Company Registration No. 01680058

Foxtons Limited

Annual Report and Financial Statements

For year ended 31 December 2020

Foxtons Limited

Annual report and financial statements 2020

Company information

Foxtons Limited

Annual report and financial statements 2020

Company information

Directors
N Budden
R Harris
P Franco

Company Secretary
C Hough

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Registered Number
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Auditor
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Foxtons Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Foxtons Limited is London's leading estate agency, offering residential property sales and lettings services through its network of over 50 interconnected branches. The Company focuses on the higher-volume, higher-value property markets in London.

The Company combines:

- A strong, single brand;
- High levels of centralisation creating a highly focused and scalable business;
- An innovative application of technology; and
- A powerful culture of sales and service through outstanding training and staff development.

The Company's strategic priorities are:

- Focus on developing strong positions in markets with attractive fundamentals;
- Deliver exceptional customer service through our expert people;
- Maintaining a balance between sales and lettings to provide resilience in cyclical markets;
- Leverage our branch network and single brand; and
- Invest in best-in-class technology

The Company comprises of two business segments of sales and lettings. The majority of operations are in Greater London area with two branches in the adjacent area of Surrey. Sales revenue was 33% of total revenue while lettings revenue was 67% in the year. This balance across the sales and ettings segments provides financial strength in the Company to withstand fluctuations in the property market. The Company has a successful track record of profitable organic expansion and covers over 85% of the Greater London area.

Our business model is built on delivering exceptional service and results for our customers. Our powerful culture of service and sales means our people are both expert and committed to excelling for our customers. Our single brand branch network provides a unique reach across the London residential property market, whilst investments in data and technology alongside centralised business processes create high levels of productivity and customer service to allow customers to unlock the value of property and find the perfect home.

Key performance indicators

Revenue
Total revenue for 2020 was £84.1m (2019: £98.4m), split across sales and lettings as follows:

- **Sales:** In 2020, sales revenues fell by 14% to £28.0m (2019: £32.6m) due to Covid-19 adversely impacting sales transactions during the year.

  Average revenue per transaction (sales revenue divided by sales volumes) increased versus the prior year to £13.9k (2019: £13.5k). The increase was a reflection of a change in the mix of properties sold and lower average prices in the period. The average price for properties sold was £574k (2019: £572k).

- **Lettings:** Lettings revenue was down 15% to £56.1m (2019: £65.7m) as a result of the impact of Covid-19. The spring lockdown heavily impacted Q2 2020 revenues which were lower than the prior year primarily due to a reduction in new tenancy revenue despite recurring renewal and property management revenues providing some resilience . In the second half of the year, the lettings business was able to capitalise on the market recovery benefitting from strong stock levels and market share gains. The average revenue per lettings transaction was £3.0k (2019: £3.3k). Lettings volumes decreased by 7% to 18,437 (2019: 19,844).

Loss before tax
Loss before tax for the year was £2.1m (2019: £8.5m). Included in the loss before tax is a £1.1m charge in respect of adjusted items, in which a £1.1m credit relates to the changes during the year in property restructure provisions for closed branches, £0.5m charge relating to reorganisation costs and a small number of closed and underperforming branches had their net assets impaired by £1.7m (refer to Note 6). During the period, a reduction in revenues of £14.3m was partially offset by a decrease in administrative expenses (excluding adjusted items) of £13.4m, which included £6.6m of Government support primarily through the Coronavirus Job Retention Scheme (CJRS) and business rates relief.

Future developments
Foxtons remains focused on developing strong positions in the London residential property market, which remains disproportionally valuable against the rest of the UK.

The Company aims to achieve an appropriate balance between the financial contributions made by its sales and lettings businesses through the residential sales market cycle. The current focus is to grow the lettings business, which displays recurring revenue characteristics, through prioritising resource allocation and selective investments whilst aligning the sales business to market conditions and improving our market positioning.

The Company's substantial long term investment in IT infrastructure, automated centralised systems and processes and a data rich customer relationship management system have created a highly scaleable and efficient business model. As the property market and customer behaviour evolves, Foxtons will continue to evaluate its offering and invest in innovative technology and bespoke systems and applications to remain a market leader in technological capability in the sector.

We have several initiatives underway to promote growth in our lettings business, including the acquisition of high quality letting books as well as growing revenues organically. Our commitment to achieving the best result for our customers and powerful brand continue to be key differentiators. We have become accustomed to operating in challenging conditions, and are well placed to withstand them given our leaner cost base and strengthened balance sheet.

Covid-19 impact and response

The Covid-19 pandemic has had a material impact on the business in the form of forced branch closures, business restrictions and weakening consumer sentiment impacting the Company's performance in 2020, with the both demand and supply in both sales and lettings being adversely affected by the spring lockdown. In response, management rapidly undertook a number of actions in order to minimise the impact of the spring lockdown on cash flow.

The expectation of a significant reduction in revenues during the spring lockdown required us to take action on costs. We minimised discretionary expenditure and introduced 20% pay reductions for all directors and the vast majority of higher-paid employees during the branch closures. Additionally, £4.2m of wages claimed under the CJRS were passed through to furloughed employees and we benefitted from £2.5m of other Government support primarily in the form of business rates relief. Further actions that helped minimise the impact of the Company's cash flow during 2020 also included agreeing temporary flexibility and payment deferral with lease providers.

On 17 April 2020, Foxtons Group plc, the Company's ultimate parent company, announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0m. The proceeds provided the Group with sufficient liquidity and flexibility through the anticipated period of disruption and enabled the Group exit the year in a strong financial position.

