Foxtons Group plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2021

29 JULY 2021

Foxtons Group plc, London's leading estate agent, today announces its financial results for the half year ended 30 June 2021.

Overview

The Group delivered its best first half results since 2016 by capitalising on improved trading conditions, particularly in sales, with our investment in people, brand and technology enabling rapid growth in profitability. The acquisition of Douglas & Gordon ("D&G"), the largest in the Group's history, was a significant strategic development. At our recent Capital Markets Day held in June, the management team set out the Group's potential and clear plans for growth. With growing organic market share and an attractive proposition, Foxtons is well placed in both sales and lettings and our first half performance demonstrates how efficiently the business can deliver profits, cash and returns to shareholders. We are pleased to be re-instating the dividend and are announcing a £3m share buyback programme today.

Financial summary and highlights

Half year ended 30 June	**2021**	2020	2019
Group revenue	**£66.9m**	£40.4m	£51.8m
Group adjusted operating profit/(loss)[1]	**£5.2m**	(£2.4m)	(£0.9m)
Group statutory profit/(loss) before tax	**£3.3m**	(£4.3m)	(£2.5m)
Net free cash inflow/(outflow)[2]	**£3.0m**	£5.7m	(£3.5m)
Adjusted basic earnings/(loss) per share[3]	**1.0p**	(1.0p)	(0.8p)
Basic loss per share	**(1.2p)**	(1.8p)	(0.9p)
Interim dividend per share – ordinary	**0.18p**	-	-
Net cash[2]	**£24.4m**	£40.5m	£14.5m

- Growth across all business areas, Group revenue of £66.9m, 66% up against 2020 and 29% up against 2019:
  - Lettings: £33.1m (2020: £25.7m, 2019: £32.4m); 2% up against 2019 including £1.4m tenant fee impact
  - Sales: £28.6m (2020: £11.1m, 2019: £15.4m); 86% up against 2019
  - Mortgage broking: £5.2m (2020: £3.6m, 2019: £4.0m); 31% up against 2019
- Group adjusted operating profit of £5.2m (2020: £2.4m loss, 2019: £0.9m loss); inherent operating leverage drove strong growth in profitability combined with D&G's contribution since acquisition on 1 March.
- Net cash of £24.4m at 30 June 2021 (31 December 2020: £37.0m) after a £2.7m share buyback programme and £10.0m net cash consideration for D&G in March 2021.
- Interim dividend of 0.18p declared and £3m share buyback programme being announced today to return excess capital to shareholders following the strong trading performance during the period.
- No use of government support in the period with £1.5m of branch business rates voluntarily paid in July relating to the first 6 months of 2021.

Operational highlights and strategic developments

- Growth in market share, further strengthened by the acquisition of D&G, enabled the Group to capitalise on high levels of market activity to deliver a strong first half performance.
- Acquisition of D&G for £14.25m (cash and debt free basis), including a portfolio of 2,900 tenancies, contributed £7.2m of revenue and £1.0m of operating profit in the period supported by a strong sales market. Integration proceeding in line with plan.
- £3m investment in Boomin, the next generation property site, demonstrating Foxtons' commitment to remaining at the forefront of technological transformation in the property sector.
- Implementation of sophisticated customer data platform enabling us to engage with customers far more effectively through the delivery of highly customised marketing content.
- At our recent Capital Markets Day we set out our growth strategy with a focus on how technology and data science is supporting our strategy focussed on market leadership, revenue diversification and profit growth.

- Progression of our revenue diversification strategy with a newly appointed Business Development Director to drive UK expansion; strong revenue growth and momentum across both the China Desk and Build to Rent.
- Launched new social mobility partnership with charity Career Ready to help young people fulfil their potential.

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

"I am delighted to be reporting a strong first half performance which has seen growth across all our business areas and allows us to re-instate the dividend and further our share buyback programme.

The combination of political stability and easing restrictions has seen positive momentum return in the market and we are delighted that thousands of customers chose Foxtons to sell or let their property. This enabled us to grow revenues and market share in both sales and lettings, further strengthened by the acquisition of D&G, demonstrating the attractiveness of our customer proposition.

Over the past few years our focus on both efficiency and investment in brand, people and technology has put us in a strong position to capitalise on improving market conditions. We have the most sophisticated, technology-enabled proposition in the market and a highly efficient business allowing us, as these results demonstrate, to maximise profitability, cash flow and returns to shareholders as revenues increase.

We were pleased to make two significant transactions over the period. D&G is a renowned London agent and gives us a high quality lettings book and our investment in the exciting new market entrant Boomin ensures we remain closely associated with next generation property businesses.

The management team and I were delighted last month, to present our strategy focussed on market leadership, revenue diversification and profit growth at the recent Capital Markets Day. Foxtons has huge potential and today's results demonstrate we are building a highly profitable business.

I would also like to pay tribute to our outgoing Chairman Ian Barlow who has recently announced his retirement from the Board. His expert advice and stewardship over eight years on the Foxtons board has been invaluable and on behalf of the Board and the Company we wish him all the very best for the future."

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The Group will host a conference call today at 9.00am (BST) for analysts and investors on the following numbers:

UK: +44 (0)330 336 9127, US: +1 323-794-2588, Confirmation code: 1312367. 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=1482893&tp_key=7d5d5332e9

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: 1312367

[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 13.

[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) and purchases of investments. Net cash is defined as cash and cash equivalents less external borrowings.

[3] Adjusted basic earnings/(loss) per share is defined as earnings/(loss) per share excluding the impact of adjusted items and any significant remeasurements of deferred tax balances as a result of UK corporate tax rate changes. Refer to Note 5 for a reconciliation of the measure.

