

FOXTONS GROUP PLC
FINAL RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2022
7 MARCH 2023

Significant unfulfilled potential, medium-term growth ambition to deliver £25m to £30m operating profit

	2022	2021	Change
Continuing operations¹:			
Revenue	£140.3m	£126.5m	+11%
Adjusted operating profit ²	£13.9m	£8.9m	+56%
Profit before tax	£11.9m	£5.6m	+115%
Adjusted earnings per share (basic) ³	3.1p	1.9p	+63%
Earnings/(loss) per share (basic)	3.0p	(0.4p)	–
Total Group⁴:			
Net free cash flow ⁵	£7.7m	£6.6m	+17%
Total dividend per share	0.90p	0.45p	+100%

Strong trading performance driven by significant growth in non-cyclical, recurring Lettings revenue

- Revenue up 11% to £140.3m with growth across all businesses: +17% in Lettings, +1% in Sales and +8% in Financial Services. 65% of revenue generated from non-cyclical, recurring activities.
- D&G Lettings, acquired in March 2021, delivered £5.3m of operating profit in 2022 and a 35% return on capital. £10.6m invested in Lettings acquisitions in 2022.
- Adjusted operating profit up 56% to £13.9m and profit before tax up 115% to £11.9m reflecting high levels of operating leverage driving strong revenue to profit conversion.
- Net free cash flow of £7.7m (2021: £6.6m) and year end net cash of £12.0m (2021: £19.4m).
- Final dividend of 0.7p per share declared, total 2022 dividend of 0.9p per share, an increase of 100%. £4.9m returned through share buybacks in 2022.

Business foundations strong, but four core operational failings have negatively impacted historical performance and prevented significant unfulfilled potential being realised:

- Poor data accessibility and utilisation impeded business decision making and the ability to unlock revenue growth opportunities.
- Outdated estate agency processes and diluted culture restricted organic growth.
- Insufficient headcount capacity and experience constrained productivity.
- No clear customer proposition and brand invisible in core markets limited ability to successfully compete.

Refocused strategic priorities, underpinned by a new purpose, support delivery of medium-term growth ambition to deliver £25m to £30m operating profit

- New purpose underpins our strategy: to get the right deal done for London's property owners.
- Refocused strategic priorities, with an emphasis on non-cyclical and recurring revenue streams, support the delivery of £25m to £30m operating profit in the medium term:
 - Lettings: Deliver 3%-5% average annual organic growth and attractive returns on capital from portfolio acquisitions
 - Sales: Achieve 4.5%+ (2022: 3.4%) share in our markets through building capacity and capabilities
 - Financial Services: 7%-10% annual average revenue growth by maximising cross-sell opportunities

Current trading and outlook

- Trading in January and February in line with our expectations.
- Lettings market dynamic of low volumes and high rental prices has continued into 2023. Little change to the dynamic expected over the year but year-on-year rental price growth rates likely to normalise.
- Sales market more challenging as new buyer activity reduced following the September mini-budget, reducing the value of the under-offer sales pipeline entering this year. Due to the time to complete a sales transaction, these effects will be felt through the majority of 2023.
- Financial Services refinance activity is expected to remain resilient, whilst demand for new purchase mortgages will track performance of the wider sales market.
- Mortgage rates have started to reduce in recent weeks and buyer activity is picking up, which may result in a more favourable sales market in the latter part of the year.
- Operational improvements made in the last 6 months are starting to improve front-end operations including driving property instruction market share growth in both Lettings and Sales.
- High levels of non-cyclical and recurring revenues, alongside operational improvements to drive growth, will protect Group profitability and limit the impact of a weaker sales market.
- £7.4m acquisition of Atkinson McLeod announced yesterday, expected to be earnings enhancing in 2023.

Commenting on today's announcement, Guy Gittins, Group Chief Executive said:

“My first six months have flown by and it’s great to be at the helm of the most iconic estate agency in London, the place I started my career 20 years ago. 2022 was a year of good financial progress, with revenue growth across Lettings, Sales and Financial Services, and profit before tax up significantly up year-on-year.

“My operational review is complete, whilst Foxtons has strong foundations, core operational failings have throttled historical performance and prevented significant unfilled potential from being realised.

“Operational improvements are being made at pace to rebuild our competitive advantages, including embedding a more confident articulation of our brand, investing in revenue generating headcount and improving our data platform to fully harness the power of our industry leading database.

“With the support of our talented workforce, I am certain we have the collective determination to put Foxtons on top where it belongs, and with a refocused set of strategic priorities, have a medium-term growth ambition to deliver £25m to £30m of operating profit.

“Whilst the macroeconomic backdrop remains uncertain, our resilient Lettings and Financial Services businesses, coupled with the operational improvements we are delivering at pace, should mitigate most of the impact of a potentially lower volume sales market.”

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The Company will present a webcast at 9:00am (GMT) for analysts and investors. To access you will be required to pre-register using the following link: <https://secure.emincote.com/client/foxtons/preliminary-results-2022>

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

The presentation will also be broadcast via conference call. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/preliminary-results-2022/vip_connect

¹Both 2021 and 2022 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).

²Adjusted operating profit is defined as profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. Refer to Note 2 for a reconciliation of the measure to statutory measures.

³Adjusted earnings per share is defined as earnings 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 9 for a reconciliation between earnings/(loss) per share and adjusted earnings per share.

⁴Total Group includes results from both continuing operations and discontinued operations. Refer to Note 7 for details of the results from discontinued operations.

⁵Net 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), divestments and purchases of investments.

About Foxtons

Foxtons is London's most iconic estate agency. Founded in 1981, the Group operates from a network of interconnected branches, offering a range of residential property related services across Lettings, Sales and Financial Services. The Group seeks to deliver significant shareholder value through its four strategic priorities:

- Lettings organic growth
- Lettings acquisitive growth
- Sales market share growth
- Financial Services revenue growth

PERFORMANCE AT A GLANCE

Year ended 31 December	2022	2021	Change
Income statement (from continuing operations¹)			
Revenue	£140.3m	£126.5m	11%
Operating profit	£13.8m	£7.6m	82%
Adjusted operating profit ²	£13.9m	£8.9m	56%
Adjusted operating profit margin ²	9.9%	7.1%	286 bps
Profit before tax	£11.9m	£5.6m	115%
Earnings per share (from continuing operations)			
Basic earnings/(loss) per share	3.0p	(0.4p)	–
Adjusted basic earnings per share ²	3.1p	1.9p	63%
Dividends			
Interim dividend per share	0.20p	0.18p	0.02p
Final dividend per share	0.70p	0.27p	0.43p
Net cash and net free cash flow			
Net cash ²	£12.0m	£19.4m	(£7.4m)
Net cash from operating activities ³	£23.9m	£23.5m	1%
Net free cash flow ^{2,3}	£7.7m	£6.6m	17%
Segmental metrics (from continuing operations)			
Lettings revenue	£86.9m	£74.3m	17%
Lettings volumes	20,640	22,091	(7%)
Average revenue per lettings transaction	£4,211	£3,365	25%
Sales revenue	£43.2m	£42.7m	1%
Sales volumes	3,215	3,122	3%
Average revenue per sales transaction	£13,431	£13,668	(2%)
Financial services revenue	£10.2m	£9.5m	8%
Financial services volumes	5,003	4,991	–
Average revenue per Financial Services transaction	£2,043	£1,895	8%

¹ Both 2021 and 2022 results are presented on a continuing operations basis and exclude the results of the D&G Sales business (disposed of on 11 February 2022).

² These measures are APMs used by the Group and are defined, and purpose explained within Note 16.

³ Net cash from operating activities and net free cash flow includes continuing and discontinued operations.

CHAIRMAN'S STATEMENT

2022 was an eventful year for Foxtons. Significant Senior Management changes took place, of which the most significant was the appointment of Guy Gittins as CEO. His appointment was announced in late May and after a period of garden leave required by his previous employer, he joined the Company on 5 September 2022.

Peter Rollings, a Non-Executive Director, who had previously spent 20 years at Foxtons, latterly as a Managing Director, took over as interim CEO pending Guy's arrival. I am most grateful to Peter for taking on this responsibility, which he fulfilled with enthusiasm and commitment.

Guy, who began his career at Foxtons and was most recently CEO of Chestertons, has brought to Foxtons considerable experience and success as an estate agent, as well as knowledge of the London residential market.

During his first six months, Guy has reviewed the business and developed a set of priorities to put the business firmly on the front foot and drive revenue and profit growth based upon rebuilding Foxtons' estate agency DNA. Already he's making significant strides in strengthening Foxtons' competitive advantages, enhancing our ability to innovate and lead the industry with our data capabilities, as well as refreshing our purpose and values.

We are prioritising growth in the non-cyclical revenue streams within Lettings and Financial Services to drive resilience and recurring revenues. Growth will be achieved through organic and inorganic growth in Lettings, and by building up our Financial Services business to handle more of the referrals generated from the Sales business.

The Group has set out its medium-term ambitions which will return Foxtons to a leading agency position in London and deliver significantly improved returns to our shareholders. The management incentive schemes are closely aligned to the Group's medium-term ambitions.

Financials

Revenue from continuing operations increased by 11% to £140.3 million, driven largely by Lettings which contributed £86.9 million, an increase of 17%. Adjusted operating profit increased by 56% to £13.9 million with Lettings contributing £18.0 million, enhanced by a full year of contribution from the D&G Lettings portfolio and the additional acquisitions made in 2022. Profit before tax increased by 115% to £11.9 million.