The pandemic also represented a significant health risk to our colleagues, customers, suppliers and community. After the spring lockdown, the whole Company, supported by our Covid-19 employee-led health and safety committee, worked hard to ensure all aspects of our business were made Covid-19 secure so our colleagues could work safely and our customers could proceed with their property plans.

Foxtons Limited

Strategic report

Companies Act 2006: section 172
Section 172 of the Companies Act 2006 requires directors to act in a way they consider, in good faith, promotes the success of the Company for the benefit of its shareholders.

In doing so, section 172 requires directors to have regard to a non-exhaustive list of factors, including the interests of employees and how the actions and behaviours of the Company affect customers, suppliers, the community and the environment, as well as the Company's reputation.

This is supported by legislation requiring companies to report on how directors have had regard for the broader matters set out in section 172 when performing their duty, including considering the interests of employees, suppliers, customers and other stakeholders, as well as impacts on the community and the environment.

Vendors, landlords, buyers and tenants are all considered to be customers, and maintaining excellent levels of customer service is critical to the success of each property transaction the Company engages in. Furthermore, suppliers support the Company in maintaining the highest levels of customer service. The Board reviews service levels on a regular basis, as well as monitoring the integrity of the way we do business with our customers and suppliers. Additionally, the Board reviews our supplier payment practices on a regular basis.

Section 172 also requires companies to report on engagement with employees. The Board engages with its people to better understand the views of its people and the Company's culture. This enables our people to influence matters that affect them and encourage workforce participation in shaping strategic initiatives. The Board achieves this by engaging with its people in a number of ways including attending and participating in regular Employee Engagement Committee meetings, attending staff events and reviewing the annual employee engagement survey and taking appropriate actions in response to any findings.

Looking after our communities is an integral part of the Company's ethos. The Board regularly reviews how the company supports communities, specifically via effectiveness reviews of our charity partnerships and wider community initiatives. A key focus is advancing social mobility, fundraising for charities which benefit our communities and managing our impact on the environment.

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:

Covid-19

- *Impact on the Company:* The Company's performance has been significantly impacted by Covid-19. Although transaction volumes have recovered broadly back to pre-Covid-19 levels, the pandemic has introduced additional market and operational risk. Although the extent of the risk is considered moderate, with vaccine programmes underway, the level of risk is expected to reduce. Key elements of the risk include:

  - continuing negative impact on the UK economy and consumer confidence which is expected to adversely impact residential property transaction levels in the medium term. The speed and extent of recovery is difficult to predict and therefore there is a high degree of uncertainty in the market outlook;
  - although the risk is reducing as the vaccine programme progresses, there remains a risk the Company's offices and branches may have to temporarily close, property viewings could be required to switch to virtual viewings and customer-facing activities could be restricted due to future lockdowns; and
  - there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers.

- *Mitigation of risk:* The Company has mitigations in place to protect the business and stakeholders against the impact of Covid-19. These include actions already taken by the Company (set out on page 3), as well as ongoing actions to safely manage the Company's operations and closely manage the Company's cost base in line with business activity.

Market risk

- *Impact on the Company:* The Group continues to be impacted by the prolonged downturn in the London sales market and transaction levels have deteriorated further in 2020 due to Covid-19. The key factors driving the risk level are:

  - affordability, which in turn may reduce transaction levels;
  - arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment, including the UK's decision to leave the EU;
  - the market being reliant on the availability of mortgage finance, a deterioration in which may adversely affect the Group;
  - the market being impacted by changes in government policy such as changes in stamp duty taxes or increased regulation in the lettings market. In July 2020, the Government announced an increase in the stamp duty threshold with a view of stimulating an accelerated recovery in the UK housing market. This favourable change mitigates some of the market risk in the short-term; and
  - Covid-19 has introduced additional market risk and operational risk the impact of which is summarised separately above.

- *Mitigation of risk:* The Company targets an appropriate balance between the sales and lettings businesses through residential property market cycles, with the lettings business providing valuable protection against the cyclical sales market. The Company's ongoing investment in high quality lettings books helps to mitigate the sales market risk. Additionally, in a downturn of the residential sales market, the Board will make appropriate strategic decisions to support the long-term prospects of the sales business. Key mitigations include maintaining an appropriate balance sheet and managing the cost base to reflect market conditions. Specific actions have been taken by the Board in response to Covid-19 as explained above.

Competitor challenge

- *Impact on the Company:* The Company 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:* The Company continually assesses competitor activity and utilises our centralised structure to review competitor intelligence and respond accordingly. Furthermore, the Board regularly reviews our business model and strategic investments are made to protect and develop our competitive advantage.

  The Board believes the emotional and complex nature of estate agency transactions means that online agents will not have a major role in sales or lettings transactions without the involvement of an estate agent. Furthermore, any market share gained by online and hybrid agents is likely to be at the expense of traditional estate agents which compete on price and have lower levels of service, rather than Foxtons' premium service model.

Compliance with the legal and regulatory environment

- *Impact on the Company:* Breaches of laws or regulations could lead to financial penalties and reputational damage.
- *Mitigation of risk:* The Company is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. The Company's centralised service model enables the Company to respond to regulatory change in an efficient and coherent manner.

IT systems and cyber risk

- *Impact on the Company:* The Company's business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service, corruption of data or theft of personal data. Such a failure or loss could also result in reputational damage, fines or other adverse consequences.

