Company Registration No. 01680058

Foxtons Limited

Annual Report and Financial Statements

For year ended 31 December 2016

Foxtons Limited

Annual report and financial statements 2016

Contents

Contents	Page
Company information	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	7
Independent auditor's report	8
Statement of comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Notes to the financial statements	12

Foxtons Limited

Annual report and financial statements 2016

Officers and professional advisers

Directors

N Budden
G Nieslony

Company Secretary

G Nieslony

Registered Office

Building One
Chiswick Park
566 Chiswick High Road
London
W4 5BE
United Kingdom

Registered Number

01680058 (England and Wales)

Bankers

Barclays Bank PLC Level 28
1 Churchill Place
London
E14 5HP

Solicitors

Dickson Minto WS
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Auditor

Deloitte LLP
Statutory Auditor
London
United Kingdom

Foxtons Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2016.

Foxtons Limited is the leading London estate agency, offering residential property sales and lettings services through its network of 67 branches. The Company focuses on the higher-volume, higher-value property markets in London.

The Company is able to generate high margins through its business model, which combines:

- A strong, single brand;
- High levels of centralisation allowing low cost expansion of branches;
- An innovative application of technology; and
- A powerful culture of sales and service through outstanding training and staff development.

The Company has a clear strategy to grow profitability by:

- Targeting higher volume, higher value residential property markets in London;
- Maintaining a balance between sales and lettings;
- Providing a premium service;
- Expanding organically to maximise return on capital; and
- Positioning itself for sales volume market growth.

Foxtons Limited comprises two business segments of Sales and Lettings. The majority of operations are in the London area with two branches in the adjacent area of Surrey. Sales revenue was 45% of total revenue while lettings revenue was 55%. This balance across the sales and lettings segments provides financial strength in the Company to withstand fluctuations in the property market. Both estate agency segments are profitable.

The Company continued its organic expansion during the year, opening a further seven new branches. Average revenue per branch was £2.2 million (2015: £2.7 million) reflecting the fall in company revenue in the year and the increase in the number of branches from 58 to 65 (at 31 December 2016).

Foxtons is a multi-award winning estate agency, winning many prestigious awards for its service, training, website and marketing, both nationally and internationally. These awards demonstrate the unwavering commitment of our people to delivering exceptional service to clients, day in, day out.

Revenue

The London property sales market was significantly impacted by a marked step down in activity following the result of the EU referendum and stamp duty changes.

Sales: During the year, sales commissions decreased by 23%, which was volume driven with a 28% fall in number of deals offset by an increase in revenue per deal of 5%. The average revenue increased as underlying London price inflation was partially offset by the mix effect of volume reductions in the higher valued central London area and increased volumes at lower average sales prices as the business expanded further into outer London.

Lettings: Lettings revenue decreased by 1% versus prior year which was driven by a fall in corporate relocation business and some downward pressure on rents in the second half of the year due to the large amount of stock that came on to the market in April and May.

Adjusted EBITDA margin - Total Adjusted EBITDA margin fell to 20% (2015: 33%). This reduction reflects the reduced volumes in the higher priced central London area together with roll out of new branches operating mainly in lower priced areas.

Profit before tax (PBT) - PBT of £18.5million (2015: £40.7 million) is 54% down on prior year.

Strategic report (continued)

Principal risks and uncertainties

The Directors continually assess the risks and uncertainties facing the Company and ensure that controls are in place to mitigate them. Risks and uncertainties facing the company include:

Market risk

- Impact on company: Continuous high property price inflation may impact affordability which in turn may reduce transaction levels in the market. The market may also be affected by any reduction in London's standing as a major financial city caused by the decision by the UK to leave the EU. The market is also reliant on the availability of mortgage finance, a deterioration in which may adversely affect Foxtons. The market may also be impacted by any changes in Government policy such as increases in Stamp Duty taxes or increased regulation in the lettings market.
- Mitigation of risk: The Company endeavours to maintain a generally even balance between its sales and lettings revenues and profits in order to provide protection against volatility within the property sales market.