PERFORMANCE AT A GLANCE

Half year ended 30 June	2021	2020	2021 vs 2020	2019	2021 vs 2019
Income statement					
Group revenue	**£66.9m**	£40.4m	+66%	£51.8m	+29%
Group adjusted operating profit/(loss)[1]	**£5.2m**	(£2.4m)	+£7.6m	(£0.9m)	+£6.1m
Group adjusted operating profit/(loss) margin[1]	**7.8%**	(5.8%)	+1,360 bps	(1.7%)	+ 950 bps
Group statutory profit/(loss) before tax	**£3.3m**	(£4.3m)	+£7.6m	(£2.5m)	+£5.8m
Loss per share					
Basic and diluted loss per share	**(1.2p)**	(1.8p)	0.6p	(0.9p)	(0.3p)
Adjusted basic and diluted earnings/(loss) per share[1]	**1.0p**	(1.0p)	2.0p	(0.8p)	1.8p
Dividends					
Interim dividend per share	**0.18p**	-	n/a	-	n/a
Cash and cash flow					
Period end cash balance	**£24.4m**	£45.5m	(£21.2m)	£14.5m	£9.8m
Net cash[1]	**£24.4m**	£40.5m	(£21.2m)	£14.5m	£9.8m
Net cash from operating activities	**£13.2m**	£8.5m	£4.7m	£2.6m	£10.6m
Net free cash inflow/(outflow)[1]	**£3.0m**	£5.7m	(£2.7m)	(£3.5m)	£6.5m
Segmental metrics					
Lettings revenue	**£33.1m**	£25.7m	+29%	£32.4m	+2%
Lettings volumes	**10,026**	7,952	+26%	9,265	+8%
Average revenue per lettings transaction	**£3,300**	£3,229	+2%	£3,499	(6%)
Sales revenue	**£28.6m**	£11.1m	+159%	£15.4m	+86%
Sales volumes	**2,071**	858	+141%	1,194	+73%
Average revenue per sales transaction	**£13,833**	£12,906	+7%	£12,934	+7%
Mortgage broking revenue	**£5.2m**	£3.6m	+44%	£4.0m	+31%
Mortgage volumes	**2,795**	2,066	+35%	2,099	+33%
Average revenue per mortgage transaction	**£1,859**	£1,744	+7%	£1,889	(2%)

[1] These measures are APMs used by the Group and are defined and purpose explained within Note 13.

CHIEF EXECUTIVE'S REVIEW

Summary

Foxtons delivered its best first half performance since 2016 as the cumulative action taken in previous years both through efficiency actions and investment in proposition enabled us to capitalise on a resurgent sales market in London. Thousands of customers chose Foxtons to sell their home and falling rents encouraged an uplift in activity in the rental market where we rented out over 10,000 homes. Our results-based technology-enabled proposition saw us continue to gain market share in all parts of the business.

First half Group revenue was £66.9m (2020: £40.4m, 2019: £51.8m) of which revenue from lettings was £33.1m (2020: £25.7m, 2019: £32.4m), revenue from sales was £28.6m (2020: £11.1m, 2019: £15.4m) and revenue from mortgage broking was £5.2m (2020: £3.6m, 2019: £4.0m). Our highly operationally geared model delivered an adjusted operating profit of £5.2m (2020: £2.4m loss, 2019: £0.9m loss). Statutory profit before tax was £3.3m (2020: £4.3m loss, 2019: £2.5m loss).

This is a positive performance after several years of weakness in the London market. Following the election result at the end of 2019 there were promising signs in the sales market but this recovery proved to be nascent and was halted by the Covid-19 pandemic, which caused a severe market dislocation. However, there will always be a need for people to move house and as 2021 progressed and restrictions eased we saw confidence return across sales and lettings. This confidence combined with the extension to the stamp duty relief resulted in an 86% increase in sales revenue in the first half compared to H1 2019.

Within lettings, we have grown volumes by 8% compared to 2019, driven by D&G's contribution since acquisition and growth in our existing lettings portfolio. The lettings book acquisitions we made in 2020 are performing well and in line with plan. Our Build to Rent business delivered a record performance with revenues more than doubling against 2019, despite the impact of lower rents, which disproportionately impacted Build to Rent due to its premium pricing position.

At the Capital Markets Day in June we set out Foxtons' potential by providing a comprehensive update on the Group's growth strategy with a focus on how technology and data science is supporting our objectives to reinforce market leadership, diversify revenue streams and grow profits. In line with our strategy, we have made two significant transactions and implemented our unique customer data platform.

In March we acquired D&G, a well-established, high quality London estate agent with 2,900 tenancies. Since the acquisition completed the business has performed well and we remain very excited by its potential. In April we made a £3m investment in Boomin, the next generation property site, which furthers our ambition to remain at the forefront of technological transformation in the property sector. The business has had a successful launch and we are delighted to have invested at its inception.

Our state-of-the-art customer data platform, with high levels of automation and powered by machine learning, means we can predict customer behaviour much more precisely and deliver highly customised marketing content throughout individual customer journeys to increase engagement and conversion. We believe this is a game-changing capability, akin to what tech firms are doing with Big Data, and has the potential to improve the conversion of our sales funnel which represents very attractive incremental revenues.

Additionally, we were delighted to partner with leading national charity Career Ready whose focus on social mobility is closely aligned with our purpose and track record of promoting talent regardless of background. The partnership will give our people the opportunity to get personally involved in the delivery of a range of social mobility programmes.

Finally, I would like to pay tribute to our Chairman Ian Barlow who has recently announced his retirement from the Board. Over eight years on the Board, and more recently as Chairman, Ian has provided invaluable challenge and advice as well as strong stewardship through some difficult conditions. Everyone here at Foxtons would like to thank him for his service and wish Ian all the very best for the future.

Lettings

Activity in our lettings business was elevated throughout the period as we leveraged our unique proposition for landlords and tenants to deliver both volume and organic market share growth. Volumes in the period were 8% higher than 2019 reflecting D&G's four month contribution as well as growth in our existing lettings portfolio. However, rents in London remained under pressure, declining by 9% compared to 2019 levels, and tenancy lengths are shorter on average with a higher incidence of break clauses as tenants and landlords seek to retain flexibility.

Sales

We have continued to invest in our sales proposition and I am delighted, in more favourable market conditions, that so many sellers trusted Foxtons to handle their house sale. It has been a very strong half with the commission pipeline initially building strongly and then converting into exchanges in the period resulting in 86% revenue growth compared to 2019 and the best first half sales performance since 2016. A combination of returning confidence in the sales market, first witnessed in early 2020, pent up demand from last year's lockdown and stamp duty relief encouraged more house moves and the best market conditions for some time. Productivity gains have ensured incremental sales revenue has been delivered without substantially increasing headcount leading to a strong rebound in profitability. 49% of sales transactions included conveyancing cross-sell, and within our international sales channels, the China desk contributed £1m of revenue across sales and lettings in the period.

Mortgage broking

The more favourable market conditions also benefitted Alexander Hall, our mortgage broking business. The business continued to grow market share and saw increases in new mortgages supporting new home moves driven by referrals from our sales business. We are in the process of reviewing strategic options for Alexander Hall.