- *Mitigation of risk*: Our IT function, supported by external specialists, maintains both preventative and detective processes and controls to mitigate the identified risks including:

  - enterprise grade data loss prevention, network monitoring, traffic shaping and predictive countermeasures;
  - real-time automated monitoring by an independent security operations centre to ensure protection is patched and appropriate;
  - regular independent penetration testing;
  - data risk assessments and safeguards established with oversight from the Data Protection Officer;
  - disaster recovery operations and plans maintained; and
  - in the event of a cyber incident, a full investigation is undertaken and remediation activity completed to provide protection against the latest threats.

People

- *Impact on the Company:* There is a risk that the Company may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. This risk may occur in the event competition for talent increases or there are changes in our industry or markets that result in less attractive career opportunities.
- *Mitigation of risk:* The Company maintains a structured approach to recruitment using internal specialist teams, enabling us to increase the recruitment of high-quality people quickly, should it become necessary to do so. The Company continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Additionally, our track record of promoting from within generates significant staff loyalty within senior and mid-management employees.

Reputation and Brand

- *Impact on the Company:* Foxtons is a strong, single network brand with a reputation of delivering exceptional service. Our reputation and brand provides a competitive advantage and is critical to maintaining and growing market share. There is a risk our reputation and brand could be damaged through negative press coverage due to customer service falling below expectations. This could adversely impact our ability to retain and attract new customers and damage the future prospects of the business.

  In the current Covid-19 environment, there is an additional risk that employees' actions and behaviours do not comply with the Group's health and safety policies and procedures or that the policies and procedures are ineffective.
- *Mitigation of risk:* We continue to invest in our customer proposition, technology and processes. These investments further strengthen our service offering, thereby strengthening and protecting the Foxtons brand. Maintaining appropriate behaviours and culture, with a strong focus on compliance, is key to protecting our reputation and brand. Our industry-leading training and employee development programmes continue to be an area of focus of the Board. The positioning of our brand is reviewed regularly, to ensure our values are clear and consistently promoted. In the current Covid-19 environment the Company has placed even more emphasis on compliance with safety guidelines and industry compliance.

Details of cash flow, credit and liquidity risk are provided below:

Cash flow risk

- *Impact on the Company:* 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.
- *Mitigation of risk:* 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.

Strategic report

Credit risk

- *Impact on the Company:* The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of expected credit losses for doubtful receivables.
- *Mitigation of risk:* An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquidity risk

- *Impact on the Company:* The Company does not maintain liquidity to ensure that sufficient funds are available for ongoing operations and future development.
- *Mitigation of risk:* The Company is cash positive and regularly reviews its cash position/funding requirements in line with forecasts/budgets. Should there be a need for additional funding, the business is able to access Foxtons Group plc's £5m revolving credit facility.

Approved by the Board and signed on its behalf by:

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R Harris

Director

Date: 29th April 2021

Foxtons Limited

Directors' report

The directors present their annual report with the audited financial statements of the Company for the year ended 31 December 2020.

Dividends
No dividends were paid in the year ended 31 December 2020 (2019: £nil). No further dividends have been proposed.

Directors
The directors shown below have held office during the whole of the year from 1 January 2020 to the date of this report:
N Budden
P Franco
R Harris

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 the Company's 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.

Additionally, the Board engages with its employees in a number of ways including attending and participating in quarterly Employee Engagement Committee meetings, attending staff events and reviewing the annual employee engagement survey taking appropriate actions in response to any findings.

Supplier and customer engagement
Vendors, landlords, buyers and tenants are all considered to be our customers and maintain excellent levels of customer service is critical to the success of each property transaction we engage in. Furthermore our suppliers support us in maintaining the highest levels of customer service.

The Board reviews service levels on a regular basis as we well as monitoring the integrity of the way the Company does business with its customers and suppliers. Additionally, the Board reviews its supplier payment practices on a regular basis.

Directors' report

Senior management and the directors regularly review service levels and engage with our customers and suppliers. Feedback is obtained both through consumer review websites, such as Trustpilot and Google, as well as through direct engagement via both formal and informal channels. Key outcomes from the engagement include operational changes to ensure service levels remain consistently high, putting in place additional training for our teams and enhancing the functionality of 'My Foxtons' to further improve customer experience. Our trusted and vetted suppliers support us in delivering a professional property management service that meets the demands of our customers.

Future developments
Future developments are discussed in the Strategic Report on page 3.

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

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

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

Statement as to disclosure of information to auditor
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Company has appointed BDO LLP as the Company's auditor for the year ending 31 December 2020 following a formal tender process.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:

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R Harris

Director

Date: 29th April 2021

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

Opinion on the 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 2020 and of its loss 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.

We have audited the financial statements of Foxtons Limited ("the Company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

Independent auditor's report to the members of Foxtons Limited

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 material misstatements in the Strategic report or the Directors' report.
We have nothing to report in respect of the following matters in relation to which 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 we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006, the Estate Agents Act 1979, Money Laundering Regulations 2007 and Proceeds of Crime Act, the Data Protection Act and the relevant tax compliance regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override and inaccurate calculation of IFRS 15 contract liabilities. We considered the processes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors those processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business, together with enquiries with the Company's Legal and Compliance Director. Third party confirmations were obtained directly from the Company's external legal counsel to audit the completeness of claims and legal matters made available to us.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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 our audit work, for this report, or for the opinions we have formed.

Boo LLP

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London, UK
Date: 29 April 2021
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Foxtons Limited

Statement of comprehensive income
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	84,121	98,362
Administrative expenses		(85,711)	(103,679)
Operating loss		(1,590)	(5,317)
Income from shares in group undertakings		2,383	-
Finance income		80	129
Finance costs	5	(2,999)	(3,273)
Loss before tax	7	(2,126)	(8,461)
Tax	8	277	1,028
Loss and total comprehensive loss for the year		(1,849)	(7,433)

Turnover and operating loss are all derived from continuing operations.