Competitor challenge

- Impact on company: Foxtons operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working including online and hybrid agents which could give them a competitive advantage over Foxtons.
- Mitigation of risk: Foxtons continually collects information on competitor activity through its branch network and centralised Business Development teams. Foxtons flat management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the Company can rapidly consider appropriate responses. The Board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that online agents will play a major role in the exchange or completion of sales or lettings transactions without the involvement of an estate agent. Any market share gained by online agents is likely to be at the expense of traditional estate agents with low levels of service who compete on price.

Compliance with the legal and regulatory environment

- Impact on company: Breaches of laws or regulations could lead to financial penalties and reputational damage.
- Mitigation of risk: The Group is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. Foxtons centralised service structure provides it with a flexible platform from which to respond to regulatory change.

IT systems and cyber risk

- Impact on company: Foxtons business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks, leading to interruption of service or corruption of data.
- Mitigation of risk: All key IT systems are closely monitored by internal and external specialist teams. Dedicated in-house IT development and maintenance teams exist to provide rapid response to IT service issues. Group disaster recovery plans are in place utilising a physically separate location for critical systems.

Foxtons Limited

Strategic report (continued)

People

- Impact on company: There is a risk that Foxtons may not be able to recruit and retain sufficient people to satisfy its organic expansion plans. In addition, senior staff may be recruited by competitors.
- Mitigation of risk: Foxtons structured approach to recruitment using internal specialist teams enables us to increase the recruitment of high-quality people quickly, should it become necessary to do so. Foxtons continues to invest in training, development and succession planning so that future leaders can be identified and nurtured.

On behalf of the Board:

....

G Nieslony
Director

Date: 14/9/2017

Foxtons Limited

Directors' report

The directors present their annual report with the audited financial statements of the company for the year ended 31 December 2016.

Dividends

Dividends of £14m were paid in the year ended 31 December 2016 (2015: £28.3m).

Future developments

The company has doubled the number of branches within its network over the last five years and now covers 80% of the London sales market by volume. This progress puts the company slightly ahead of where it expected to be at IPO and gives it the opportunity to slow expansion this year to focus on increasing the speed of maturity of recently opened branches using its market leading training programmes, dedicated management focus and targeted marketing initiatives.

Directors

The directors shown below have held office during the whole of the year from 1 January 2016 to the date of this report.

N Budden
G Nieslony

Going concern

The directors continue to adopt the going concern basis in preparing the financial statements. See note 2 for further information.

Financial risk management objectives and policies

The company's principal financial instruments comprise bank balances, trade creditors and trade debtors which are a normal part of any companies' operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial instruments concerned is shown below.

Trade debtors are managed in respect of cash flow risk by policies concerning the regular monitoring of amounts outstanding. Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Foxtons Limited

Directors' report (continued)

Auditor

The auditor, Deloitte LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

On behalf of the Board:

....

G Nieslony
Director

Date: 14/9/2017

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent auditor's report to the members of Foxtons Limited

We have audited the financial statements of Foxtons Limited for the year ended 31 December 2016 which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations which we require for our audit.

Andy Siddorns

Andy Siddorns (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
Date:. 14/9/17

Foxtons Limited

Statement of comprehensive income
For the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue	3	123,838	141,537
Administrative expenses		(104,486)	(100,141)
Operating profit		19,352	41,396
Finance income		17	77
Finance costs	5	(842)	(810)
Profit before tax	6	18,527	40,663
Tax	7	(4,105)	(8,407)
Profit and total comprehensive income for the year		14,422	32,256