Head office and other administration costs were reduced by streamlining Senior Management, resulting in annualised savings of around £3 million, of which around two thirds were reflected in the 2022 results. In order to grow market share across the business, these savings have been reinvested, by increasing the number of agents and advisers, to drive organic growth in Lettings and Financial Services and return Sales to profitability in the longer term.

Net cash at the year end was £12.0 million, after investing £8.5 million in lettings portfolios and buying back £4.9 million of shares.

In the final quarter, the Group wrote off its £3.4m investment in Boomin which went into liquidation due to the economic slowdown and a decline in funding availability in the technology sector. Investment will now be firmly focused on the core business.

Board

Reflecting a period of change and some tenures coming to an end, there were a number of Board changes during the year, including a full change of the Executive Directors with Nic Budden, Richard Harris and Patrick Franco stepping down and the appointment of Guy Gittins as CEO and Chris Hough as CFO.

Additionally, two of our Non-Executive directors, Alan Giles and Sheena Mackay, have chosen not to stand for re-election at the 2023 AGM given the new Chairman, CEO and wider management team changes are now complete and in place. I would like to thank Alan and Sheena for their great support and contribution as Non-Executive Directors during my chairmanship and wish them well with their new endeavours. Rosie Shapland

will take up the position of Senior Independent Director upon Alan Giles' resignation from the Board at the 2023 AGM.

I am pleased to welcome Annette Andrews as Non-Executive Director and Chair of the Remuneration and ESG Committees and Jack Callaway as a Non-Executive Director. Both Annette and Jack joined the Board on 1 February 2023, and Annette will take over as Chair of the Remuneration and ESG Committees at the 2023 AGM.

Dividends and share buybacks

The Board has declared a final dividend of 0.7p per share, making a total in respect of 2022 of 0.9p per share under our policy of returning 35% to 40% of profit after tax in ordinary dividends. In 2022 we bought back 14.8 million shares through our share buyback programme at a cost of £4.9 million. The Board will review the continuation of the programme, bearing in mind our other capital needs, once the current authority, of which £1.1 million was unspent at 31 December 2022, is fully utilised.

Medium-term outlook

The new leadership team, the strength of the brand, and an enhanced approach to data and better leveraging our IT system, coupled with increasing our salesforce capacity in Lettings and Sales, will enable Foxtons to build market share. We will continue to invest in high quality lettings portfolios that meet our investment criteria. The £7.4 million acquisition of Atkinson McLeod announced yesterday reflects further progress against this strategy. We will also continue to support and grow our Financial Services business.

We believe we are creating a much more competitive and resilient business that is well placed to deliver growth and shareholder value in the medium term.

Nigel Rich CBE

Chairman

6 March 2023

CHIEF EXECUTIVE'S REVIEW

On 5 September 2022 I was delighted to join as the CEO of the most iconic estate agency in London, and the place I started my career 20 years ago.

A lot has been achieved in the six months since I joined, having completed my operational review, a rebuilding programme has begun and we have refocused our strategic priorities to accelerate growth in non-cyclical and recurring areas of the business. A new purpose, to get the right deal done for London's property owners, was launched in December to better reflect our ambitions and underpins our refocused strategic priorities.

There is significant unfulfilled potential to unlock within the business and our growth ambitions demonstrate this. We want to deliver between £25 million and £30 million of operating profit, in the medium term, and improve operating margins to over 15% through maximising the operating leverage in the business.

It is my aim to make Foxtons London's go-to estate agent, and by doing so, create significant value for shareholders.

Results

I am pleased to report that despite a challenging economic backdrop, revenue from continuing operations was up 11% to £140.3 million (2021: £126.5 million), adjusted operating profit was up 56% to £13.9 million and profit before tax was up 115% to £11.9 million. Net cash at the period end was £12.0 million.

Lettings revenue grew 17% to £86.9 million, and the Lettings portfolio now stands at c.26,500 tenancies, an increase of 5% over the prior year. In February 2022 the business integrated the D&G Lettings portfolio onto our scalable operating platform and disposed of the loss-making D&G Sales business, delivering significant profit growth. In May 2022 we acquired another two lettings portfolios, as part of our strategy to deliver attractive total returns on invested capital and improve the resilience of our revenues. Both portfolios have been successfully integrated and are delivering a good level of return.

Sales revenue grew 1% to £43.2 million and market share growth is a key area of our focus over the medium term. Profitability of the Sales business was impacted in the year as we began the investment required to build capability and deliver market share growth over the medium term.

Financial Services revenue grew 8% to £10.2 million. Growth in this segment is especially pleasing given the significant upheaval in mortgage markets, reflecting the strength of our proposition, the expertise of our advisers and the recurring revenues from refinance activity.

Non-cyclical recurring revenues from Lettings and Financial Services, which enhance the Group's earnings resilience, now represent c.65% of Group revenue and reflects significant growth in Lettings.

Operational review

My first six months at Foxtons have been spent reviewing all aspects of the business and its operating model. Alongside this, I have been busy meeting colleagues and visiting each of our branches. I have been incredibly impressed by the shared vision of our people to deliver success and firmly believe their ambition, drive and professionalism remains a key differentiator.

Having completed my operational review, I am able to report that the foundations of the business are strong and the core operating model is sound. However, it is also clear that some of Foxtons' estate agency DNA that I knew so well has been lost; specifically, the innovation, brand prominence and single-minded focus on delivering the best results for customers that Foxtons was once famous for.

The key to rediscovering that DNA is through rebuilding areas of historic competitive advantage – namely our brand, people and culture, and data and technology – which have been eroded over time as a result of some investments made in the wrong areas, leading to an underinvested core business and limiting the ability to deliver any significant organic growth.

In addition, the Company's purpose was confused and our employee values misaligned with the business' focus and ambitions. I have refocused the whole business on what we need to deliver and launched a new purpose and values to reflect our strategic priorities and estate agency DNA.

Our purpose, to get the right deal done for London's property owners, was unveiled to the entire workforce in December 2022 and will act as a cornerstone to everything we do, including delivering the best result for all our stakeholders. It will inspire and focus our teams as we renew the culture and remind customers of why they should appoint Foxtons.

Refocused strategic priorities

We now have a refocused set of strategic priorities to deliver revenue and profit growth and meet our medium-term operating profit ambition.

In Lettings, a core focus will be to grow revenue and profits through organic growth, accelerated further by acquisitive growth. This will significantly enhance the resilience of the Group's earnings and mitigate our exposure to the cyclical sales market.

In Sales, the focus is to drive market share growth, ensuring the business captures the upside from any sales market recovery and delivering good levels of cross-sell into Lettings and Financial Services. We believe this is the right strategy to grow profitability and deliver strong shareholder returns. Our four strategic priorities are as follows:

1. Lettings: Organic growth

Limited Lettings organic growth has been delivered in recent years. We will reverse this trend by:

- Winning new property instructions by better leveraging our database and embedding a culture of proactive lead generation both in our central hub and branches.
- Being the fastest agent to bring new instructions to market and improve our instruction to exchange success rate.
- Improving landlord retention through post-transaction service excellence in Property Management and back office operational processes.

Medium-term ambition: 3%-5% revenue CAGR

2. Lettings: Acquisitive growth

We will continue to pursue Lettings acquisitive growth and build on our successful acquisition track record by:

- Identifying and acquiring high quality portfolios that meet our investment criteria and expand our footprint in existing and untapped markets adjacent to our current footprint.
- Integrating acquired portfolios into our scalable operating platform to deliver revenue and cost synergies and drive significant margin growth.
- Delivering recurring revenues and profits through retention of acquired landlords by delivering ongoing excellent customer outcomes.

Medium-term ambition: 20%+ return on capital from lettings portfolio acquisitions

3. Sales: Market share growth

We have c. 3.4% share of our addressable market, compared to c. 4.5% in 2016. We aim to get back to those levels by:

- Increasing market share of instructions in our core markets by re-establishing Foxtons' premium brand positioning.
- Improving rate of sell through from instruction to exchange by maintaining sufficient workforce capacity across our branch network and delivering industry leading training.

- Improving cross-sell by deepening connectivity with the Financial Services business and in-house conveyancing panel to improve conversion of instructions.

Medium-term ambition: 4.5%+ market share in our addressable markets

4. Financial Services: Revenue growth

We can better leverage our referral leads to Financial Services by:

- Growing capacity by increasing adviser headcount to take advantage of existing referral opportunities.
- Improving adviser productivity by reducing adviser data entry processes and improving customer contact times through the use of paraplanners and investment into technology solutions.
- Improving cross-sell through an increased emphasis on secondary products, such as protection products, to drive revenue and profit per customer.

Medium-term ambition: 7%-10% revenue CAGR

Rebuilding our competitive advantages

Underpinning these strategic priorities is the work underway to rebuild our competitive advantages:

- **Reinvigorating our iconic brand**

We've invested in a new marketing initiative to make clear what Foxtons stands for and why landlords, sellers and those who need finance should choose us. This is embodied in our new brand ethos, 'We Get it Done' which captures the essence of Foxtons' estate agency DNA. We have also reintroduced the iconic Foxtons Mini to re-energise brand visibility on the streets of London, alongside a programme to refurbish our highly visible branch network. There is more to do here, but I'm pleased with the direction of travel.

- **Investing in our people and culture**

We started investing in our people in 2022, including increasing estate agency and adviser headcount. I am particularly pleased with changes we have made to turbocharge a high-performance sales culture, including rewarding success, focusing on training and career progression to support retention, and aligning incentives with our strategic priorities.