The notes on pages 17 to 39 form part of these financial statements.

Foxtons Limited

Statement of financial position
For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	10	1,247	1,700
Property, plant and equipment	11	10,388	12,849
Right-of-use assets	12	43,914	51,404
Contract assets	19	350	564
Investment in subsidiary undertakings	14	5,419	-
Investment in associated undertakings	15	1,237	1,274
Deferred tax asset	13	1,341	1,424
		63,896	69,215
Current assets			
Trade and other receivables	16	19,389	16,475
Contract assets	17	1,346	969
Current tax asset		385	342
Cash at bank and in hand		8,386	10,596
		29,506	28,382
Total assets		93,402	97,597
Current liabilities			
Trade and other payables	17	(11,466)	(10,867)
Lease liabilities	12	(10,773)	(9,690)
Provisions	18	(365)	(1,396)
Contract liabilities	19	(6,839)	(5,793)
		(29,443)	(27,746)
Non-current liabilities			
Borrowings	20	(14,863)	(14,064)
Lease liabilities	12	(40,248)	(46,174)
Provisions	18	(1,216)	(949)
Contract liabilities	18	(1,080)	(1,231)
		(57,407)	(62,418)
Total liabilities		(86,850)	(90,164)
Net assets		6,552	7,433
Equity			
Share capital	21	10	10
Share based payment reserve	21	5,828	4,860
Capital contribution	21	2,464	2,464
Retained earnings		(1,750)	99
Equity attributable to owners of the Company		6,552	7,433

The financial statements of Foxtons Limited, registered number 01680058 were approved by the Board on 29th April 2021 and were signed on its behalf by:

....

R Harris, Director

The notes on pages 17 to 39 form part of these financial statements.

Foxtons Limited

Statement of changes in equity
For the year ended 31 December 2020

	Share capital £'000	Share based payment reserve £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	10	4,125	2,464	7,532	14,131
Total loss and total comprehensive loss for the year	-	-	-	(7,433)	(7,433)
Share based payments - net of deferred tax (Note 23)	-	735	-	-	735
Balance at 31 December 2019	10	4,860	2,464	99	7,433
Total loss and total comprehensive loss for the year	-	-	-	(1,849)	(1,849)
Share based payments - net of deferred tax (Note 23)	-	968	-	-	968
Balance at 31 December 2020	10	5,828	2,464	(1,750)	6,552

The notes on pages 17 to 39 form part of these financial statements.

Notes to the financial statements
For the year dated 31 December 2020

1. General Information

Foxtons Limited ("the Company") is a private company limited by shares and incorporated in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales. 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

2.1 Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) and in accordance with applicable accounting standards and the Companies Act 2006.

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

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods or services.

2.2 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's forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, including the ongoing impact of Covid-19, 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. As at 31 December 2020, the Company had net assets of £6.6m (2019: £7.4m), and £8.4m (2019: £10.6m) in cash and cash equivalents.

Foxtons Group plc has formally confirmed that it will provide sufficient funding to the Company to enable it to meet its liabilities as they fall due for the foreseeable future, being a period of at least 12 months from the date of signing these financial statements.

At 31 December 2020 Foxtons Group plc has net current assets of £37.8m (2019: £23.0m), including cash and cash equivalents of £21.0m (2019: £nil). Foxtons Group plc holds an undrawn £5m revolving credit facility (RCF), which expires in June 2022.

The directors of Foxtons Group plc have reviewed the Company's ability to continue as a going concern, in which cash flow forecasts have been stress tested using a reverse stress scenario which incorporates a deterioration in market conditions, with specific consideration given to the ongoing impact of Covid-19. As diclosed in Foxtons Group plc's 2020 Annual Report and Accounts, the reverse stress scenario incorporates a severe reduction in trading from March 2021 to May 2021, approximately 1.4 times more severe as that experienced from March 2020 to May 2020 during the spring lockdown, followed by a protracted recovery from June 2021 to December 2021 that is slower than that from June 2020 to September 2020.

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

2. Accounting policies (continued)

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

2.3 New standards, amendments and IFRIC interpretations

Several other amendments and interpretations apply for the first time in 2020, but do not have a material impact on the consolidated financial statements:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Conceptual Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*

At the date of authorisation of these financial statements, the following standard, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IAS 16	*Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts - Cost of Fulfilling a Contract*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Conceptual Framework	*Amendments to References to the Conceptual Framework in IFRS Standards*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Company's financial statements.

Amendment to IFRS 16 'Leases'

During the period the Company elected to early adopt the amendment to IFRS 16 'Leases': Covid-19-Related Rent Concessions.

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 'Leases'. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of Covid-19. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted.

The application of this amendment has resulted in a decrease in other operating expenses of £0.2m and a decrease in lease liabilities of £0.2m at 31 December 2020.

2.4 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.

Notes to the financial statements
For the year dated 31 December 2020

2. Accounting policies (continued)

Rendering of services
Under IFRS 15 'Revenue from Contracts with Customers', a five step process is taken for recognising revenue from contracts with customers. The process consists of: 1) Identifying the contract(s) with a customer; 2) Identifying the performance obligations in the contract; 3) Determining the transaction price; 4) Allocating the transaction price to the performance obligation(s); and 5) Recognising revenue when a performance obligation has been satisfied.

The Company generates revenue from customers, the majority of which are based in the UK, from two main revenue streams: sales and lettings. The point in which transfer of control of services to customers for each performance obligation is deemed to be met, and consequently the revenue recognition point for each performance obligation, is in line with the criteria outlined below.