Government support

2020 was a challenging, loss-making year for Foxtons in which forced closures resulted in £15m of lost revenue over the course of the second and third quarters of 2020 compared to 2019, and on this basis we were grateful for the Government support we received. Given our branches have traded without closure this year and are performing well we have not taken business rates relief. In July we paid £1.5m of branch business rates relating to the first 6 months of 2021 and reflected this expense in our first half performance. We have not made use of the Government's furlough scheme during the period.

Capital returns

As we explained at the Capital Markets Day, once we have met our liquidity and investment needs we will seek to return cash to investors if the business is profitable. We returned to profit in the first half and there is momentum in the business. We are therefore re-instating the ordinary dividend with a payment of 0.18p per share with respect to the half year period and are announcing a £3m share buyback programme to return excess capital to shareholders.

Outlook

After several years of declines, the London sales market is enjoying a resurgence although sales transactions in 2021 are nevertheless likely to be low on a historical basis. The second half of the year is likely to be quieter than the first as the stamp duty relief tapers, but we believe there are signs of sufficient underlying confidence in the market to support a more sustained recovery.

Lettings has yet to fully recover from the pandemic and the associated market dislocation. A return to normality relies upon a return to previous levels of activity and rents, which is dependent on more normal working patterns and increased international travel. However, there are some early signs of growth in tenant demand and of rents firming up.

With improving market share and an attractive proposition, Foxtons is well placed in both sales and lettings. Our first half performance demonstrates how efficiently the business can deliver profits, cash and returns to shareholders.

Nic Budden
Chief Executive Officer

FINANCIAL REVIEW

Overview

Group revenue increased by 29% to £66.9m compared to 2019 (2020: £40.4m, 2019: £51.8m), with revenue from lettings up 2%, revenue from sales up 86% and revenue from mortgage broking up 31%. Group adjusted operating profit was £5.2m (2020: £2.4m loss, 2019: £0.9m loss) with the growth in profitability driven by revenue growth across all three segments. In particular, the sales business delivered significant profitability from incremental revenues delivered in the period. In the four months since acquisition, D&G contributed £7.2m of revenue and £1.0m of operating profit. The Group's statutory profit before tax was £3.3m (2020: £4.3m loss, 2019: £2.5m loss).

At 30 June, the Group held a net cash balance of £24.4m (31 December 2020: £37.0m), with no external borrowings (30 June 2020: £5m). In July, the Group paid £1.1m of deferred D&G consideration and £1.5m of branch business rates relating to the first half of 2021. Period end cash also excludes £0.2m of deferred lease payments that will be paid in the second half of 2021. The Group has a £5m revolving credit facility which has been extended in the period and will expire in July 2024 and remains undrawn.

Summary income statement

£m	H1 2021	H1 2020	H1 2019	Change vs 2020	Change vs 2019
Group revenue	**66.9**	40.4	51.8	65.9%	29.1%
Group contribution[1]	**41.7**	24.9	33.2	67.8%	25.5%
Group adjusted operating profit/(loss)[1]	**5.2**	(2.4)	(0.9)	321.5%	710.1%
Adjusted items	**(0.8)**	(0.8)	(0.4)	5.0%	115.2%
Net finance costs	**(1.1)**	(1.1)	(1.2)	-3.5%	-12.8%
Group statutory profit/(loss) before tax	**3.3**	(4.3)	(2.5)	176.1%	229.2%
Basic and diluted loss per share	**(1.2p)**	(1.8p)	(0.9p)	0.6p	(0.3p)
Adjusted basic and diluted earnings/(loss) per share	**1.0p**	(1.0p)	(0.8p)	2.0p	1.8p
Dividend per share	**0.18p**	-	-	n/a	n/a

[1] These measures are APMs. Measures are defined and purpose explained within Note 13.

Revenue

The Group consists of three operating segments: Lettings, sales and mortgage broking. Narrative explaining segmental revenue performance against 2019 follows.

£m	H1 2021	H1 2020	H1 2019	Change vs 2020	Change vs 2019
Lettings	**33.1**	25.7	32.4	28.8%	2.0%
Sales	**28.6**	11.1	15.4	158.7%	85.5%
Mortgage broking	**5.2**	3.6	4.0	44.3%	31.1%
Group revenue	**66.9**	40.4	51.8	65.9%	29.1%

Lettings

Lettings revenues increased by 2% to £33.1m (2020: £25.7m, 2019: £32.4m) and average revenue per lettings transaction was £3,300 or 6% down (2020: £3,229, 2019: £3,499), with D&G contributing £3.8m of revenue since acquisition in March 2021. Excluding D&G, and adjusting for the £1.4m impact of the tenant fee ban, lettings revenue was 5% down which is reflective of a 9% decrease in average rentals only being partially offset by increased volumes, driven by market share gains.

Sales

Sales revenue increased by 86% to £28.6m (2020: £11.1m, 2019: £15.4m), with D&G contributing £3.4m of revenue since acquisition in March 2021. The average revenue per transaction was £13,833 or 7% higher (2020: £12,906, 2019: £12,934) and the average price of properties sold increased marginally to £579k (2020: £556k, 2019: £544k) which is reflective of D&G's sales contribution being more concentrated on inner parts of London.

Mortgage broking

Mortgage broking revenue increased by 31% to £5.2m (2020: £3.6m, 2019: £4.0m), the increase primarily reflecting growth in new mortgages driven by the pick-up in sales volumes noted above.

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 table below shows an increase in sales market activity in the period.

% of total revenue	**H1 2021**	H1 2020	H1 2019
Lettings	**49%**	64%	62%
Sales	**43%**	27%	30%
Mortgage broking	**8%**	9%	8%
	100%	100%	100%

Profitability

Contribution, contribution margin, adjusted operating profit/(loss) and adjusted operating profit/(loss) margin are APMs management uses to monitor the profitability of the Group and operating segments. The Group's APMs are defined and purpose explained in Note 13.

Contribution and contribution margin

Contribution is revenue less direct salary costs and cost of bad debt. Group contribution increased to £41.7m (2020: £24.9m, 2019: £33.2m) compared to both 2020 and 2019 as a result of increased revenue. Group contribution margin was 62.4% (2020: 61.6%, 2019: 64.1%), with margin being marginally down compared to 2019.

	H1 2021 £m	**H1 2021 margin**	H1 2020 £m	H1 2020 margin	H1 2019 £m	H1 2019 margin
Lettings	**22.5**	**67.9%**	18.4	71.6%	23.5	72.5%
Sales	**16.9**	**59.1%**	4.9	43.9%	7.9	50.9%
Mortgage broking	**2.3**	**45.1%**	1.6	44.9%	1.8	46.9%
Group contribution	**41.7**	**62.4%**	24.9	61.6%	33.2	64.1%

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

Adjusted operating profit for the period was £5.2m (2020: £2.4m loss, 2019: £0.9m loss). For the purposes of segmental reporting, shared costs are allocated between the lettings business and the sales business with reference to their relative headcount.