- **Enhancing our data and technology**

We are overhauling our outdated data architecture to modern standards, with resulting data accessibility and utilisation across the Group supporting the transition towards becoming a data-led business. This will deliver a greater level of insight into the drivers of our own business performance and inform and support business decision making. Furthermore, this will allow us to better leverage our property and customer database to drive property instruction opportunities across Lettings and Sales.

Foxtons was the original property disruptor, but the focus of our in-house experts was being directed towards back office administrative enhancements too often, rather than innovating our core estate agency processes. The focus is now to modernise and revolutionise our core processes, particularly in Lettings where speed is of the essence, to provide a true competitive advantage against the market.

Outlook and current trading

The overall outlook for 2023 is expected to be more challenging than 2022, due to the highly uncertain macroeconomic backdrop, including significantly higher interest rates and inflation levels than in prior years impacting the sales market.

Lettings is expected to remain resilient in 2023, with demand for rental properties expected to continue to outstrip supply over the near term, with rental price growth likely to normalise over the course of 2023. Yesterday, we announced the acquisition of Atkinson McLeod, adding a further c.1,100 tenancies and annualised revenues of around £3 million, demonstrating ongoing progress with our acquisition strategy.

In Sales, we entered 2023 with a smaller under-offer pipeline than the prior year as a result of sales market volatility following the September mini-budget. With the typical property purchase taking over four months to

complete, we expect Sales revenue to be adversely impacted through the majority of 2023. While it remains extremely difficult to forecast the sales market, recent reductions in mortgage rates are encouraging buyer enquiries which may result in a more favourable sales market in the latter part of the year.

In Financial Services, refinance volumes are expected to remain resilient, due to their non-cyclical and recurring characteristics, whilst demand for new purchase mortgages will track the performance of the wider sales market.

Trading in the first two months of the year has been in line with our expectations, with recently implemented operational improvements starting to drive our market share of property instructions across Lettings and Sales.

In summary, the business has strong foundations and significant unfulfilled potential. I am confident our refocused strategy is the right one and we have the collective determination to put Foxtons on top where it belongs.

Guy Gittins

Chief Executive Officer

6 March 2023

FINANCIAL REVIEW

FINANCIAL OVERVIEW – HIGHLIGHTS

	2022 £m	2021 £m	Change
Revenue	140.3	126.5	11%
Contribution ¹	91.3	78.5	16%
<i>Contribution margin¹</i>	65.1%	62.1%	295 bps
Operating profit	13.8	7.6	82%
Adjusted operating profit ¹	13.9	8.9	56%
<i>Adjusted operating profit margin¹</i>	9.9%	7.1%	286 bps
Profit before tax	11.9	5.6	115%
Profit/(loss) after tax	9.6	(1.3)	–
Adjusted earnings per share (basic)	3.1p	1.9p	63%
Earnings/(loss) per share (basic)	3.0p	(0.4p)	–
Net free cash flow and net cash			
Net free cash flow ^{1,2}	7.7	6.6	18%
Net cash as at 31 December ^{1,3}	12.0	19.4	(38%)
Dividends			
Interim dividend per share	0.20p	0.18p	0.02p
Final dividend per share	0.70p	0.27p	0.43p

1 APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.

2 Net free cash flow is from continuing and discontinued operations.

3 Net cash excludes cash held for sale (only applicable as at 31 December 2021).

Notes:

- All results and measures within the financial review are presented on a continuing operations basis unless otherwise stated.
- Values in tables may have been rounded and totals may therefore not be the sum of presented values in all instances.

Revenue increased by 11% to £140.3 million (2021: £126.5 million), with Lettings revenue up 17%, Sales revenue up 1% and Financial Services revenue up 8%. Adjusted operating profit increased by £5.0 million to £13.9 million (2021: £8.9 million), driven by strong profit growth in Lettings. Profit before tax from continuing operations was £11.9 million (2021: £5.6 million) and profit after tax was £9.6 million (2021: £1.3 million loss).

£7.7 million (2021: £6.6 million) of net free cash flow was generated (from continuing and discontinued operations). Net cash at the end of the period was £12.0 million (2021: £19.4 million, excluding cash classified as held for sale). The Group continues to have access to a £5.0 million revolving credit facility (RCF) which expires in June 2024 and remained undrawn throughout 2022.

An interim dividend of 0.2p per share was paid in September 2022. In line with our dividend policy of returning 35% to 40% of profit after tax (excluding one-off non-cash items), the Board has proposed a final dividend of 0.7p per share bringing the total ordinary dividend for the year to 0.9p per share (2021: 0.45p per share).

REVENUE

	2022 £m	2021 £m	Change
Lettings	86.9	74.3	17%
Sales	43.2	42.7	1%
Financial Services	10.2	9.5	8%
Total	140.3	126.5	11%

The Group consists of three operating segments: Lettings, Sales and Financial Services. Lettings represents 62% of total revenue (2021: 59%), Sales 31% of total revenue (2021: 34%) and Financial Services 7% of total revenue (2021: 7%).

Lettings revenue

Lettings revenue increased by 17% to £86.9 million (2021: £74.3 million), reflecting a 25% increase in average revenue per transaction (2022: £4,211; 2021: £3,365), partially offset by a 7% reduction in transaction volumes (2022: 20,640; 2021: 22,091). The key drivers of revenue growth are:

- £7.6 million of organic revenue growth, which excludes incremental revenues from D&G Lettings and the May 2022 acquisitions. This organic revenue growth reflects a 20% increase in average rental prices and longer tenancies being agreed, partially offset by a decrease in transaction volumes reflecting ongoing constraints in the supply of rental properties.
- £2.0 million of incremental revenue growth from the D&G Lettings portfolio reflecting two additional months of trading in 2022. The D&G Lettings portfolio was fully integrated into the Foxtons infrastructure in February 2022.
- £3.0 million of incremental revenue from the May 2022 acquisitions.

Sales revenue

Sales revenue increased by 1% to £43.2 million (2021: £42.7 million), reflecting a 2% decrease in average revenue per transaction (2022: £13,431; 2021: £13,668), offset by a 3% increase in transaction volumes (2022: 3,215; 2021: 3,122). The average price of properties sold increased to £590,000 (2021: £577,000). The May 2022 acquisitions contributed £0.5 million of revenue.

Financial Services revenue

Financial Services revenue increased by 8% to £10.2 million (2021: £9.5 million), the increase primarily reflects a 6% increase from mortgage activity from higher average fees and increased loan size, and a 2% increase from protection volumes. In 2022, £4.5 million of Financial Services revenue relates to non-cyclical refinance activity and £5.7 million relates to purchase activity which is more cyclical in nature.

CONTRIBUTION AND CONTRIBUTION MARGIN

	2022		2021 ¹	
	£m	margin	£m	margin
Lettings	64.8	74.5%	51.7	69.5%
Sales	22.0	51.0%	22.8	53.4%
Financial Services	4.5	43.9%	4.1	42.9%
Total	91.3	65.1%	78.5	62.1%

¹ Certain changes have been made to the presentation of the segmental disclosures, with the 2021 presentation restated accordingly. Refer to Note 2 of the financial statements for further details.

Group contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £91.3 million (2021: £78.5 million). The increase is attributable to incremental revenue converting to contribution at an improved margin of 65.1% (2021: 62.1%).

ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN

	2022		2021 ¹	
	£m	margin	£m	margin
Lettings	18.0	20.7%	9.8	13.2%
Sales	(3.2)	(7.5%)	0.5	1.3%
Financial Services	1.8	17.3%	1.5	16.3%
Corporate costs	(2.6)	n/a	(2.9)	n/a
Total	13.9	9.9%	8.9	7.1%

¹ Certain changes have been made to the presentation of the segmental disclosures, with the 2021 presentation restated accordingly. Refer to Note 2 of the financial statements for further details.

Adjusted operating profit for the period was £13.9 million (2021: £8.9 million). Non-cyclical Lettings revenues have underpinned and driven significant profit growth in 2022, with Lettings revenue increasing by £12.6 million and Lettings adjusted operating margin improving by 750 bps, reflecting the inherent operating leverage of the business.

D&G Lettings contributed £5.3 million of adjusted operating profit (2021: £3.7 million) on £11.2 million of revenue (2021: £10.0 million), reflecting an adjusted operating margin of 47% (2021: 37%).

For the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between Lettings and Sales with reference to relevant cost drivers, such as front office headcount in the respective businesses. Corporate costs, which relate to Non-Executive Director and other listed entity costs, are not allocated to the operating segments and are presented separately.

Adjusted operating profit of £13.9 million (2021: £8.9 million) is after charging £126.4 million (2021: £117.5 million) of costs, including the following:

- Direct operating costs of £49.0 million (2021: £47.9 million) relating to direct salary costs of front office staff and bad debt charges.
- Other operating costs, excluding adjusted items, of £77.4 million (2021: £69.6 million), which includes the following charges:
 - Depreciation of £12.2 million (2021: £12.2 million).
 - Amortisation of £1.6 million (2021: £1.4 million), including £1.0 million (2021: £0.9 million) relating to acquired intangibles.
 - Share-based payment charges of £0.3 million (2021: £1.6 million).

PROFIT BEFORE TAX

	2022 £m	2021 £m
Adjusted operating profit	13.9	8.9
Less: adjusted items	(0.1)	(1.4)
Operating profit	13.8	7.6
Less: Net finance costs and other losses	(1.9)	(2.0)
Profit before tax	11.9	5.6

Profit before tax has increased by 115% to £11.9 million (2021: £5.6 million). Profit before tax includes £0.1 million of adjusted items charges (2021: £1.4 million) which comprises:

- £0.4 million property related credits (2021: £0.9 million).
- £0.3 million reversal of branch asset impairment (2021: £0.5 million charge).
- £0.2 million transaction related costs (2021: £0.6 million).
- £0.6 million reorganisation costs (2021: £0.5 million).
- Nil impairment of interests in associate (2021: £0.7 million).