Sales revenue streams
Revenue is recognised as follows for the following sales revenue streams:

(i) **Commission for residential property sales**
Commission earned on residential property sales is recognised at a point in time upon the exchange of contracts for such sales.

(ii) **Commission for residential off-plan property sales**
For contracts relating to new homes sold off-plan, the Company's commission is variable and dependent on the off-plan sale successfully completing. At the point of exchange of contract, management makes an assessment of the amount and probability of revenue expected to be received.

Variable consideration is estimated using the expected value methodology to predict the amount of consideration the Company will be entitled to. The estimate is determined with reference to historical and forecast information. Estimates are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty is subsequently resolved. Constraints are determined with reference to factors outside the Company's control and the length of time between point of exchange of contracts and completion of the sale.

Lettings revenue streams
Revenue is recognised as follows for the following lettings revenue streams:

(i) **Commission for securing a letting for the landlord**
The Company satisfies its performance obligation at the point the letting is secured and recognises initial lettings commission at this point. The initial lettings commission is determined by applying the contractual commission percentages to the value of the rental over the non-cancellable period. Once the non-cancellable period has passed, and the contract can be terminated in accordance with the break clause, the contract is accounted for as a rolling contract with optional renewals.

Contract assets represent the accrual of revenue beyond amounts invoiced for contracts with no break clause, where invoicing only covers part of the contract period, and contract liabilities represent amounts invoiced for contracts with a break clause, where invoicing has extended past the break clause point.

This commission is recognised in line with the contract between the Company and the landlord which has been determined to be a cancellable contract, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the Company refunds any initial commissions paid by the landlord on a pro-rata basis.

Notes to the financial statements
For the year dated 31 December 2020

2. Accounting policies (continued)

The Company satisfies its performance obligation at the point the letting is secured and recognises initial lettings commission at this point. The initial lettings commission is determined by applying the contractual commission percentages to the value of the rental over the non-cancellable period. Once the non-cancellable period has passed, and the contract can be terminated in accordance with the break clause, the contract is accounted for as a rolling contract with optional renewals.

(ii) Commission for collecting rent on behalf of the landlord
Commission for rent collection services is recognised over the life of the contract on a straight line basis which is in line with the satisfaction of the performance obligation, measured using a mark-up on the estimated costs allocated to the provision of the service.

(iii) Commission for managing the letting on behalf of the landlord
Property management services are recognised over the life of the contract on a straight line basis which is in line with the satisfaction of the performance obligation.

Interest income
The Group deposits its cash with reputable financial institutions. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The Group earns interest income on own funds which is shown as finance income. It also earns interest on client funds which is included within lettings revenue.

2.5 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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

2.6 Intangible assets
Intangible assets that are acquired by the Company, principally computer software, are stated at cost less accumulated impairment losses. Software is amortised on a straight line basis over their estimated useful economic lives of five years.

2.7 Leases

The Company as lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Notes to the financial statements
For the year dated 31 December 2020

2. Accounting policies (continued)

a) **Lease liability:** The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability primarily comprise of fixed lease payments.

The lease liability is presented across separate lines (current and non-current) in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets. No re-measurements have been made in the period.

b) **Right-of-use assets:** The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset and are now presented within property, plant and equipment.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Company's existing impairment accounting policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses in the statement of comprehensive income.

The Company as lessor

The Company acts as an intermediate sub-lessor for certain properties. The Company accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

2.8 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 Company 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. See Note 6.

2.9 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.

2. Accounting policies (continued)

2.10 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

A provision for restructuring is recognised when management has a formal plan for the restructuring that identifies that portion of the business and principal locations that will be affected in detail and timing, and has raised an expectation among those affected that it will proceed with the restructuring.

2.11 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.

2.12 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 Company 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 directors 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.

2.13 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.

2.14 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.

2.15 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.

Notes to the financial statements
For the year dated 31 December 2020

2. Accounting policies (continued)

2.16 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.

There are no critical accounting judgements or key sources of estimation uncertainty that the directors believes have a significant effect on the amounts recognised in these financial statements.

3. Revenue

The revenue and loss before taxation are attributable to the one principal activity of the Company and is all generated in the United Kingdom.

An analysis of revenue is given below:

	2020 £'000	2019 £'000
Sales	28,025	32,621
Lettings	56,096	65,741
Total	84,121	98,362

Notes to the financial statements
For the year dated 31 December 2020

4. Employees and directors

	2020 £'000	2019 £'000
Wages and salaries	47,162	50,003
Social security costs	5,723	5,741
Other pension costs	799	700
	53,684	56,444

The average monthly number of employees during the year was as follows:	2020	2019
Number of administrative staff	365	399
Number sales staff	636	664
	1,001	1,063

Employee numbers include directors.

Directors' remuneration:	2020 £'000	2019 £'000
Wages and salaries	1,872	1,938
Benefits	55	58
Shared-based payments	739	612
Pension	76	124
	2,742	2,732

A portion of the Company's directors' remuneration charge as shown above totalling £685k (2019: £920k) was borne by Foxtons Group plc.

Notes to the financial statements
For the year dated 31 December 2020

4. Employees and directors (continued)

	2020 £'000	2019 £'000
Company contributions to money purchase schemes - Directors	76	124
Number of directors in money purchase schemes	3	4

Highest paid director remuneration:	2020 £'000	2019 £'000
Wages and salaries	940	1,139
Taxable benefits	38	34
Share-based payments	565	429
Pension	58	84
Total emoluments	1,601	1,686

A portion of the Company's highest paid director's remuneration charge totalling £364k (2019: £663k) was borne by Foxtons Group plc.