	H1 2021 £m	**H1 2021 margin**	H1 2020 £m	H1 2020 margin	H1 2019 £m	H1 2019 margin
Lettings	**1.5**	**4.4%**	2.0	7.8%	2.0	6.2%
Sales	**2.7**	**9.5%**	(4.8)	(43.4%)	(3.5)	(22.5%)
Mortgage broking	**1.1**	**20.3%**	0.4	12.5%	0.6	15.5%
Group adjusted operating profit/(loss)	**5.2**	**7.8%**	(2.4)	(5.8%)	(0.9)	(1.7%)

Adjusted items

A net £0.8m adjusted items charge (2020: £0.8m, 2019: £0.4m) comprises £0.5m of acquisition costs, £0.7m impairment of an interest in an associate to fair value to reflect the manner in which the carrying amount will be principally recovered and a £0.4m credit relating to property restructuring.

Statutory profit/(loss) before tax

The statutory profit before tax in the period was £3.3m (2020: £4.3m loss, 2019: £2.5m loss) after charging direct operating costs of £25.2m (2020: £15.5m, 2019: £18.6m) and other operating costs of £37.3m (2020: £28.0m, 2019: £34.5m). Within other operating costs, the following charges have been incurred:

- Depreciation of £6.4m (2020: £6.3m, 2019: £6.4m)
- Amortisation of £0.8m (2020: £0.4m, 2019: £0.3m), including £0.6m (2020: £0.3m, 2019: nil) relating to acquired intangibles
- Share-based payment charge of £0.8m (2020: £0.5m, 2019: £0.4m)
- Adjusted items charges of £0.8m (2020: £0.8m, 2019: £0.4m)

The Group incurred net finance costs of £1.1m (2020: £1.1m, 2019: £1.2m).

Taxation

The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. 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 219.6% (2020: 26.8%) which compares to the statutory corporation tax rate of 19.0% (2020: 19.0%). The main driver affecting the effective tax rate is the substantively enacted UK corporation tax rate change from 19% to 25% with effect from 1 April 2023, resulting in the net deferred tax liability being remeasured accordingly to £25.4m (2020: £19.1m). The Group received no tax refunds during the year (2020: £0.3m, 2019: £0.1m).

Earnings/loss per share

Basic and diluted loss per share was 1.2p (2020: 1.8p, 2019: 0.9p) and adjusted basic and diluted earnings/(loss) per share was 1.0p (2020: 1.0p loss, 2019: 0.8p loss). The basic and diluted loss per share is the result of the remeasurement of the Group's deferred tax liabilities following the change in the UK corporation tax rate noted above resulting in an additional £6.3m tax charge (2020: £1.7m) in the period.

Cash flow and net cash

The Group held net cash, excluding lease liabilities, of £24.4m at 30 June 2021 (31 December 2020: £37.0m). Net free cash inflow of £3.0m (2020: £5.7m), was driven by increased profitability in the period, partly offset by £9.1m of lease liability payments, including £2.1m of previously deferred lease payments, and £1.1m of net capital expenditure driven by IT and branch investments.

	H1 2021 £m	H1 2020 £m	H1 2019 £m
Operating cash inflow before movements in working capital	**12.5**	4.6	5.5
Working capital inflow/(outflow)	**0.7**	3.6	(3.0)
Income taxes refund	**-**	0.3	0.1
Net cash from operating activities	**13.2**	8.5	2.6
Repayment of IFRS 16 lease liabilities	**(9.1)**	(2.7)	(5.9)
Net cash used in investing activities[1]	**(1.1)**	(0.1)	(0.2)
Net free cash inflow/(outflow)	**3.0**	5.7	(3.5)

[1] Excluding the acquisition of subsidiaries (net of any cash acquired) and purchases of investments.

Acquisitions

On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies for £14.25m, measured on a cash and debt free basis. D&G is a high quality London estate agent with a large lettings business typically 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.

Gross purchase consideration was £15.5m with £13.9m paid in March, £1.1m paid in July and £0.5m of contingent cash consideration remaining. Consideration paid in the period, net of cash acquired, was £10.0m.

Acquired net assets have been provisionally fair valued at the date of acquisition and include £5.4m of customer contracts and relationships and £6.3m of acquired goodwill. The acquisition contributed £7.2m of revenue and £1.0m of operating profit during the Group's four months of ownership.

Other balance sheet positions

At 30 June the significant balance sheet positions were:

- Goodwill of £17.7m (2020: £10.1m) and other intangible assets of £108.1m (2020: £102.1m). Increases due to the D&G acquisition contributing £6.3m of goodwill and £5.4m of intangibles.
- Total contract assets of £4.1m (2020: £1.8m) and total contract liabilities of £8.0m (2020: £7.5m), with the increase in the contract asset driven by the acquisition of D&G.
- Interest in associate and investments of £3.7m (2020: £1.2m) reflecting a £3m investment in PD Innovations Limited, trading as Boomin, and a £0.7m impairment of an interest in an associate to fair value.
- Lease liabilities of £53.3m (2020: £56.5m) and right-of-use assets of £49.1m (2020: £47.8m).
- Trade and other receivables of £19.5m (2020: £11.6m) and trade and other payables of £20.3m (2020: £12.6m). Both balances increased due to the acquisition of D&G and increased June activity.

Dividend

The Group's ordinary dividend policy is to return 35-40% of profit after tax to shareholders as an ordinary dividend. In the first half of the year the Group made a profit after tax of £3.1m after excluding one-off non-cash charges of £7.0m relating to deferred tax remeasurement charge (£6.3m) and non-cash adjusted items (£0.7m) recognised during the period. Based upon the first half performance and the momentum in the business, the Board has made the decision to re-instate the dividend with a payment of 0.18p per share for the half year period. Payment will be made on 28 September 2021 to shareholders on the register at close of business on 27 August 2021. The shares will be quoted ex-dividend on 26 August 2021.

Post balance sheet events

There are no post balance sheet events to report.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as the Group is in a net cash position, is entirely UK-based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5m revolving credit facility (RCF) which has been extended to June 2024 and remains undrawn.