The notes form part of these financial statements

Foxtons Limited

Statement of financial position
As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	9	1,104	501
Property, plant and equipment	10	27,765	26,668
Deferred tax asset	11	399	8
		29,268	27,177
Current assets			
Trade and other receivables	12	7,919	12,252
Prepayments		5,431	5,796
Cash at bank and in hand		6,991	6,003
		20,341	24,059
Total assets		49,609	51,228
Current liabilities			
Trade and other payables	13	(27,831)	(28,604)
Current tax liabilities		(1,172)	(3,484)
Deferred revenue and lettings refund liability	14	(4,184)	(4,355)
		(33,187)	(36,443)
Total liabilities		(33,187)	(36,443)
Net assets		16,422	14,785
Equity			
Share capital	15	10	10
Other reserves	15	1,903	688
Capital contribution	15	2,464	2,464
Retained earnings		12,045	11,623
Equity attributable to owners of the Company		16,422	14,785

The financial statements of Foxtons Limited, registered number 01680058 were approved by the Board of Directors on..14/9/2017 and were signed on its behalf by:

Signed on behalf of the Board of Directors

....

G Nieslony
Director

The notes form part of these financial statements

Foxtons Limited

Statement of changes in equity
As at 31 December 2016

	Share capital £'000	Share based payment reserve £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	10	84	2,464	7,667	10,225
Total comprehensive income for the year	-	-	-	32,256	32,256
Share based payments	-	604	-	-	604
Dividends	-	-	-	(28,300)	(28,300)
Balance at 31 December 2015	10	688	2,464	11,623	14,785
Total comprehensive income for the year	-	-	-	14,422	14,422
Share based payments	-	1,215	-	-	1,215
Dividends	-	-	-	(14,000)	(14,000)
Balance at 31 December 2016	10	1,903	2,464	12,045	16,422

The notes form part of these financial statements

Foxtons Limited

Statement of changes in equity
As at 31 December 2016

	Share capital £'000	Share based payment reserve £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2015	10	84	2,464	7,667	10,225
Total comprehensive income for the year	-	-	-	32,256	32,256
Share based payments	-	604	-	-	604
Dividends	-	-	-	(28,300)	(28,300)
Balance at 31 December 2015	10	688	2,464	11,623	14,785
Total comprehensive income for the year	-	-	-	14,422	14,422
Share based payments	-	1,215	-	-	1,215
Dividends	-	-	-	(14,000)	(14,000)
Balance at 31 December 2016	10	1,903	2,464	12,045	16,422

The notes form part of these financial statements

Notes to the financial statements
For the year dated 31 December 2016

1. General Information

Foxtons Limited (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1.

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

2. Accounting policies

Basis of preparation

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016. The Company has chosen to present the statement of financial position in accordance with the IAS 1 format and has restated the comparative presentation accordingly.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Foxtons Group plc.

Going Concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, and are satisfied that the company should be able to operate within the level of its current facilities. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts (if any) and VAT. Revenue is generated from the company's operations which are wholly based in the UK.

Commission earned on sales of residential property is recognised on exchange of contract.

Commission earned on lettings of residential property is recognised on exchange of contract.

In connection with lettings, the company offers the following services:

1) Securing the letting for the landlord including rent collection; and
2) Managing the letting on behalf of the landlord.

Notes to the financial statements
For the year dated 31 December 2016

2. Accounting policies (continued)

Revenue (continued)

Commissions earned on the above services are recognised as follows:

1) Commissions earned on securing the lettings are recognised immediately subject to the following:

   a) a percentage of contracts have break clauses and may require a refund if the tenant breaks early for which the company recognises an estimated lettings refund liability (see note 14) based upon the historical experience of commission repayments over the last 12 months; and

   b) a deferral of turnover in recognition that the company is contracted to provide a rent collection service for the estimated duration of the outstanding tenancies and the related revenue associated with the service is recognised on a straight-line basis over that period.

2) The management fee is billed and recognised monthly at a fixed percentage of the monthly rental.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property	-	Over the term of the lease
Fixtures, fittings and equipment	-	25% on cost
Motor vehicles	-	25% on cost

Capitalisation of expenditure on new branches totalled £4,628k and is reflected in leasehold property (£4,172k) and fixtures, fittings and equipment (£456k). Depreciation is charged on assets once the office set up is complete.