Net finance costs and other losses of £1.9 million (2021: £2.0 million) were incurred, primarily relating to IFRS 16 lease finance costs.

PROFIT/(LOSS) AFTER TAX

	2022 £m	2021 £m
Profit before tax	11.9	5.6
Less: current tax charge	(2.2)	(0.5)
Less: deferred tax charge (due to UK corporation tax rate change)	–	(6.1)
Less: deferred tax charge (other movements)	(0.2)	(0.3)
Profit/(loss) after tax	9.6	(1.3)

The profit after tax of £9.6 million (2021: £1.3 million loss) is after a total tax charge of £2.4 million (2021: £6.9 million), of which £0.2 million (2021: £6.4 million) relates to non-cash deferred tax accounting charges and £2.2 million (2021: £0.5 million) relates to current tax.

The effective tax rate for the period was 19.9% (2021: 124.1%), which compares to the statutory corporation tax rate of 19.0% (2021: 19.0%). The 2022 effective tax rate is higher than the statutory corporation tax rate due to non-deductible expenses, including share based payment charges, offset by a reduction due to the recognition of previously unrecognised deferred tax. In 2021, the effective tax rate was impacted by a £6.1 million non-cash accounting re-measurement charge as a result of the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

The Group's net deferred tax liability at 31 December 2022 totalled £25.7 million (2021: £24.8 million), which includes £27.0 million (2021: £26.5 million) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.4 million (2021: £1.7 million). The deferred tax assets relate to tax losses brought forward which are expected to be recovered through future taxable profits.

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received no tax refunds during the year (2021: none).

EARNINGS/(LOSS) PER SHARE

	2022 £m	2021 £m
Profit/(loss) after tax	9.6	(1.3)
Add back: adjusted items (net of tax)	–	1.5
Add back: deferred tax (due to UK corporation tax rate change)	–	6.1
Adjusted earnings for the purposes of adjusted earnings per share	9.6	6.2
Earnings/(loss) per share (basic)	3.0p	(0.4p)
Earnings/(loss) per share (diluted)	3.0p	(0.4p)
Adjusted earnings per share (basic)	3.1p	1.9p
Adjusted earnings per share (diluted)	3.0p	1.9p

Earnings per share (basic) was 3.0p (2021: 0.4p loss) and earnings per share (diluted) was 3.0p (2021: 0.4p loss). On an adjusted basis, earnings per share (basic) was 3.1p (2021: 1.9p) and earnings per share (diluted) was 3.0p (2021: 1.9p). In 2021, the adjusted basis excluded an adjusted items charge of £1.5 million and a £6.1 million deferred tax remeasurement charge, no such adjustments were required in 2022.

NET FREE CASH FLOW AND NET CASH

	2022 £m	2021 £m
<i>From continuing and discontinued operations</i>		
Operating cash flow before movements in working capital	27.8	22.0
Working capital (outflow)/inflow	(1.2)	1.7
Income taxes paid	(2.7)	(0.2)
Net cash from operating activities	23.9	23.5
Repayment of IFRS 16 lease liabilities	(12.7)	(15.2)
Net cash used in investing activities ¹	(3.5)	(1.6)
Net free cash flow	7.7	6.6

¹Excludes £8.5 million (2021: £11.5 million) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £3.7 million (2021: £nil) relating to the disposal of discontinued operations (net of cash disposed) and £0.4 million related to the purchase of investments (2021: £3.0 million).

The £1.2 million working capital outflow in the year is reflective of the billing cycles on longer tenancies. Net free cash flow, from continuing and discontinued operations, of £7.7 million (2021: £6.6 million), was driven by increased profitability.

Net cash at the year end was £12.0 million (2021: £19.4 million, excluding cash classified as held for sale) with no external borrowing (2021: nil).

ACQUISITIONS

Gordon & Co and Stones Residential

On 25 May 2022, the Group acquired the entire issued share capital of two estate agents, Gordon & Co, and Stones Residential. The acquisitions have strong lettings businesses that together generate over 80% of their total combined revenues from lettings across c.2,500 tenancies.

Gross purchase consideration was £9.8 million, with £8.2 million paid in May 2022. Consideration paid in the period, net of cash acquired, was £8.0 million. £1.5 million of contingent cash consideration remains to be paid, deferred for up to a period of 12 months post completion.

Acquired net assets were fair valued at the date of acquisition and include £2.9 million of customer contracts and relationships and £8.3 million of acquired goodwill. The two acquisitions contributed a total of £3.6 million of revenue and £0.4 million of adjusted operating profit during the first seven months of ownership. Refer to Note 13 for further details.

D&G

£0.5 million of deferred consideration, relating to the 1 March 2021 acquisition of D&G, was paid in the period.

DISCONTINUED OPERATIONS

	2022	2021
	£m	£m
Revenue	0.6	6.8
Adjusted operating loss	(0.6)	(1.8)
Less: adjusted items	0.2	(3.2)
Operating loss	(0.4)	(5.1)
Loss after tax	(0.4)	(4.8)

Discontinued operations relates to D&G Sales, which was acquired alongside D&G Lettings and disposed of on 11 February 2022 to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, having been approved by shareholders at the General Meeting held on 10 February 2022. 2022 results from discontinued operations reflects trading up to the date of disposal (11 February 2022) and 2021 results from discontinued operations includes 10 months of trading from the date of acquisition (1 March 2021).

On a total Group basis, which includes both continuing and discontinued operations, revenue was £140.9 million (2021: £133.3 million) and adjusted operating profit was £13.3 million (2021: £7.1 million).

OTHER BALANCE SHEET POSITIONS

At 31 December 2022 the significant balance sheet positions were:

- Goodwill of £26.0 million (2021: £17.7 million) and other intangible assets of £109.3 million (2021: £107.3 million), with the increase in goodwill due to the acquisition of Gordon & Co and Stones Residential which contributed £8.3 million of goodwill.
- Interest in associate and investments of nil (2021: £3.3 million). The nil balance reflects a full write down of the investments in PD Innovations Limited (trading as Boomin) and Global Property Ventures Limited. The write down resulted in a £3.7 million non-cash fair value loss recognised in other comprehensive income, of

which £3.4 million relates to Boomin which entered liquidation having not been able to secure sufficient funding in a challenging economic climate.

- Trade and other receivables of £16.0 million (2021: £16.0 million) and trade and other payables of £16.7 million (2021: £14.5 million).
- Total contract assets of £7.4 million (2021: £4.6 million) and total contract liabilities of £10.0 million (2021: £9.4 million), with the increase in the contract assets reflecting an increase in average rental prices and longer tenancies.
- Lease liabilities of £46.5 million (2021: £48.1 million) and right-of-use assets of £42.6 million (2021: £43.8 million).
- No assets or liabilities were held for sale at 31 December 2022, compared to £7.4 million of assets held for sale and £7.4 million of liabilities held for sale liabilities at 31 December 2021 relating to the D&G Sales business (disposed of on 11 February 2022).

CAPITAL ALLOCATION AND DIVIDENDS

Our approach to capital allocation supports long-term growth and shareholder returns. Our capital allocation priorities are as follows:

- Maintain balance sheet strength to enable the Group to meet its operational cash requirements and manage through cyclical sales markets
- Invest in areas that drive organic growth and rebuild our competitive advantages
- Return 35% to 40% of profit after tax (excluding one-off non-cash items) as an ordinary dividend
- Deploy capital to acquire high quality lettings books to drive inorganic lettings growth
- Return excess capital, not used for profitable growth, to shareholders

As shown below, total Group (continuing and discontinued operations) profit after tax was £7.7 million (2021: £3.6 million), after excluding £1.5 million of one-off non-cash credits (net of tax) (2021: £3.7 million of one-off non-cash expenses (net of tax)) and nil non-cash deferred tax charges (2021: £6.1 million).

	2022	2021
	£m	£m
<i>From continuing and discontinued operations</i>		
Profit/(loss) after tax (continuing operations)	9.6	(1.3)
Loss after tax (discontinued operations)	(0.4)	(4.8)
Profit/(loss) after tax (total Group)	9.2	(6.2)
Add back: non-cash adjusted items (net of tax)	(1.5)	3.7
Add back: non-cash deferred tax charges (due to UK corporation tax rate change)	–	6.1
Profit after tax for dividend policy (total Group)	7.7	3.6
Interim dividend per share	0.20p	0.18p
Final dividend per share	0.70p	0.27p

An interim dividend of 0.2p per share was paid in September 2022. The Board has proposed a final dividend of 0.7p per share bringing the total ordinary dividend for the year to 0.9p per share (2021: 0.45p per share). The proposed dividend will be paid on 31 May 2023 to shareholders on the register at 14 April 2023, subject to shareholder approval at the AGM due to be held on 9 May 2023. The shares will be quoted ex-dividend on 13 April 2023.

CAPITAL RETURNS

A total of £4.9 million (2021: £5.7 million) of shares have been bought back to return excess capital to shareholders. £3.0 million of shares were bought back through the programme announced in March 2022 and £1.9 million through the programme announced in November 2022. The Board will review the continuation of the programme, bearing in mind our other capital needs, once the current authority, which stood at £1.1 million at 31 December 2022, is fully utilised. Since 2020, a total of £10.9 million of shares have been bought back.