Pensions

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

Risk management

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

Going concern

The condensed financial statements have been prepared on a going concern basis as the Directors have satisfied themselves that 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 for details of the Group's going concern assessment.

Related parties

Related party transactions are disclosed in Note 11 of the condensed financial statements. There have been no material changes in the related party transactions described in the last Annual Report and Accounts.

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 regularly reviews operations to ensure that any non-standard transactions have been properly authorised and that procedures are being properly adhered to across the branch network. The Audit Committee monitors the effectiveness of the risk management system through regular updates originating from the various executive risk committees.

The principal risks table below sets out the risks facing the business at the date of this report analysed between external and internal factors. These risks do not comprise all of the risks that the Group may face and 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.

At half year 2021, the principal risks are considered to be consistent with those set out on pages 32 to 35 of the 2020 Annual Report and Accounts. The impact of the Group's existing principal risks have been reviewed and updated where required. A summary of the principal risks is provided below.

External risk factors

Risk	Impact on Group
Market risk	During the first half of the year there was evidence of the sales market recovering driven by a combination of political stability and easing Covid-19 restrictions. Notwithstanding the improvements in the market, there continues to be market risk, with the following key factors driving the level of risk: • 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; and • the market being impacted by changes in government policy such as changes in stamp duty taxes or increased regulation in the lettings market.
Covid-19	During 2020 the Group's performance was significantly impacted by Covid-19 in the form of forced branch closures and other business restrictions. Over the course of 2021 restrictions have eased and associated level of risk continues to reduce. Notwithstanding the improving conditions, there continues to be Covid-19 related risks including: • ongoing negative impact on the UK economy and consumer confidence which may adversely impact residential property transaction levels in the medium term. The speed and extent of recovery is difficult to predict and therefore there continues to be uncertainty in the market outlook; • 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 the self-isolation requirements; 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 risk factors

Risk	**Impact on 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.

FORWARD LOOKING STATEMENTS

This interim results 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 28 July 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

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

By order of the Board

Nic Budden
Chief Executive Officer
28 July 2021

Richard Harris
Chief Financial Officer
28 July 2021

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2021

Continuing operations	Notes	**Six months to 30 June 2021 (unaudited) £'000**	Six months to 30 June 2020 (unaudited) £'000
Revenue	2	**66,926**	40,350
Direct operating costs		**(25,188)**	(15,478)
Other operating costs		**(37,342)**	(28,021)
Operating profit/(loss)		**4,396**	(3,149)
Other losses		**(29)**	(32)
Finance income		**16**	78
Finance costs		**(1,091)**	(1,192)
Profit/(loss) before tax		**3,292**	(4,295)
Tax charge	3	**(7,173)**	(1,152)
Loss for the period		**(3,881)**	(5,447)
Earnings/(loss) per share			
Basic and diluted (pence per share)	5	**(1.2)**	(1.8)

Adjusted results from continuing operations

Adjusted operating profit/(loss)[1]	2	**5,225**	(2,360)
Adjusted basic and diluted earnings/(loss) per share (pence per share)[2]	5	**1.0**	(1.0)

[1] Adjusted operating profit/(loss) is an APM and is reconciled to statutory profit/(loss) before tax in Note 2. The adjusted operating profit/(loss) measure is presented before charging £0.8m of adjusted items (2020: £0.8m) as set out in Note 2.

[2] Adjusted basic and diluted earnings/(loss) per share is an APM and is reconciled to statutory earnings/(loss) per share in Note 5.

The notes on pages 18 to 28 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021

	Six months to 30 June 2021 (unaudited) £'000	Six months to 30 June 2020 (unaudited) £'000
Loss for the period	**(3,881)**	(5,447)
Other comprehensive income		
Items that will not be reclassified to profit or loss (net of tax):		
Changes in fair value of equity instruments at FVOCI	**(19)**	-
Other comprehensive loss for the period	**(19)**	-
Total comprehensive loss for the period	**(3,900)**	(5,447)

The notes on pages 18 to 28 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

	Notes	**30 June 2021 (unaudited) £'000**	30 June 2020 (unaudited) £'000	31 December 2020 (audited) £'000
Non-current assets				
Goodwill	6	**17,716**	10,100	11,420
Other intangible assets	6	**108,110**	102,074	103,542
Property, plant and equipment		**11,468**	11,428	10,548
Right-of-use assets	7	**49,081**	47,854	44,444
Contract assets		**582**	759	350
Interest in associate and investments		**3,684**	1,239	1,237
Deferred tax assets		**1,272**	2,859	1,904
		191,913	176,313	173,445
Current assets				
Trade and other receivables		**19,471**	11,589	13,866
Contract assets		**3,550**	1,061	1,653
Current tax assets		**-**	-	76
Cash and cash equivalents		**24,365**	45,545	36,984
		47,386	58,195	52,579
Total assets		**239,299**	234,508	226,024
Current liabilities				
Trade and other payables		**(20,317)**	(12,581)	(10,309)
Borrowings		**-**	(5,000)	-
Current tax liabilities		**(112)**	(154)	-
Lease liabilities	7	**(11,536)**	(12,780)	(10,849)
Contract liabilities		**(6,917)**	(6,272)	(7,659)
Provisions		**(338)**	(611)	(367)
		(39,220)	(37,398)	(29,184)
Net current assets		**8,166**	20,797	23,395
Non-current liabilities				
Lease liabilities	7	**(41,761)**	(43,755)	(40,709)
Contract liabilities		**(1,042)**	(1,211)	(1,080)
Provisions		**(1,906)**	(1,174)	(1,216)
Deferred tax liabilities		**(26,700)**	(19,066)	(19,379)
		(71,409)	(65,206)	(62,384)
Total liabilities		**(110,629)**	(102,604)	(91,568)
Net assets		**128,670**	131,904	134,456
Equity				
Share capital		**3,301**	3,301	3,301
Merger reserve		**20,568**	20,568	20,568
Other reserves		**2,653**	2,653	2,653
Own shares reserve	10	**(3,063)**	(56)	(374)
Retained earnings		**105,211**	105,438	108,308
Total equity		**128,670**	131,904	134,456

The notes on pages 18 to 28 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 6 months ended 30 June 2021 were approved by the Board on 28 July 2021.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2021