5. Finance costs

	2020 £'000	2019 £'000
Interest arising on amounts owed to Group undertakings	798	804
Interest on lease liabilities (refer to Note 12)	2,201	2,469
	2,999	3,273

6. Adjusted items

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

[1] The property restructure income relates to a net release of the adjusted item provision of £831k (2019: £42k) as disclosed in Note 18 and the net gain on disposals of right-of-use assets £247k (2019: £250k).

[2] The branch asset impairment charge relates to plant, property and equipment £500k (2019: £1,349k) and right-of-use assets £1,161k (2019: £2,951k) as disclosed in Notes 11 and 12.

These are included as part of the administrative expenses in the Statement of comprehensive income.

Notes to the financial statements
For the year dated 31 December 2020

7. Loss before tax

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

	2020 £'000	2019 £'000
Short term leases	903	794
Depreciation of property, plant and equipment	2,537	3,147
Depreciation of right-of-use assets	9,312	9,763
Profit on disposal of property, plant and equipment and right-of-use assets	(460)	(97)
Intangible fixed asset amortisation	496	527
Investment in subsidiaries impairment (refer to Note 14)	2,383	-
Adjusted items (refer to Note 6)	1,057	5,658
Staff costs	53,684	56,444
Auditor remuneration - audit of the financial statements	71	81
Auditor remuneration - other assurance services	4	4
Covid-19 related Government support	4,514	-

As noted above, £4.5m of Covid-19 related Government support has been received in the period in the form of £4.2m of wages claimed under the CJRS passed through to furloughed employees and £0.4m of business interruption grants. There are no unfulfilled conditions or other contingencies attached to this support. Additionally, the Company benefitted from £2.1m of business rates relief in the period as part of the Covid-19 support package to businesses.

These are included as part of the administrative expenses in the Statement of comprehensive income.

8. Tax

Analysis of tax credit:

	2020 £'000	2019 £'000
Current tax	(382)	(336)
Deferred tax	105	(692)
Total tax credit in statement of comprehensive income	(277)	(1,028)

Notes to the financial statements
For the year dated 31 December 2020

8. Tax (continued)

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:

	2020 £'000	2019 £'000
Loss on activities before income tax	(2,126)	(8,461)
Loss on activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	(404)	(1,608)
Effects of:		
Expenses not deductible for tax purposes	140	65
Share options	135	184
Non-qualifying depreciation/amortisation	-	266
Capital gains	(19)	-
Adjustment in respect of prior years	(47)	(51)
Change in tax rate	(142)	116
Tax credit	(277)	(1,028)

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

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

9. Dividends

No amounts have been recognised as distributions to equity holders in the period.

The Company made a statutory loss after tax and therefore no dividend for the year will be paid in line with the Company's dividend policy.

Notes to the financial statements
For the year dated 31 December 2020

10. Intangible assets

	Purchased contracts £'000	Computer software £'000	Totals £'000
Cost			
At 1 January 2020	494	2,190	2,684
Additions	-	43	43
At 31 December 2020	494	2,233	2,727
Amortisation			
At 1 January 2020	421	563	984
Amortisation for year	73	423	496
At 31 December 2020	494	986	1,480
Net book value			
At 31 December 2020	-	1,247	1,247
At 31 December 2019	73	1,627	1,700

11. 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 2020	39,284	24,984	942	22	65,232
Additions	277	297	-	-	574
Disposals	-	-	(528)	(22)	(550)
Fully depreciated assets/other[1]	(101)	(10,891)	(226)	-	(11,218)
At 31 December 2020	39,460	14,390	188	-	54,038
Depreciation					
At 1 January 2020	27,703	23,830	850	-	52,383
Charge for the year	1,796	664	77	-	2,537
Eliminated on disposal	-	-	(517)	-	(517)
Impairment	477	23	-	-	500
Fully depreciated assets/other[1]	(110)	(10,917)	(226)	-	(11,253)
At 31 December 2020	29,866	13,600	184	-	43,650
Net book value					
At 31 December 2020	9,594	790	5	-	10,388
At 31 December 2019	11,581	1,154	92	22	12,849

[1]During the period, the Company performed a review of fully-depreciated assets held in the Company's fixed asset register and removed £11.2m of cost and accumulated depreciation relating to those fully-depreciated assets which are no longer in use by the Company. Additionally, adjustments were made to align the balances disclosed to the fixed asset register. The adjustments are presentational in nature and have no impact on prior year or current year depreciation.

Notes to the financial statements
For the year dated 31 December 2020

11. Property, plant and equipment (continued)

The plant, property and equipment associated with nine closed branches and a small number of other underperforming branches were fully/partially impaired during the year. The cost of these assets was £0.9m and net book value was £0.5m, which represents the impairment loss which has been classified as an adjusted item (refer to Note 6).

Assets with a net book value of £33k were disposed of during the year. Proceeds of £220k gave rise to a gain on disposal of £186k.

12. Leases

Company as a lessee

The Company 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 (see Note 11).

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

Right-of-use assets

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	58,408	2,641	61,049
Additions	116	3,554	3,670
Disposals	(488)	(113)	(601)
Depreciation	(7,811)	(1,952)	(9,763)
Impairment charge	(2,951)	-	(2,951)
At 31 December 2019	47,274	4,130	51,404
Additions	1,217	2,162	3,379
Disposals	(247)	(149)	(396)
Depreciation	(6,890)	(2,422)	(9,312)
Impairment charge	(1,161)	-	(1,161)
At 31 December 2020	40,192	3,722	43,914

The right-of-use assets associated with closed branches and a small number of other underperforming branches were fully/partially impaired during the year. The cost of these assets was £1.3m, accumulated depreciation was £0.1m and net book value was £1.2 m. The impairment loss of £1.2 m has been classified as an adjusted item (refer to Note 6).