POST BALANCE SHEET EVENTS

On 3 March 2023, the Group acquired the entire issued share capital of Atkinson McLeod Limited, a London lettings agent, for a consideration of £7.4 million, adjusted for current assets less total liabilities at completion. The consideration was fully satisfied in cash, with £0.7 million of the consideration deferred for 12 months.

Unaudited revenue and operating profit for the 12 months ended 31 March 2022 was £3.1 million and £0.9 million respectively. Gross assets as at 31 March 2022 were £2.5m. The acquisition adds a further c.1,100 tenancies and demonstrates further progress against the Group's acquisition strategy.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note [X] of the financial statements. On 11 February 2022, the D&G Sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO and Lochlan Holdings Limited constituting related parties.

TREASURY POLICIES AND OBJECTIVES

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as the Group is in a net cash position, is entirely UK based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5.0 million RCF which expires in June 2024 and remained undrawn throughout 2022. The Group expects to renew the facility, or access a similar facility, following expiry.

PENSIONS

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

RISK MANAGEMENT

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to pages 18 and 19 for details of the Group's risk management framework and principal risks and uncertainties.

GOING CONCERN, PROSPECTS AND VIABILITY

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

Refer to Note 1 of the financial statements for details of the Group's going concern assessment and the going concern statement. The prospects and viability statement is set out on pages 36 and 37 of the 2022 Annual Report and Accounts.

Chris Hough

Chief Financial Officer
6 March 2023

PRINCIPAL RISKS

Risk management

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

The identification of risks is undertaken by specific executive risk committees that analyse the risk universe by risk type across four key risk types: strategic risks, financial risks, operational risks and compliance risks. A common risk register is used across the Group to monitor gross and residual risk, with the results assessed by the Audit Committee and Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

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

Risk	Impact on the Group
Market risk	<p>The key factors driving market risk are:</p> <ul style="list-style-type: none"> • Affordability including the current cost of living increases, which in turn may reduce transaction levels; • Arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment; • The market being reliant on the availability of mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely affect the Group. Interest rates globally increased across 2022 with the UK particularly impacted after the September mini-budget, which is likely to adversely affect affordability in the sales market; • The market being impacted by changes in government policy such as future changes in stamp duty taxes or increased regulation in the lettings market; and • Ongoing geopolitical risk which may increase market uncertainty and customer confidence.
Competitor challenge	<p>The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, service models or methods of working which could give them a competitive advantage.</p>
Compliance with the legal and regulatory environment	<p>Breaches of laws or regulations could lead to financial penalties and reputational damage.</p> <p>Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting tenant deposits in line with the relevant regulations. Our Financial Services business is authorised and regulated by the Financial Conduct Authority (FCA) and could be subject to sanctions for non-compliance.</p>

Risk	Impact on the Group
IT systems and cyber risk	<p>Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service.</p> <p>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.</p> <p>Such a failure or loss could also result in reputational damage, fines or other adverse consequences.</p>
People	<p>There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool and an increased cost of labour. Additional risk could arise in the event there are changes in our industry or markets that result in less attractive career opportunities.</p>
Reputation and brand	<p>Foxtons is an iconic estate agency brand with high levels of brand recognition. Maintaining a positive reputation and the prominence of the brand is critical to protecting the future prospects of the business.</p> <p>There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations or because our actions are considered to be inappropriate.</p> <p>We recognise the need to maintain our reputation and protect our brand by delivering consistently high levels of service and maintaining a culture which encourages our employees to act with the highest ethical standards.</p>

Forward looking statements

This preliminary announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the Directors' current views and information known to them at 6 March 2023. 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.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

		2022	2021
	Notes	£'000	£'000
Continuing operations			
Revenue	2	140,322	126,475
Direct operating costs		(49,011)	(47,933)
Other operating costs		(77,471)	(70,954)
Operating profit		13,840	7,588
Other losses		(35)	(26)
Finance income		137	37
Finance costs		(2,003)	(2,046)
Profit before tax from continuing operations		11,939	5,553
Tax charge	4	(2,377)	(6,893)
Profit/(loss) for the year from continuing operations		9,562	(1,340)
Discontinued operations			
Loss after tax for the year from discontinued operations	5	(435)	(4,826)
Profit/(loss) for the year attributable to shareholders of the Company		9,127	(6,166)

Earnings/(loss) per share

From continuing operations			
Basic earnings/(loss) per share	7	3.0p	(0.4p)
Diluted earnings/(loss) per share	7	3.0p	(0.4p)

From continuing and discontinued operations			
Basic earnings/(loss) per share	7	2.9p	(1.9p)
Diluted earnings/(loss) per share	7	2.8p	(1.9p)

Adjusted results

From continuing operations			
Adjusted operating profit ^{1,4}	2	13,909	8,942
Adjusted earnings for the purposes of adjusted earnings per share ^{2,4}	7	9,609	6,176
Adjusted basic earnings per share ^{3,4}	7	3.1p	1.9p
Adjusted diluted earnings per share ^{3,4}	7	3.0p	1.9p

¹ Adjusted operating profit is an APM and is reconciled to statutory loss before tax in Note 2. Adjusted operating profit from continuing operations is presented before charging £0.07m of adjusted items (2021: £1.4m) as set out in Note 3.

² Adjusted earnings for the purposes of adjusted earnings per share from continuing operations is presented before charging £0.05m of adjusted items including associated tax charges (2021: £1.5m) and £nil m of non-cash deferred tax accounting re-measurement charges (2021: £6.1m), as set out in Note 7.

³ Adjusted basic and diluted earnings per share from continuing operations is an APM and is reconciled to statutory earnings per share in Note 7.

⁴ Further details of the APMs are provided in Note 16.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
Notes	£'000	£'000
Profit/(loss) for the year attributable to shareholders of the Company	9,127	(6,166)
Other comprehensive (loss)/ income:		
<i>Items that will not be reclassified to profit or loss (net of tax):</i>		
Changes in fair value of equity instruments at FVOCI	(3,711)	40
Other comprehensive (loss)/income for the period	(3,711)	40
Total comprehensive income/(loss) for the period	5,416	(6,126)
Total comprehensive profit/(loss) attributable to shareholders of the Company arising from:		
Continuing operations	5,851	(1,340)
Discontinued operations	(435)	(4,786)
	5,416	(6,126)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	8	26,050	17,716
Other intangible assets	8	109,309	107,269
Property, plant and equipment		10,692	9,652
Right-of-use assets	9	42,570	43,832
Contract assets		1,688	899
Investments		6	3,317
Deferred tax assets		1,386	1,744
		191,701	184,429
Current assets			
Trade and other receivables		16,016	16,011
Contract assets		5,688	3,657
Current tax assets		745	303
Cash and cash equivalents		12,027	19,374
Assets classified as held for sale		–	7,412
		34,476	46,757
Total assets		226,177	231,186
Current liabilities			
Trade and other payables		(16,694)	(14,485)
Lease liabilities	9	(10,708)	(8,825)
Contract liabilities		(9,745)	(8,231)
Provisions		(1,506)	(342)
Liabilities classified as held for sale		–	(7,412)
		(38,653)	(39,295)
Net current (liabilities)/assets		(4,177)	7,462
Non-current liabilities			
Lease liabilities	9	(35,753)	(39,258)
Contract liabilities		(289)	(1,141)
Provisions		(1,765)	(1,486)
Deferred tax liabilities		(27,049)	(26,504)
		(64,856)	(68,389)
Total liabilities		(103,509)	(107,684)
Net assets		122,668	123,502
Equity			
Share capital	11	3,301	3,301
Merger reserve	12	20,568	20,568
Other reserves	12	2,653	2,653
Own shares reserve	13	(10,993)	(6,059)
Retained earnings		107,139	103,039
Total equity		122,668	123,502

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 6 March 2023. Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		3,301	20,568	2,653	(6,059)	103,039	123,502
Profit for the year attributable to shareholders of the Company		–	–	–	–	9,127	9,127
Changes in fair value of equity instruments at FVOCI		–	–	–	–	(3,711)	(3,711)
Total comprehensive income for the year		–	–	–	–	5,416	5,416
Dividends	6	–	–	–	–	(1,487)	(1,487)
Own shares acquired in the period	13	–	–	–	(4,941)	–	(4,941)
Credit to equity for share-based payments		–	–	–	–	178	178
Settlement of share incentive plan		–	–	–	7	(7)	–
Balance at 31 December 2022		3,301	20,568	2,653	(10,993)	107,139	122,668

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		3,301	20,568	2,653	(374)	108,308	134,456
Loss for the year attributable to shareholders of the Company		–	–	–	–	(6,166)	(6,166)
Changes in fair value of equity instruments at FVOCI		–	–	–	–	40	40
Total comprehensive income for the year						(6,126)	(6,126)
Dividends	6	–	–	–	–	(583)	(583)
Own shares acquired in the period	13	–	–	–	(5,697)	–	(5,697)
Credit to equity for share-based payments		–	–	–	–	1,452	1,452
Settlement of share incentive plan		–	–	–	12	(12)	–
Balance at 31 December 2021		3,301	20,568	2,653	(6,059)	103,039	123,502