Intangible assets

Intangible assets that are acquired by the company, principally represent purchased contracts and computer software, are stated at cost less accumulated impairment losses. Purchased contracts and computer software are amortised on a straight line basis over their estimated useful economic lives of five years.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Valuation of share options

Equity-settled share-based payments (in relation to Foxtons Group plc shares) to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest. At each balance sheet date, the company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

2. Accounting policies (continued)

Revenue (continued)

Commissions earned on the above services are recognised as follows:

1) Commissions earned on securing the lettings are recognised immediately subject to the following:

   a) a percentage of contracts have break clauses and may require a refund if the tenant breaks early for which the company recognises an estimated lettings refund liability (see note 14) based upon the historical experience of commission repayments over the last 12 months; and

   b) a deferral of turnover in recognition that the company is contracted to provide a rent collection service for the estimated duration of the outstanding tenancies and the related revenue associated with the service is recognised on a straight-line basis over that period.

2) The management fee is billed and recognised monthly at a fixed percentage of the monthly rental.

Property, plant and equipment

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property	-	Over the term of the lease
Fixtures, fittings and equipment	-	25% on cost
Motor vehicles	-	25% on cost

Capitalisation of expenditure on new branches totalled £4,628k and is reflected in leasehold property (£4,172k) and fixtures, fittings and equipment (£456k). Depreciation is charged on assets once the office set up is complete.

Intangible assets

Intangible assets that are acquired by the company, principally represent purchased contracts and computer software, are stated at cost less accumulated impairment losses. Purchased contracts and computer software are amortised on a straight line basis over their estimated useful economic lives of five years.

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Valuation of share options

Equity-settled share-based payments (in relation to Foxtons Group plc shares) to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest. At each balance sheet date, the company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Notes to the financial statements
For the year dated 31 December 2016

2. Accounting policies (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. In accordance with the requirements of the parent undertaking, the company makes or receives payment in respect of group relief surrender at 100% of the value of the relief given.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deduced.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Dividends

Final dividend distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which they are approved by the company's shareholders. Interim dividends are recognised in the period in which they are paid.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the financial statements
For the year dated 31 December 2016

2. Accounting policies (continued)

Critical judgements in applying the Company's accounting policies

The following are the critical judgements that the Directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition – Estimate of lettings refund liability

For those contracts with break clauses, there is judgement involved in determining the appropriate refund liability to be recognised in relation to the potentially refundable portion of the commission. Since the company uses standard terms for its letting contracts, and its lettings business is focused in one geographical area (London), management considers its lettings portfolio to be a homogenous population and estimates the amount of the commission that will be refunded based upon historical data for all lettings contracts, which is considered reliable evidence supporting this judgement. The company maintains robust data which demonstrates that patterns of rental behaviour do not change significantly period by period, and thus the company believes that historical data is a relatively accurate proxy for future trends and circumstances.

Client funds

Client monies and the associated liabilities are not shown on the balance sheet because the company treats the monies as belonging to the clients and not as its own funds. Client monies are held by the company in specifically designated client accounts and, on that basis, the company expects that, in the event of the company becoming insolvent, such monies would be ring-fenced and not be available to the company's creditors as a whole. They are not available for offset against any other account held with the bank. Treatment of client monies are subject to Association of Residential Lettings Agency Rules.

3. Revenue

The revenue and profit before taxation are attributable to the one principal activity of the company and is all generated in the United Kingdom. Previously the company has presented other revenue separately from Sales and Lettings. The Group has re-presented the 2015 revenue analysis, with other revenue categorised between Sales and Lettings based upon the nature of the income. £0.2 million of the other revenue in 2015 related to conveyancing commissions and has been categorised to Sales. The remaining other revenue of £0.2 million relates primarily to rental income and has been apportioned between Sales and Lettings.

An analysis of revenue is given below:

	2016 £'000	2015 £'000
Sales	55,489	72,494
Lettings	68,349	69,043
Total	123,838	141,537

Notes to the financial statements
For the year dated 31 December 2016

4. Employees and directors

	2016 £'000	2015 £'000
Wages and salaries	52,820	50,540
Social security costs	5,960	5,869
Other pension costs	270	257
	59,050	56,666

The average monthly number of employees during the year was as follows:

	2016	2015
Number of administrative staff	370	378
Number sales staff	861	855
	1,231	1,233

Employee numbers include executive directors.