Notes to the financial statements
For the year dated 31 December 2020

12. Leases (continued)

Lease Liabilities

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2019	59,795	2,641	62,436
Additions	-	3,556	3,556
Disposals	(507)	(118)	(625)
Interest charge	2,374	95	2,469
Payments	(9,948)	(2,024)	(11,972)
At 31 December 2019	51,714	4,150	55,864
Additions	1,217	2,162	3,379
Disposals	(332)	(137)	(469)
Interest charge	2,096	105	2,201
Payments	(8,085)	(1,869)	(9,954)
At 31 December 2020	46,610	4,411	51,021
Current	8,729	2,044	10,773
Non-current	37,881	2,367	40,248

The Company had outstanding commitments for future minimum lease payments which fall due as follows:

	2020 £'000	2019 £'000
Maturity analysis – contractual undiscounted cash flows		
Within one year	12,639	11,763
In the second to fifth years inclusive	30,403	32,606
After five years	15,109	20,746
	58,151	65,115

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

Notes to the financial statements
For the year dated 31 December 2020

12. Leases (continued)

The following are the amounts recognised in profit or loss, in respect to the leases held by the Company as a lessee:

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	9,312	9,763
Impairment of right-of-use assets	1,161	2,951
Interest expense on lease liabilities	2,201	2,469
Expenses relating to short-term leases	903	794
Total amount recognised in profit or loss	13,577	15,967

The Company as lessor

Finance lease receivables

The Company has entered into various lease arrangements considered to be finance leases, representing rentals payable to the Company for rental of a proportion of its properties. The amounts recognised in the profit or loss during the year are outlined below:

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

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

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

Notes to the financial statements
For the year dated 31 December 2020

13. Deferred tax

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

	2020 £'000	2019 £'000
At 1 January	1,424	727
Profit and loss account movement during the year	(105)	692
Statement of changes in equity movement during the year	22	5
At 31 December	1,341	1,424

The directors have assessed that it is more likely than not that taxable profits will arise in the future in accordance with FRS 101. This is due to the continued growth in the lettings market, with increases in the commissions rates being positively accepted in the market, along with the continued focus on cost base will more likely than not generate taxable profits, hence a deferred tax asset is expected to be realised over the period which the taxable profits can be reasonably forecasted.

	2020 £'000	2019 £'000
Excess of depreciation over taxation allowances	243	187
Held-over gains	(59)	(53)
Other timing difference	72	37
Losses	1,085	1,253
At 31 December	1,341	1,424

14. Investment in subsidiary undertakings

During the period, the Company acquired 100% of the share capital of five non-listed entities for a total consideration of £7.8m, as part of the Company's strategy to acquire high quality lettings books and to increase the Company's branch network. The trading entities are independent London estate agents, primarily focussed on providing lettings and property management services.

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

Notes to the financial statements
For the year dated 31 December 2020

14. Investment in subsidiary undertakings (continued)

	£'000
Costs	
At 1 January 2020	-
Additions	7,802
At 31 December 2020	7,802
Impairment	
At 1 January 2020	-
Impairment charge[1]	2,383
At 31 December 2020	2,383
Net Book Value	
At 31 December 2019	-
At 31 December 2020	5,419

[1] On acquisition of London Stone and Aston Rowe, extraction of built up funds from the opening balance sheet constituted a distribution through the Company which has permanently impaired the valuation of the investment.

Management have considered impairment indicators and do not believe there to be any at present that materially affect the value of the five new investees.

The Company owns 100% of the issued ordinary share capital of the companies described below, each of which are incorporated in the United Kingdom.

Name of Company	Proportion of issued share capital owned by the Company	Principal activity
Directly owned:		
London Stone Properties Limited	100%	Estate agency
Pillars Estates Limited	100%	Estate agency
Aston Rowe Holdings Limited	100%	Holding company
Indirectly owned:		
Aston Rowe Limited	100%	Estate agency
London Stone Properties Sales Limited	100%	Estate agency

All subsidiaries have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE.

Notes to the financial statements
For the year dated 31 December 2020

15. Investment in associated undertakings

	2020 £'000	2019 £'000
Interest in associate	920	957
Equity investment at fair value through other comprehensive income	317	317
	1,237	1,274

Interest in associate
The Company has a minority holding in Propoly Online Limited, an online integrated lettings platform business, which was acquired during 2019 for a cash consideration of £1.0m. Propoly Online Limited is a private entity that is not listed on any public exchange.

The Company has a seat on the board of directors in the associate and can exercise significant influence over the business, and as such equity accounts for its interest in Propoly Online Limited using the equity method.

Equity investment through fair value through other comprehensive income ('FVOCI')

The investment is made up of unlisted equity instruments and is carried at fair value, with any fair value movements taken to OCI.

16. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	11,647	10,462
Less: Expected credit loss allowance	(2,015)	(2,038)
Prepayments	1,507	2,890
Amounts owed by Group undertakings	6,244	3,560
Other debtors	2,006	1,601
	19,389	16,475

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand. Within amounts owed from Group undertakings, the amount is split between amounts due from Alexander Hall Associates Limited totalling £375k, Foxtons Group plc totalling £5,696k, Aston Rowe Limited totalling £3k and London Stone Properties Limited totalling £170k. Amounts owed relate to recharges of cost of services borne by Foxtons Limited, relating to Alexander Hall Associates Limited, Foxtons Group plc, Aston Rowe Limited and London Stone Properties Limited respectively.