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Operating activities			
Operating profit from continuing operations	2	13,840	7,588
Operating loss from discontinued operations	5	(414)	(5,051)
Operating profit from continuing and discontinued operations		13,426	2,537
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		12,197	13,047
Amortisation of intangible assets	8	1,551	1,652
Held for sale impairment	5	–	3,227
Gain on disposal of the discontinued operations	5	(180)	–
Net (reversal of impairment)/impairment of property, plant and equipment and right-of-use assets	3	(310)	468
Investment in associate impairment	3	–	681
Gain on disposal of property, plant and equipment, right-of-use assets and intangibles		(73)	(1,367)
Increase in provisions		1,055	245
Cash settlement of share incentive plan		(7)	–
Share-based payment charges		178	1,471
Operating cash flows before movements in working capital		27,837	21,961
Increase in receivables		(2,108)	(2,062)
Increase in payables		862	3,756
Cash generated by operations		26,591	23,655
Income taxes paid		(2,659)	(179)
Net cash from operating activities		23,932	23,476
Investing activities			
Interest received		137	15
Proceeds on disposal of property, plant and equipment		53	154
Proceeds on disposal of associate and investments		–	160
Purchases of property, plant and equipment		(2,953)	(1,976)
Purchases of intangibles	8	(755)	(2)
Purchases of investments		(400)	(3,000)
Acquisition of subsidiaries (net of cash acquired)	10	(8,490)	(11,451)
Disposal of discontinued operations	5	(3,715)	–
Net cash used in investing activities		(16,123)	(16,100)
Financing activities			
Dividends paid	6	(1,487)	(583)
Interest paid		(38)	(21)
Repayment of lease liabilities	9	(12,686)	(15,228)
Sub-lease receipts		281	258
Purchase of own shares	13	(4,941)	(5,697)
Net cash used in financing activities		(18,871)	(21,271)
Net decrease in cash and cash equivalents		(11,062)	(13,895)
Cash and cash equivalents at beginning of year¹ comprised:		23,089	36,984
Cash and cash equivalents at end of the year (continuing operations)		19,374	36,984
Cash included in assets held for sale at end of the year (discontinued operations)	5	3,715	–
Cash and cash equivalents at end of year¹ comprised:		12,027	23,089
Cash and cash equivalents at end of the year (continuing operations)		12,027	19,374
Cash included in assets held for sale at end of the year (discontinued operations)	5	–	3,715

¹ Total Group balances, which include continuing and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 General information

Foxtons Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 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

The consolidated preliminary results of the Company for the year ended 31 December 2022 comprise the Company and its subsidiaries.

The consolidated preliminary results of the Group for the year ended 31 December 2022 were approved by the Directors on 6 March 2023. These consolidated preliminary results have been prepared in accordance with the accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They do not include all the information required for full annual financial statements to comply with UK-adopted International Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2022.

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 2022 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 2021 have been delivered to the Registrar of Companies and those for 2022 will be delivered following the Company's 2023 Annual General Meeting.

1.3 Going concern

Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. At 31 December 2022, the Group held a cash and cash equivalents balance of £12.0 million (2021: £19.4 million, excluding £3.7 million of cash classified as held for sale), had no external borrowings and an undrawn £5.0 million rolling credit facility ('RCF') which expires in June 2024.

Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested using a reverse stress scenario which incorporates a severe deterioration in market conditions.

The reverse stress scenario incorporates a severe reduction in trading from April 2023 to December 2023 against plan, reflecting a 30% reduction in sales market transactions and a 12% reduction in Lettings units

compared to 2022. For context, a 30% reduction in sales market transactions would see transactions return to levels seen in 2009 after the Global Financial Crisis.

In the unlikely event of the reverse stress scenario, the Group forecasts to be in compliance with the required RCF covenants, but would be required to fully draw down on the RCF and would enter into a negative net cash position in March 2024. 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 reducing discretionary spend.

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 2022 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 Board is the Chief Operating Decision Maker ('CODM') 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) Financial Services.

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

Certain changes have been made to the segmental disclosures in the period. The relevant changes are summarised below:

- Corporate costs that are managed on a Group basis, and cannot be reasonably attributed directly to the operating activities of the Group's operating segments, are no longer allocated to the operating segments. Corporate costs are now presented within a separate column of the segmental disclosure as 'Corporate costs'.
- Since the Lettings and Sales segments operate out of the same premises and share support services, a significant proportion of costs are apportioned between the segments. The cost allocation methodology used to allocate shared costs between the Lettings and Sales segments has been updated to better reflect the cost consumed by each of the segments.
- The prior period comparatives have been restated to enable fair comparability against the current year's segmental results.
- The Financial Services segment, previously referred to as the 'Mortgage Broking' segment, has been renamed in the period. The renaming of the segment is reflective of the segment providing a range of financial services.

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 8.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 16.

Contribution and contribution margin

Contribution is defined as revenue less direct operating costs (being salary costs of front office staff and costs of bad debt). Contribution margin is defined as contribution divided by revenue. These measures indicate the profitability and efficiency of the segments before the allocation of shared costs.

Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined below), finance income, finance cost and other gains/losses. Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. As explained in Note 16, these measures are used by the Board to measure delivery against the Group's strategic priorities, to allocate resource and to assess segmental performance.

Adjusted items

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

Segment revenues and results

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2022:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		86,918	43,182	10,222	n/a	140,322
Contribution	16	64,788	22,040	4,483	n/a	91,311
Contribution margin	16	74.5%	51.0%	43.9%	n/a	65.1%
Adjusted operating profit/(loss)	16	17,989	(3,231)	1,767	(2,616)	13,909
Adjusted operating profit/(loss) margin	16	20.7%	(7.5%)	17.3%	n/a	9.9%
Adjusted items	3					(69)
Operating profit						13,840
Other losses						(35)
Finance income						137
Finance cost						(2,003)
Profit before tax						11,939

D&G Sales (disposed 11 February 2022) is presented as a discontinued operation. Refer to Note 5 for further details.

	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation and amortisation (excluding acquired intangibles)	(7,747)	(4,859)	(101)	–	(12,707)
Amortisation from acquired intangibles	(913)	(128)	–	–	(1,041)
Total	(8,660)	(4,987)	(101)	–	(13,748)

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

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		74,342	42,673	9,460	n/a	126,475
Contribution	16	51,685	22,799	4,058	n/a	78,542
Contribution margin	16	69.5%	53.4%	42.9%	n/a	62.1%
Adjusted operating profit/(loss)	16	9,780	534	1,539	(2,911)	8,942
Adjusted operating profit/(loss) margin	16	13.2%	1.3%	16.3%	n/a	7.1%
Adjusted items	3					(1,354)
Operating profit						7,588
Other losses						(26)
Finance income						37
Finance cost						(2,046)
Profit before tax						5,553

	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation and amortisation (excluding acquired intangibles)	(7,315)	(5,276)	(119)	–	(12,710)
Amortisation from acquired intangibles	(877)	–	–	–	(877)
Total	(8,192)	(5,276)	(119)	–	(13,587)

3. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 16. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2022 £'000	2021 £'000
Property related credit ¹	(439)	(908)
Branch asset (reversal)/impairment charge ²	(310)	468
Impairment of interest in associate ³	–	681
Transaction related costs ⁴	199	633
Reorganisation costs ⁵	619	480
	69	1,354

¹ Property related credit relates to the net of a charge relating to re-estimation of the provision for adjusted items, a net gain on the disposal of IFRS 16 balances and other charges relating to vacant property

² The branch impairment reversal mainly relates to plant, property and equipment £181k (2021: impairment charge of £181k) and right-of-use assets £129k (2021: impairment charge of £287k).

³ The impairment of interest in associate relates to an impairment of the carrying value of an interest in associate.

⁴ Transaction related costs relate to costs involved with the acquisition of IMM Properties Limited (2021: for the acquisition of Douglas & Gordon Estate Agents Limited).

⁵ Net costs of Executive reorganisation.

Net cash outflow from adjusted items during the year totalled £1.4 million (2021: £1.0 million).

4. TAXATION

Recognised in the Group income statement

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

	2022 £'000	2021 £'000
Current tax		
Current period UK corporation tax	2,078	176
Credit in respect of prior periods	82	(18)
Total current tax charge	2,160	158
Deferred tax		
Origination and reversal of temporary differences	376	344
Impact of change in tax rate	(12)	6,060
Adjustment in respect of prior periods	(147)	(44)
Total deferred tax charge	217	6,360
Tax charge on loss on ordinary activities from continuing and discontinued operations	2,377	6,518
Discontinued operations tax credit	–	375
Tax charge on loss on ordinary activities from continuing operations	2,377	6,893

Corporation tax for the year ended 31 December 2022 is calculated at 19% (2021: 19%) of the estimated taxable profit for the period.

The March 2021 Spring Budget announced an increase in the UK corporate tax rate from 19% to 25%, from 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets/liabilities have been recognised at 25% to the extent they are expected to unwind after 1 April 2023. In the year ended 31 December 2021 the impact of the change in tax rate has been adjusted out of earnings for the purposes of calculating adjusted earnings per share due to its distortive nature, refer to Note 7.

Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 19% (2021: 19%), because of the following factors:

	2022	2021
	£'000	£'000
Profit before tax from continuing operations	11,939	5,553
Tax at the UK corporation tax rate (see above)	2,268	1,055
Tax effect of expenses that are not deductible	354	495
Other differences – share options	242	161
Adjustment in respect of previous periods	(65)	(62)
Impact on deferred tax of change in tax rate	(12)	6,060
Recognition of a deferred tax asset	(410)	(816)
Tax charge on loss on ordinary activities	2,377	6,893
Effective tax rate	19.9%	124.1%

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

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £8k (2021: £20k credit) and relates to deferred tax arising on share based payment schemes.

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

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

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

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

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

The sale of the D&G Sales business resulted in a pre-tax gain on disposal of £0.2m, following a held-for-sale impairment charge of £3.2m recognised in the year ended 31 December 2021.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the D&G Sales business, a disposal group, has been presented as a discontinued operation in both the current year and the prior year.