	2016 £'000	2015 £'000
Directors' remuneration: -emoluments	1,464	1,371

Information regarding the highest paid director is as follows:

	2016 £'000	2015 £'000
Emoluments	981	856

5. Finance costs

	2016 £'000	2015 £'000
Other similar charges payable	-	22
Interest arising on amounts owed to group undertakings	842	788
	842	810

Notes to the financial statements
For the year dated 31 December 2016

6. Profit before tax

The profit before tax is stated after charging/(crediting):

	2016 £'000	2015 £'000
Other operating leases	13,184	11,935
Depreciation - owned assets	4,886	4,456
Profit on disposal of fixed assets	(115)	(105)
Acquired portfolio amortisation	101	17
Auditor remuneration - audit of the financial statements	64	67
Auditor remuneration - other assurance services	3	3
Auditor remuneration - fees for tax compliance services	151	45
Auditor remuneration - fees for tax advisory services	31	30

7. Tax

Analysis of tax expense:

	2016 £'000	2015 £'000
Current tax:		
Corporation Tax	4,123	8,068
Deferred tax	(18)	339
Total tax expense in statement of comprehensive income	4,105	8,407

Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2016 £'000	2015 £'000
Profit on ordinary activities before income tax	18,527	40,663
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2015:20.25%)	3,705	8234
Effects of:		
Expenses not deductible for tax purposes	214	204
Non-qualifying depreciation/amortisation	325	-
Other short term timing, differences	(64)	(132)
Adjustment in respect of prior years	(75)	106
Change in tax rate	-	(5)
Tax expense	4,105	8,407

On 1 April 2014, the UK corporate tax rate was reduced from 23% to 21%. From 1 April 2015, the UK corporate tax rate fell to 20%. There will be a reduction in the UK corporation tax rate to 19% from April 2017 and a further reduction to 17% from April 2020.

Notes to the financial statements
For the year dated 31 December 2016

8. Dividends

	2016 £'000	2015 £'000
Ordinary shares of £1 each – Dividend for the year ended 31 December 2016 of £1,400.00 per ordinary share (2015:£2830.00 per ordinary share)	14,000	28,300

9. Intangible fixed assets

	Patents and licences £'000	Computer software £'000	Totals £'000
Cost			
At 1 January 2016	505	68	573
Additions	(11)	715	704
At 31 December 2016	494	783	1,277
Amortisation			
At 1 January 2016	17	55	72
Amortisation for year	101	-	101
At 31 December 2016	118	55	173
Net book value			
At 31 December 2016	376	728	1,104
At 31 December 2015	488	13	501

10. Property, plant and equipment

	Leasehold property £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Totals £'000
Cost					
At 1 January 2016	34,156	22,961	2,122	1,876	61,115
Additions	320	898	1,538	3,511	6,267
Disposals	(85)	-	(756)	-	(841)
Reclassification/transfer	4,172	456	-	(4,628)	-
At 31 December 2016	38,563	24,315	2,904	759	66,541
Depreciation					
At 1 January 2016	15,251	18,334	862	-	34,447
Charge for the year	2,552	1,687	647	-	4,886
Eliminated on disposal	(2)	-	(555)	-	(557)
At 31 December 2016	17,801	20,021	954	-	38,776
Net book value					
At 31 December 2016	20,762	4,294	1,950	759	27,765
At 31 December 2015	18,905	4,627	1,260	1,876	26,668

Notes to the financial statements
For the year dated 31 December 2016

11. Deferred tax

The movement in the deferred taxation account during the year was:

	2016 £'000	2015 £'000
At 1 January	8	347
Profit and Loss account movement during the year	18	(339)
Statement of changes in equity movement during the year	373	-
At 31 December	399	8

