reported revenue and EBITDA (pre-IFRS 16) for the year to March 2020 was £16.5m and £0.6m respectively. Reported gross assets at 31 March 2020 were £6.1m.

Given the proximity of the transaction to the announcement of the Group's financial statements, a full purchase price allocation exercise has not yet been completed and the valuation of the assets acquired will be assessed prior to the next reporting date.