	Notes	**Share capital £'000**	**Merger reserve £'000**	**Other reserves £'000**	**Own shares reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2021		**3,301**	**20,568**	**2,653**	**(374)**	**108,308**	**134,456**
Loss for the period		**-**	**-**	**-**	**-**	**(3,881)**	**(3,881)**
Other comprehensive loss for the period						**(19)**	**(19)**
Dividends	4	**-**	**-**	**-**	**-**	**-**	**-**
Own shares acquired in the period	10	**-**	**-**	**-**	**(2,689)**	**-**	**(2,689)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**803**	**803**
Balance at 30 June 2021 (unaudited)		**3,301**	**20,568**	**2,653**	**(3,063)**	**105,211**	**128,670**

	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 period		-	-	-	-	(5,447)	(5,447)
Dividends	4	-	-	-	-	-	-
Share issuance		550	20,568	-	-	-	21,118
Credit to equity for share-based payments		-	-	-	-	452	452
Balance at 30 June 2020 (unaudited)		3,301	20,568	2,653	(56)	105,438	131,904

	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 period		-	-	-	-	(3,191)	(3,191)
Dividends	4	-	-	-	-	-	-
Share issuance		550	20,568	-	-	-	21,118
Own shares acquired in the period	10	-	-	-	(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

The notes on pages 18 to 28 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2021

	Notes	**Six months 30 June 2021 (unaudited) £'000**	Six months 30 June 2020[1] (unaudited) £'000
Operating activities			
Operating profit/(loss)		**4,396**	(3,149)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**6,387**	6,262
Branch asset impairment		**-**	1,420
Investment impairment		**694**	-
Gain on disposal of property, plant and equipment and right-of-use assets		**(540)**	(173)
Amortisation of intangible assets		**837**	389
Decrease in provisions		**(109)**	(590)
Share-based payment charges		**803**	473
Operating cash flows before movements in working capital		**12,468**	4,632
(Increase)/decrease in receivables		**(4,095)**	1,662
Increase in payables		**4,813**	1,848
Cash generated by operations		**13,186**	8,142
Income taxes (paid)/received		**(18)**	339
Net cash from operating activities		**13,168**	8,481
Investing activities			
Interest received		**3**	54
Proceeds on disposal of property, plant and equipment		**124**	94
Proceeds on disposal of investments		**-**	57
Purchases of property, plant and equipment		**(1,199)**	(208)
Purchases of intangibles		**-**	(29)
Purchases of investments		**(3,000)**	-
Acquisition of subsidiaries (net of cash acquired)	9	**(10,031)**	(1,913)
Net cash used in investing activities		**(14,103)**	(1,945)
Financing activities[1]			
Dividends paid	4	**-**	-
Interest paid		**(10)**	(56)
Repayment of lease liabilities	7	**(9,143)**	(2,707)
Sub-lease receipts		**158**	173
Purchase of own shares	10	**(2,689)**	-
Net proceeds from issue of ordinary share capital		**-**	21,117
Proceeds from external borrowings		**-**	5,000
Net cash (used in)/from financing activities		**(11,684)**	23,527
Net (decrease)/increase in cash and cash equivalents		**(12,619)**	30,063
Cash and cash equivalents at beginning of period		**36,984**	15,482
Cash and cash equivalents at end of period		**24,365**	45,545

[1] All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities except for the proceeds from external borrowings in 2020. Refer to Note 7 for a reconciliation of lease liabilities.

The notes on pages 18 to 28 form part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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

These 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

These condensed consolidated interim financial statements for the 6 months to 30 June 2021 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2020 Annual Report and Accounts, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The comparative figures for the financial period ended 31 December 2020 are not the Group's statutory accounts for that financial period. Those accounts have been reported on by the Group's auditors and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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.

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 interim 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 interim 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 30 June 2021, the Group held a cash balance of £24.4m (31 December 2020: £37.0m), no external borrowings and an undrawn £5m RCF which has been extended and expires in July 2024.

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 possible 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 August 2021 to October 2021, approximately 1.3 times more severe as that experienced from March 2020 to May 2020 during the spring 2020 lockdown, followed by a protracted recovery from November 2021 to May 2022 that is slower than that from June 2020 to September 2020 following the spring 2020 lockdown.

In the unlikely event of the reverse stress scenario, the Group would have a negative cash position in June 2022, assuming the RCF facility is not available due to covenants being breached. Under such a scenario, additional mitigating action could be taken to protect liquidity such as raising additional funds, seeking agreement to defer lease payments and further reducing discretionary spend.

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

1.4 Accounting policies, interpretations and amendments adopted by the Group

The accounting policies applied in these interim statements are the same as those applied in the Group's 2020 Annual Report and Accounts, with the exception of certain new interpretations and amendments adopted in the current period which had no significant effect on the Group's results.

1.5 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. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance. The Group's APMs are defined and purpose explained within Note 13.

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.

1.6 Critical accounting judgements and key sources of estimation uncertainty

The Group's critical accounting judgements and key sources of estimation uncertainty are consistent with those described in the Group's 2020 Annual Report and Accounts.

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 segment generates commission on sales of residential property.
- (iii) Mortgage broking receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Since the sales and lettings 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, including depreciation, amortisation 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 6.

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

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance costs, other gains/losses and adjusted items. This measure 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.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2021:

2021	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	**33,082**	**28,648**	**5,196**	**66,926**
Contribution[1]	**22,475**	**16,923**	**2,341**	**41,739**
Contribution margin[1]	67.9%	59.1%	45.1%	62.4%
Adjusted operating profit	**1,452**	**2,718**	**1,055**	**5,225**
Adjusted operating profit margin	4.4%	9.5%	20.3%	7.8%
Adjusted items[2]				(829)
Operating profit				**4,396**
Other losses				(29)
Finance income				16
Finance costs				(1,091)
Profit before tax				**3,292**

[1] Contribution and contribution margin are defined in Note 13.

[2] 2021 adjusted items charge of £0.8m relating to £0.5m of acquisition costs, £0.7m impairment of an interest in an associate to fair value to reflect the manner in which the carrying amount will be principally recovered and a £0.4m credit relating to property restructuring.

Other information				
Depreciation and amortisation	(4,105)	(3,058)	(61)	(7,224)

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2020:

2020	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	25,675	11,073	3,602	40,350
Contribution[1]	18,394	4,859	1,619	24,872
Contribution margin[1]	71.6%	43.9%	44.9%	61.6%
Adjusted operating profit/(loss)	1,996	(4,806)	450	(2,360)
Adjusted operating profit/(loss) margin	7.8%	(43.4%)	12.5%	(5.8%)
Adjusted items[2]				(789)
Operating loss				(3,149)
Other losses				(32)
Finance income				78
Finance costs				(1,192)
Loss before tax				(4,295)

[1] Contribution and contribution margin are defined in Note 13.