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2016 £'000	2015 £'000
Excess of depreciation over taxation allowances	(103)	(64)
Held-over gains	(56)	(56)
Other timing difference	558	128
At 31 December	399	8

12. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	7,260	11,605
Amounts owed by group undertakings	157	66
Other debtors	297	289
Deposits paid	205	292
	7,919	12,252

Notes to the financial statements
For the year dated 31 December 2016

13. Trade and other payables

	2016 £'000	2015 £'000
Amounts payable within one year:		
Trade creditors	1,601	2,778
Amounts owed to group undertakings	17,683	18,932
Social security and other taxes	2,306	2,427
VAT	847	1,562
Other creditors	152	209
Accruals	5,242	2,696
Included in current liabilities	27,831	28,604

14. Deferred revenue and lettings refund liability

	2016 £'000	2015 £'000
Deferred income	117	127
Lettings refund liability	4,067	4,228
	4,184	4,355

15. Called-up share capital

	2016 £'000	2015 £'000
Allotted, called-up, and fully paid		
10,000 ordinary shares of nominal value £1.00	10	10

The other reserve of £1,903k (2015:£688k) relates to capital contributions arising from share based payments. The capital contribution of £2,464k(2015:£2,464k) is made up of £2,074k relating to the receipt of corporation tax group relief in 2013 from the companies pre-IPO holding company, and £390k relating to the capital reorganisation of the group in 2010

16. Ultimate parent company

Foxtons Operational Holdings Limited is the immediate parent undertaking of Foxtons Limited. Foxtons Group PLC represents the ultimate parent of Foxtons Limited. The consolidated financial statements of Foxtons Group PLC are publicly available at www.foxtonsgroup.co.uk. with a registered office of Building One, Chiswick Park, 566 Chiswick High Road, London.

The parent company of the smallest and largest group to consolidate Foxtons Limited is Foxtons Group PLC.

Notes to the financial statements
For the year dated 31 December 2016

17. Operating lease commitments

The company as lessee

	2016 £'000	2015 £'000
Lease payments under operating leases recognised as an expense in the period	13,427	12,162

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows

	2016 £'000	2015 £'000
Within one year	12,119	13,161
In the second to fifth years inclusive	39,601	33,066
After five years	43,776	31,987
	95,496	78,214

Operating lease payments represent rentals payable by the Group for certain of its office properties and cars under contract hire. Leases on offices are negotiated for an average term of 15 years and rentals are fixed for an average of three years.

The company as lessor

	2016 £'000	2015 £'000
Lease receipts under operating leases recognised in the period	343	333

At the balance sheet date, third parties had outstanding commitments due to the Group for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 £'000	2015 £'000
Within one year	286	331
In the second to fifth years inclusive	936	1,022
After five years	-	200
	1,222	1,553

Operating lease payments represent rentals payable to the Group for certain recharges for rental of a proportion of its office properties

18. Share-based payments

The company participates in a share option scheme for employees of the company. The awards have been made in the form of an option over shares of Foxtons Group plc with a nil option price. The vesting period is under three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions detailed in the plan rules.

Notes to the financial statements
For the year dated 31 December 2016

The options outstanding at 31 December 2016 had a weighted average remaining contractual life of 9 years. In 2016, options were granted on 15 April 2016. The aggregate of the estimated fair values of the options granted is £4,100k (£2,100k).

19. Client monies

At 31 December 2016, client monies in approved bank and building society accounts amounted to £87.4 million (2015: £84.8 million). Neither this amount nor the matching liabilities to the clients concerned is included in the company balance sheet. The company's terms and conditions provide that interest income on these deposits accrues to the company.

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

20. Adjusted EBITDA

	2016 £'000	2015 £'000
Operating profit	19,352	41,396
Add back depreciation — owned assets	4,886	4,456
Add back amortisation — owned assets	101	17
Less (profit) on disposal of fixed assets	(115)	(105)
Add share based payments charge in profit and loss	854	698
Adjusted EBITDA	25,076	46,462