Discontinued operations: Income statement

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

	2022 (£'000)			2021 (£'000)		
	Before adjusted items	Adjusted items	After adjusted items	Before adjusted items	Adjusted items	After adjusted items
Revenue	579	–	579	6,842	–	6,842
Direct operating costs	(347)	–	(347)	(2,855)	–	(2,855)
Other operating costs	(826)	–	(826)	(5,811)	–	(5,811)
Adjusted operating loss	(594)	–	(594)	(1,824)	–	(1,824)
Gain on sale of the discontinued operation	–	180	180	–	–	–
Held for sale impairment loss	–	–	–	–	(3,227)	(3,227)
Operating loss	(594)	180	(414)	(1,824)	(3,227)	(5,051)
Other losses	–	–	–	–	–	–
Finance income	–	–	–	1	–	1
Finance cost	(21)	–	(21)	(151)	–	(151)
Loss before tax	(615)	180	(435)	(1,974)	(3,227)	(5,201)
Tax credit	–	–	–	375	–	375
Loss for the year from discontinued operations attributable to shareholders of the Company	(615)	180	(435)	(1,599)	(3,227)	(4,826)

	2022		2021	
	Before adjusted items	After adjusted items	Before adjusted items	After adjusted items
Loss per share				
Basic and diluted loss per share from discontinued operations	(0.1p)	(0.2p)	(0.5p)	(1.5p)

Discontinued operations: Cash flows

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

	2022 £'000	2021 £'000
Net cash outflow from operating activities	(458)	(1,045)
Net cash outflow from investing activities	(3,715)	(172)
Net cash outflow from financing activities	(18)	(1,117)
Net cash outflow	(4,191)	(2,334)

Assets held for sale

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

	2022 £'000	2021 £'000
Intangible assets	–	19
Property, plant and equipment	–	906
Investments	–	234
Right-of-use assets	–	4,605
Trade and other receivables	–	1,160
Cash and cash equivalents	–	3,715
Assets classified as held for sale	–	10,639
Held for sale impairment charge	–	(3,227)
Assets classified as held for sale (net of impairment charge)	–	7,412
Trade and other payables	–	(1,941)
Current tax liabilities	–	(131)
Deferred tax liabilities	–	(70)
Provisions	–	(770)
Lease Liabilities	–	(4,500)
Liabilities classified as held for sale	–	(7,412)
Net assets classified as held for sale (net of impairment charge)	–	–

6. DIVIDENDS

	2022 £'000	2021 £'000
Final dividend for the year ended 31 December 2021: 0.27p (31 December 2020: nil) per ordinary share	856	–
Interim dividend for the year ended 31 December 2022: 0.20p (31 December 2021: 0.18p) per ordinary share	631	583
	1,487	583

For 2022, the Board has proposed a final dividend of 0.7p per ordinary share (£2.1 million) to be paid on 31 May 2023.

7. EARNINGS/(LOSS) PER SHARE

Basic earnings per share is calculated by dividing the earnings 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 per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary share awards into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share awards granted to employees.

	Continuing operations		Total Group (Continuing and discontinued operations)	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	9,562	(1,340)	9,127	(6,166)
Adjusted for:				
Adjusted items (including associated taxation) ¹	47	1,456	(133)	4,683
Deferred tax re-measurement (due to UK corporation tax rate change)	-	6,060	-	6,060
Adjusted earnings for the purposes of adjusted earnings per share	9,609	6,176	8,994	4,577

Number of shares	2022	2021	2022	2021
Weighted average number of ordinary shares for the purposes of basic earnings per share	314,818,812	324,045,184	314,818,812	324,045,184
Effect of potentially dilutive ordinary shares	5,824,398	4,647,390	5,824,398	4,647,390
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	320,643,210	328,692,574	320,643,210	328,692,574
Earnings/(loss) per share (basic)¹	3.0p	(0.4p)	2.9p	(1.9p)
Earnings/(loss) per share (diluted)¹	3.0p	(0.4p)	2.8p	(1.9p)
Adjusted earnings per share (basic)²	3.1p	1.9p	2.9p	1.4p
Adjusted earnings per share (diluted)²	3.0p	1.9p	2.8p	1.4p

¹ Adjusted items relating to continuing operations of £69k (2021: £1,354k) per Note 3, and associated tax credit of £22k (2021: £102k charge), resulting in an after tax charge of £47k (2021: £1,456k). Adjusted items relating to discontinued operations of £180k credit (2021: £3,227k charge) per Note 5, less £nil associated tax charge (2021: £nil), resulting in an after tax credit of £180k (2021: £3,227k charge).

² The 2021 diluted loss per share is equal to the basic loss per share due to the potentially dilutive share awards resulting in a reduction in the loss per share and being anti-dilutive.

Refer to Note 5 for the calculation of the loss per share for discontinued operations.

8. GOODWILL AND OTHER INTANGIBLES

	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
2022						
Cost						
At 1 January 2022	27,535	99,000	2,607	-	9,143	138,285
Additions	-	-	-	755	-	755
Disposals	-	-	(363)	-	-	(363)
Acquired through business combinations (refer to Note 10)	8,334	-	-	-	2,898	11,232
At 31 December 2022	35,869	99,000	2,244	755	12,041	149,909
Accumulated amortisation and impairment losses						
At 1 January 2022	9,819	-	1,589	-	1,892	13,300
Amortisation	-	-	510	-	1,041	1,551
Disposal	-	-	(301)	-	-	(301)
At 31 December 2022	9,819	-	1,798	-	2,933	14,550
Net carrying value						
At 31 December 2022	26,050	99,000	446	755	9,108	135,359
At 1 January 2022	17,716	99,000	1,018	-	7,251	124,985

2021	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2021	21,239	99,000	2,607	–	3,770	126,616
Additions	–		2	–	–	2
Acquired through business combinations (refer to Note 10)	6,296	–	23	–	5,373	11,692
Transfer to assets held for sale	–	–	(25)	–	–	(25)
At 31 December 2021	27,535	99,000	2,607	–	9,143	138,285
Accumulated amortisation and impairment losses						
At 1 January 2021	9,819	–	1,067	–	768	11,654
Amortisation	–	–	528	–	1,124	1,652
Disposal	–	–	–	–	–	–
Transfer to assets held for sale	–	–	(6)	–	–	(6)
At 31 December 2021	9,819	–	1,589	–	1,892	13,300
Net carrying value						
At 31 December 2021	17,716	99,000	1,018	–	7,251	124,985
At 1 January 2021	11,420	99,000	1,540	–	3,002	114,962

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.

	2022 £'000	2021 £'000
Lettings goodwill	26,050	17,719
Brand asset – sales and lettings	99,000	99,000
	125,050	116,719

- 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 values in use relating to the Lettings and Sales CGUs. This grouping represents the lowest level at which management monitors the brand internally and reflects the way in which the brand asset is viewed, 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 to the CGUs.

Following the annual impairment review performed as at 30 September 2022, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

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

Cash flow assumptions

The key assumptions in determining the cash flows are expected changes in Lettings and Sales 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.

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% (2021: 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 and external long-term growth forecasts.

Discount rates

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

The pre-tax discount rate used to discount Lettings cash flows used in the assessment of Lettings goodwill is 16.0% (2021: 11.5%). The pre-tax discount rate used to discount aggregated Sales and Lettings cash flows used in the assessment of the brand asset is 16.0% (2021: 11.5%). The year-on-year increase in the discount rate is attributable to market changes in WACC inputs, primarily the risk free rate.

d) Sensitivity analysis

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

The key assumption in the brand impairment assessment is the forecast revenues for the Lettings and Sales 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 £71.1 million (2021: £65.7 million) or 38% (2021: 36%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard. Sales revenue is to decline in 2023 before fully recovering by 2026, resulting in a compound average growth rate (CAGR) of 3.2% over the forecast period. Lettings revenue is assumed to grow at a CAGR of 4.3% over the forecast period, excluding future Lettings portfolio 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 CAGR over the forecast period reduces from 3.9% to 2.1%. Under a reasonable possible downside scenario, in which Sales revenue only fully recovers by 2027, Lettings revenue growth is limited to 2.2% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £1.2 million.

9. LEASES

Group as a lessee

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

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

Right-of-use assets

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	40,723	3,721	44,444
Additions	4,642	4,931	9,573
Acquired through business combinations	4,633	732	5,365
Lease modifications	551	–	551
Disposals	(426)	(166)	(592)
Depreciation	(7,383)	(3,234)	(10,617)
Impairment charge	(287)	–	(287)
Assets transferred to held for sale	(4,044)	(561)	(4,605)
At 31 December 2021	38,409	5,423	43,832
Additions	6,346	2,218	8,564
Acquired through business combinations	569	30	599
Lease modifications	138	–	138
Disposals	(154)	(404)	(558)
Depreciation	(7,018)	(3,116)	(10,134)
Net impairment reversal/(charge)	163	(34)	129
At 31 December 2022	38,453	4,117	42,570

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 2021	47,147	4,411	51,558
Additions	4,642	4,931	9,573
Acquired through business combinations	4,765	732	5,497
Lease modifications	(310)	–	(310)
Disposals	(514)	(168)	(682)
Interest charge	2,015	160	2,175
Payments	(11,173)	(4,055)	(15,228)
Liabilities transferred to held for sale	(3,964)	(536)	(4,500)
At 31 December 2021	42,608	5,475	48,083
Additions	6,279	2,218	8,497
Acquired through business combinations	777	103	880
Lease modifications	138	–	138
Disposals	–	(416)	(416)
Interest charge	1,839	126	1,965
Payments	(9,452)	(3,234)	(12,686)
At 31 December 2022	42,189	4,272	46,461
Current	8,103	2,605	10,708
Non-current	34,086	1,667	35,753

During the year ended 31 December 2021, the difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.9 million, is recognised as an adjusted item as disclosed in Note 3.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £12.7 million were made (2021: £15.2 million) and the remaining net movement of £11.1 million (2021: £11.8 million) was non-cash in nature.