[2] 2020 adjusted items charge of £0.8m relating to branch impairments and property restructure costs.

Other information				
Depreciation and amortisation	(3,959)	(2,631)	(61)	(6,651)

3. TAXATION

The components of the income tax charge recognised in the Group income statement are:

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000
Current tax charge	**189**	-
Deferred tax charge	**6,984**	1,152
Income tax charge	**7,173**	1,152

The tax charged within the 6 months ended 30 June 2021 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ended 31 December 2021 using rates substantively enacted by 30 June 2021 as required by IAS 34 'Interim Financial Reporting'.

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was substantively enacted on 24 May 2021. As IFRS requires that deferred tax be measured at tax rates that have been substantively enacted at the reporting date, the Group's deferred tax balances have been remeasured accordingly and the impact has been reflected within the interim financial statements.

4. DIVIDENDS

For 2021, the Board has declared an interim dividend of 0.18p per ordinary share (£0.6m) to be paid in September 2021. The financial statements do not reflect the dividend payable.

5. EARNINGS/(LOSS) PER SHARE

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

	Six months to 30 June 2021 £'000	Six months to 30 June 2020 £'000
Loss for the purposes of basic and diluted loss per share	**(3,881)**	(5,447)
Adjust for:		
Adjusted items (including associated taxation)[1]	**897**	730
Deferred tax remeasurement (due to UK corporate tax rate change)	**6,316**	1,739
Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share	**3,332**	(2,978)

[1]Net adjusted items charge of £829k (2020: £789k), plus associated tax charge of £68k (2020: £59k credit), resulting in an after tax charge of £897k (2020: £730k).

Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**326,253,710**	300,734,042
Effect of potentially dilutive ordinary shares	**4,694,741**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**330,948,451**	300,734,042
Basic and diluted loss per share (in pence per share)[1]	**(1.2)**	(1.8)
Basic and diluted adjusted earnings/(loss) per share (in pence per share)[2]	**1.0**	(1.0)

[1]As the Group made a loss after tax in the first six months of 2020 and 2021, the diluted loss per share for this period is equal to the basic loss per share, due to the potentially dilutive share options resulting in a reduction in the loss per share and are therefore anti-dilutive.

[2] The 30 June 2020 comparator has been restated to reflect the impact of the 2020 deferred tax remeasurement on the adjusted loss for the period to enable year-on-year comparability.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

At 30 June 2021, goodwill and other intangible assets comprises £125.8m of the balances set out below, with £6.3m of goodwill and £5.4m of intangible assets additions in the period being attributable to the acquisition of Douglas & Gordon (refer to Note 9 for further details).

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000
Goodwill	**17,716**	10,100	11,420
Brand	**99,000**	99,000	99,000
Software	**1,302**	1,706	1,540
Customer contracts and relationships	**7,808**	1,368	3,002
Other intangible assets	**108,110**	102,074	103,542
Goodwill and other intangible assets	**125,826**	112,174	114,962

a) Review for indicators of significant impairment at 30 June 2021

Under IAS 36 'Impairment of Assets', the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and
- review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances

At 30 June 2021, the Group has assessed for indicators of significant impairment of the Group's goodwill and brand asset. Following consideration of both internal and external impairment indicators, including 2021 year-to-date trading performance, no indicators of significant impairment have been identified.

b) Sensitivity analysis

Sensitivity analysis was performed as part of the impairment review for the year ended 31 December 2020 to assess whether the carrying value of the Foxtons brand asset is sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying value. Lettings goodwill showed significant headroom against all sensitivity scenarios, whilst the brand asset was sensitive to reasonable possible changes in key assumptions.

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

As disclosed in Note 9 of the 2020 Annual Report and Accounts, the impairment model indicated brand asset headroom of £57.5m or 35% of the carrying value under test. Cash flows were sourced from the Group's Board approved plan whilst also complying with the requirements of the relevant accounting standard. Sales revenue was assumed 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 was 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.

It was disclosed that 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. At 30 June 2021 there have been no significant changes to this reasonable possible downside scenario.

The Group will complete a full annual impairment review, as required under IAS 36, for the goodwill and brand assets in the second half of the year.

7. LEASES

Right-of-use assets

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

	30 June 2021 **£'000**	30 June 2020 £'000	31 December 2020 £'000
Opening balance	**44,444**	51,404	51,404
Additions	**4,779**	2,005	3,379
Acquired through business combinations (refer to Note 9)	**5,365**	424	581
Disposals	**(337)**	(96)	(396)
Depreciation	**(5,170)**	(4,857)	(9,363)
Impairment charge	**-**	(1,026)	(1,161)
Closing balance	**49,081**	47,854	44,444

Lease liabilities

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

	30 June 2021 **£'000**	30 June 2020 £'000	31 December 2020 £'000
Opening balance	**51,558**	55,864	55,864
Additions	**4,779**	2,005	3,379
Acquired through business combinations (refer to Note 9)	**5,497**	424	581
Disposals	**(475)**	(187)	(467)
Interest charge	**1,081**	1,136	2,216
Payments	**(9,143)**	(2,707)	(10,015)
Closing balance	**53,297**	56,535	51,558
Current	**11,536**	12,780	10,849
Non-current	**41,761**	43,755	40,709

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

	30 June 2021 **£'000**	30 June 2020 £'000	31 December 2020 £'000
Maturity analysis - contractual undiscounted cash flows			
Within one year	**12,916**	14,322	12,735
In the second to fifth years inclusive	**34,730**	32,647	30,771
After five years	**13,917**	18,329	15,240
	61,563	65,298	58,746

8. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Financial assets			
FVOCI financial assets	**3,487**	317	317
Cash and cash equivalents	**24,365**	45,545	36,984
Financial assets recorded at amortised cost	**19,850**	10,529	14,147
Financial liabilities			
Financial liabilities recorded at amortised cost	**(22,066)**	(12,581)	(14,105)
Borrowings	**-**	(5,000)	-
Lease liabilities	**(53,297)**	(56,535)	(51,558)

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

Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of the financial instruments held:

- Level 1 – Quoted market prices
- Level 2 – Valuation techniques (market observable)
- Level 3 – Valuation techniques (non-market observable)

The Group does not hold any financial instruments categorised as Level 2 by IFRS 13. The Level 1 and Level 3 financial instruments held by the Group relate solely to listed equity shares and unlisted equity shares respectively. The Group determines that using cost is an appropriate estimate of fair value of the unlisted equity securities.