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

	2022 £'000	2021 £'000
Maturity analysis – contractual undiscounted cash flows from continuing operations		
Within one year	11,671	11,491
In the second to fifth years inclusively	30,147	31,306
After five years	10,598	13,023
	52,416	55,820

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 2022, 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:

	2022 £'000			2021 £'000		
	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	10,134	–	10,134	9,913	704	10,617
Net (reversal of impairment)/impairment of right-of-use assets	(129)	–	(129)	287	–	287
Interest expense on lease liabilities	1,965	21	1,986	2,025	150	2,175
Expenses relating to short-term leases	1,503	–	1,503	1,328	179	1,507
Total amount recognised in profit or loss	13,473	–	13,494	13,553	1,033	14,586

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:

	2022 £'000	2021 £'000
Finance income under finance leases recognised in the period	52	24

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:

	2022 £'000	2021 £'000
Within one year	320	190
In the second to fifth years inclusive	890	580
After five years	470	150
	1,680	920

10. BUSINESS COMBINATIONS

On 25 May 2022 the Group acquired 100% of the share capital of the following independent London estate agents which are primarily focused on providing Lettings and Property Management services:

- IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co').
- Stones Residential Holdings Limited and its subsidiary Stones Residential (Stanmore) Limited (collectively 'Stones Residential').

The acquisitions are in line with the Group's strategy of acquiring high quality businesses with strong lettings portfolios.

A purchase price allocation exercise has been completed which identified £2.9 million of acquired intangible assets relating to customer contracts and relationships between the two business combinations, which are identifiable and separable, and will be amortised over 7 - 10 years. £8.3 million of goodwill has arisen on the acquisitions 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 Lettings CGU

which is 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, the business combinations contributed £3.6 million of revenue and £0.4 million of profit before tax to the Group's performance for the year. If the combination had taken place at the beginning of the year, revenue for the period would have been £3.0 million higher and profit before tax would have increased by £0.2 million, excluding future synergies and amortisation of acquired intangible assets.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the combined acquired entities as at the date of acquisition are disclosed below. The fair value of the identifiable assets and liabilities are estimated by taking into consideration all available information at the reporting date.

	Gordon & Co £'000	Stones Residential £'000	Total £'000
Assets			
Acquired intangible assets recognised on acquisition	2,307	591	2,898
Property, plant and equipment	63	11	74
Right-of-use assets	498	101	599
Cash and cash equivalents	55	176	231
Trade and other receivables	274	24	298
Contract assets	82	61	143
	3,279	964	4,243
Liabilities			
Trade and other payables	(689)	(128)	(817)
Contract liabilities	–	(5)	(5)
Lease liabilities	(709)	(171)	(880)
Current tax liability	(25)	(12)	(37)
Deferred tax liability	(541)	(153)	(694)
Provisions	(338)	(50)	(388)
	(2,302)	(519)	(2,821)
Total identifiable net assets at fair value	977	445	1,422
Goodwill arising on acquisition	6,591	1,743	8,334
Fair value of consideration transferred	7,568	2,188	9,756

The fair value of the combined trade receivables amounts to less than £0.1m. The gross amount of combined trade receivables is less than £0.1m and it is expected that the full contractual amounts can be collected.

The acquired lease liabilities were measured using the present value of the remaining lease payments as 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 liabilities mainly comprises the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition.

Purchase consideration

	Gordon & Co £'000	Stones Residential £'000	Total £'000
Amount settled in cash	6,260	1,961	8,221
Contingent cash consideration	1,308	227	1,535
Fair value of consideration transferred	7,568	2,188	9,756

Gross purchase consideration was £9.8 million, with £8.2 million paid in May 2022. Consideration paid in the period, net of cash acquired, was £8.0 million and is included in cash flows from investing activities. As part of the purchase agreement with the previous owners of both Gordon & Co and Stones Residential, an estimated £1.5 million of contingent cash consideration will be due from the Group based on the outcome of a number of agreed contingencies and payable in tranches within the first 12 months of ownership. This contingent consideration of £1.5 million is included within trade and other payables.

Prior period acquisitions

As disclosed in the 2021 Annual Report, the Group completed the acquisition of Douglas & Gordon Estate Agents Limited and its subsidiary companies Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited (collectively, 'D&G Group'). Further consideration of £0.5 million was paid during the period representing the settlement of deferred consideration, recognised within trade and other payables as at 31 December 2021.

Analysis of cash flows on acquisition

	£'000
Cash consideration	(8,221)
Cash acquired in subsidiaries	231
Current year acquisitions of subsidiaries, net of cash acquired	(7,990)
Deferred consideration paid in relation to prior year acquisitions	(500)
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(8,490)
Transaction costs of the acquisition (included in cash flows from operating activities)	(301)
Net cash flow on acquisitions	(8,791)

11. SHARE CAPITAL

	2022 £'000	2021 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January and 31 December	3,301	3,301

As at 31 December 2022 the Company had 330,097,758 ordinary shares (2021: 330,097,758).

12. MERGER RESERVE AND OTHER RESERVES

	2022 £'000	2021 £'000
Merger reserve	20,568	20,568
Capital redemption reserve	71	71
Other capital reserve	2,582	2,582
	23,221	23,221

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

13. OWN SHARES RESERVE

	2022 £'000	2021 £'000
Balance at 1 January	6,059	374
Acquired during the year	4,941	5,697
Utilised during the year	(7)	(12)
Balance at 31 December	10,993	6,059

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 share incentive schemes. The number of ordinary shares held by the Employee Benefit Trust at 31 December 2022 was 88,427 (2021: 2,775).

During the year 14,829,261 (2021: 10,461,898) shares with a total value of £4,940,806 (2021: £5,696,622) have been repurchased by the Company through two share buyback programmes and are held in treasury at 31 December. The number of ordinary shares held by the Company at 31 December 2022 was 25,940,609 (2021: 11,125,696).

14. RELATED PARTY TRANSACTIONS

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

Remuneration of key management personnel

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

	2022 £'000	2021 £'000
Short-term employee benefits	1,946	2,535
Post-employment benefits	40	77
Share-based payments	210	1,168
	2,196	3,780

Other transactions

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

15. CLIENT MONIES

At 31 December 2022, client monies held within the Group in approved bank accounts amounted to £112.4 million (31 December 2021: £100.2 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that any interest income received on these deposits accrues to the Company.

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

16. 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.

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

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

The Group reports the following APMs:

a) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains and adjusted items (defined within Note 2). This measure is reported to the Board for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit is profit before tax.

Adjusted operating profit margin is defined as adjusted operating profit 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 a reconciliation between profit before tax and adjusted operating profit and for the inputs used to derive adjusted operating profit margin.

b) 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 continuing operations revenue and contribution is presented below.

31 December 2022	Lettings £'000	Sales £'000	Financial services £'000	Consolidated £'000
Revenue	86,918	43,182	10,222	140,322
Less: Direct operating costs	(22,130)	(21,142)	(5,739)	(49,011)
Contribution	64,788	22,040	4,483	91,311
Contribution margin	74.5%	51.0%	43.9%	65.1%

31 December 2021	Lettings £'000	Sales £'000	Financial services £'000	Consolidated £'000
Revenue	74,342	42,673	9,460	126,475
Less: Direct operating costs	(22,657)	(19,874)	(5,402)	(47,933)
Contribution	51,685	22,799	4,058	78,542
Contribution margin	69.5%	53.4%	42.9%	62.1%

c) Adjusted earnings per share

Adjusted earnings per share is defined as earnings per share excluding 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 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, excluding own shares held.

This APM is a measure of management's view of the Group's underlying earnings per share. The closest equivalent IFRS measure is earnings per share. Refer to Note 7 for a reconciliation between earnings per share and adjusted earnings per share.

d) 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), divestments and purchase of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2022 £'000	2021 £'000
Net cash from operating activities	23,932	23,476
Less: Repayment of IFRS 16 lease liabilities	(12,686)	(15,228)
Net cash from operating activities, after repayment of IFRS 16 lease liabilities	11,246	8,248
Investing activities		
Interest received	137	15
Proceeds on disposal of property, plant and equipment	53	154
Proceeds on disposal of investments	–	160
Purchases of property, plant and equipment	(2,953)	(1,976)
Purchases of intangibles	(755)	(2)
Net cash used in investing activities	(3,518)	(1,649)
Net free cash inflow	7,728	6,599

e) Net cash/(debt)

Net cash is defined as cash and cash equivalents less external borrowings and 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.

	2022 £'000	2021 £'000
Cash and cash equivalents	12,027	19,374
External borrowings	–	–
Net cash	12,027	19,374

17. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2023, the Group acquired the entire issued share capital of Atkinson McLeod Limited, a London lettings agent, for a consideration of £7.4 million, adjusted for current assets less total liabilities at completion. The consideration was fully satisfied in cash, with £0.7 million of consideration deferred for the twelve months.

Unaudited revenue and operating profit for the twelve months to 31 March 2022 was £3.1 million and £0.9 million respectively. Gross assets at 31 March 2022 were £2.5 million.

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.