The following table shows the changes in Level 1 and Level 3 financial assets for the six months ended 30 June 2021:

	Level 1	**Level 3**
	£'000	**£'000**
Opening balance 1 January 2021	**-**	**317**
Additions	**-**	**3,000**
Acquired through business combinations	**194**	**-**
Fair value movement	**(24)**	
Closing balance 30 June 2021	**170**	**3,317**

In the period the Group invested £3m in PD Innovations Limited, trading as Boomin, which has been classified as a Level 3 FVOCI financial asset. Boomin is the next generation property website, which furthers the Group's ambition to remain at the forefront of technological transformation in the property sector. There were no transfers between Level 1 and Level 3 during the period.

Financial risk factors

The Group's activities expose it to a variety of financial risks including, interest rate risk, credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures as required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2020. There have been no changes in any risk management policies since the year end.

9. BUSINESS COMBINATIONS

On 1 March 2021, the Group acquired 100% of the share capital of Douglas & Gordon Estate Agents Limited ('Douglas & Gordon') and its subsidiary companies, thereby obtaining control. Douglas & Gordon is a high quality London estate agent with a 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.

A provisional purchase price allocation exercise has been completed which identified £5.4m of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 15 years. £6.3m of goodwill has arisen on acquisition and is primarily attributable to synergies, new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated for impairment testing purposes to the Group's lettings cash-generating units which are expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

From the date of acquisition, Douglas and Gordon contributed £7.2m of revenue and £0.9m of profit before tax to the Group's performance from 1 March 2021 to 30 June 2021. If the combination had taken place at the beginning of the year, revenue for the period would have been £2.8m higher and profit before tax would have increased by £0.1m, excluding future synergies and amortisation of acquired intangible assets.

Assets acquired and liabilities assumed

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

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

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

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

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

Purchase consideration

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

As part of the purchase agreement with the previous owners of Douglas & Gordon, £0.5m of contingent cash consideration will be due from the Group on the 12 month anniversary of the acquisition based on the outcome of a number of agreed contingencies. This contingent consideration is included within trade and other payables.

Analysis of cash flows on acquisition

	£'000
Consideration settled in cash (included in cash flows from investing activities)	**(13,903)**
Net cash acquired with the subsidiary (included in cash flows from investing activities)	**3,872**
Transaction costs of the acquisition (included in cash flows from operating activities)	**(464)**
Net cash flow on acquisition	**(10,495)**

Transaction costs amounting to £0.5m are not included as part of consideration transferred and have been recognised as an expense in the Group's consolidated income statement, as an adjusted item.

10. OWN SHARES RESERVE

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Opening balance	**374**	56	56
Acquired during the period	**2,689**	-	318
Utilised during the period	**-**	-	-
Closing balance	**3,063**	56	374

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term incentive schemes. The number of ordinary shares held by the Company and the Employee Benefit Trust at 30 June 2021 was 5,200,379 (2020: 24,314).

During the first six months of the year 4,512,267 (2020: nil) shares with a total value of £2,689,047 have been repurchased by the Company through a share buyback programme and are held in treasury at 30 June 2021.

11. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. During the period, no Group companies entered into transactions with related parties who are not members of the Group.

12. CLIENT MONIES

At 30 June 2021, client monies in approved bank and building society accounts amounted to £101.2m (31 December 2020: £87.0m, 30 June 2020: £91.0m). 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 Group.

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

13. ALTERNATIVE PERFORMANCE MEASURES

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

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

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

a) Adjusted operating profit/(loss)

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance costs, other gains/(losses) and adjusted items (defined within Note 1). This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit/(loss) is profit/(loss) before tax. A reconciliation between profit/(loss) before tax and adjusted operating profit/(loss) is included within the segmental analysis table included in Note 2.

b) Adjusted operating profit/(loss) margin

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

c) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. 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.

Six months to 30 June 2021	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	**33,082**	**28,648**	**5,196**	**66,926**
Less: Directly attributable salary costs	**(10,580)**	**(11,681)**	**(2,855)**	**(25,116)**
Less: Bad debt charges	**(27)**	**(44)**	**-**	**(71)**
Contribution	**22,475**	**16,923**	**2,341**	**41,739**
Contribution margin	**67.9%**	**59.1%**	**45.1%**	**62.4%**

Six months to 30 June 2020	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	25,675	11,073	3,602	40,350
Less: Directly attributable salary costs[1]	(7,077)	(6,048)	(1,983)	(15,108)
Less: Bad debt charges	(204)	(166)	-	(370)
Contribution	18,394	4,859	1,619	24,872
Contribution margin	71.6%	43.9%	44.9%	61.6%

[1] Includes £2.2m of Government support relating to Coronavirus Job Retention Scheme (CJRS) passed through to furloughed employees recognised against direct operating costs. In the first half of 2021, the Group made no use of CJRS.

d) Adjusted earnings/(loss) per share

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

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

The closest equivalent IFRS measure is basic earnings/(loss) per share. Refer to Note 5 for a reconciliation between statutory earnings/(loss) per share and adjusted earnings/(loss) per share.

e) Net free cash flow

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

	Six months to 30 June 2021	Six months to 30 June 2020
	£'000	£'000
Net cash from operating activities	**13,168**	8,481
Less: Repayment of IFRS 16 lease liabilities	**(9,143)**	(2,707)
Investing activities		
Interest received	**3**	54
Proceeds on disposal of property, plant and equipment	**124**	94
Proceeds on disposal of investments	**-**	57
Purchases of property, plant and equipment	**(1,199)**	(208)
Purchases of intangibles	**-**	(29)
Net cash used in investing activities	**(1,072)**	(32)
Net free cash inflow	**2,953**	5,742

f) Net cash/debt

Net cash/(debt) is defined as cash and cash equivalents less external borrowings. The APM defines how the Group measures net cash/(debt) after applying IFRS 16 accounting principles. 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.

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Cash and cash equivalents	**24,365**	45,545	36,984
Borrowings	**-**	(5,000)	-
Net cash	**24,365**	40,545	36,984

INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC

Introduction

We have been engaged by Foxtons Group plc ('the Group') to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and notes to the condensed consolidated interim financial report.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in note 1.2, the annual financial statements of the Group are prepared in accordance with international accounting standards in conformity with the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', and also in accordance with the measurement and recognition principles of UK adopted international accounting standards.

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34, and also in accordance with the measurement and recognition principles of UK adopted international accounting standards, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

Chartered Accountants
London, United Kingdom
28 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).