Notes to the financial statements
For the year dated 31 December 2020

17. Trade and other payables

	2020 £'000	2019 £'000
Amounts payable within one year:		
Trade creditors	1,433	1,913
Amounts owed to Group undertakings	2,877	2,522
Social security and other taxes	2,137	2,610
VAT	1,260	679
Contingent and deferred consideration	399	-
Other creditors	168	729
Accruals	3,192	2,414
Included in current liabilities	11,466	10,867

Amounts owed to Group undertakings are unsecured, interest free and repayable on demand. Within amounts owed to Group undertakings, the total amount due from Foxtons Operational Holdings Limited of £2,522k relating to amounts due from when Foxtons Group plc listed on the London Stock Exchange.

18. Provisions

	Provision for adjusted items £'000	Legal provision £'000	Totals £'000
At 1 January 2020	2,276	69	2,345
Increase in provision	201	-	201
Reversal of provision	(1,032)	(14)	(1,046)
Utilisation of provision	(357)	(5)	(362)
Reclassification[1]	443	-	443
At 31 December 2020	1,531	50	1,581

[1]Reclassification from trade and other payables to provisions to reflect the nature of the balance.

The balances are analysed as follows:

	2020 £'000	2019 £'000
Current	365	1,396
Non-current	1,216	949
	1,581	2,345

Provision for adjusted items

This provision relates to the rates, service charges and other unavoidable costs under onerous leases relating to branches that were no longer required. The provision is based on the present value of unavoidable costs payable during the lease term, after taking into account amounts expected to be recovered through sub-lease arrangements. The provision has an expected life of three years (2019: three years).

Notes to the financial statements
For the year dated 31 December 2020

18. Provisions (continued)

During the period a net provision release of £0.8m has been recognised as adjusted items. Refer to Note 6 for further details.

Legal provision

This relates to legal costs incurred in the ordinary course of business.

19. Contract assets and liabilities

Contract assets

At 31 December 2020, the Company recognised contract assets of £1.7m (31 December 2019: £1.5m). The contract assets consists of the following elements:

- Commissions for sales of new homes purchased off-plan which is treated as variable consideration under IFRS 15. For these contracts, it is necessary to constrain the consideration to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
- Commission for securing a letting for the landlord representing unbilled commission revenue due to the Company for the non-cancellable contract period.

	2020 £'000	2019 £'000
At 1 January	1,533	754
Contract assets recognised in revenue	1,221	1,278
Contract asset invoiced	(1,058)	(499)
At 31 December	1,696	1,533

Contract liabilities

At 31 December 2020, the Company recognised contract liabilities of £7.9m (31 December 2019: £7.0m) as summarised and explained below.

	2020 £'000	2019 £'000
Lettings: Securing a letting for the landlord	5,654	5,265
Lettings: Rent collection service	1,235	1,555
Other amounts deferred	1,030	204
	7,919	7,024

- **Lettings: Securing a letting for the landlord**

  As explained in Note 2, the contracts the Company holds with landlords are considered to be 'cancellable contracts' under IFRS 15, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the landlord is refunded any initial amounts paid to the Company on a pro-rata basis. The contract liabilities relate to contracts where payments have been received for future periods where the landlord has the ability to cancel the contracts.

Notes to the financial statements
For the year dated 31 December 2020

19. Contract assets and liabilities (continued)

- **Lettings: Rent collection service**

  The contract liabilities relate to payments received in advance of lettings rent collection performance obligations being satisfied. The remaining performance obligations will be performed over the course of the remaining tenancy period which is estimated to be 1.4 years.

- **Other amounts deferred**

  'Other amounts deferred' relate to the Company's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer.

The table below splits the current and non-current classification of contract assets and contract liabilities with reference to when the asset or liability is expected to crystallise.

	2020 £'000	2019 £'000
Current contract assets	1,346	969
Non-current contract assets	350	564
Total contract assets	1,696	1,533
Current contract liabilities	6,839	5,793
Non-current contract liabilities	1,080	1,231
Total contract liabilities	7,919	7,024

20. Borrowings

	2020 £'000	2019 £'000
Unsecured borrowings		
Amounts owed to Group undertakings	14,863	14,064

The Company's borrowings are in relation to a related party loan with Foxtons Intermediate Holdings Limited which was renewed in May 2017. The loan is repayable in full at the end of a 5 year period. The loan carries an interest rate at 5% per cent above 12-month LIBOR. The movement in the year is due to the accretion of further unpaid interest due to Foxtons Intermediate Holdings Limited.

Notes to the financial statements
For the year dated 31 December 2020

21. Share capital and other reserves

	2020 £'000	2019 £'000
Authorised, called up, allotted, and fully paid		
10,000 ordinary shares of nominal value £1.00 each	10	10

The share based payment reserve of £5,828k (2019: £4,893k) relates to capital contributions arising from share based payments. The capital contribution of £2,464k (2019: £2,464k) is made up of £2,074k relating to the receipt of corporation tax group relief in 2013 from the Company's pre-IPO holding company, and £390k relating to the capital reorganisation of the Group in 2010.

22. 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.

23. Share-based payments

The Company had two share option schemes in operation during the period: the Foxtons Group plc 2020 Restricted Share Plan (RSP) and the Foxtons Group plc 2017 Share Option Plan (SOP).

a) Restricted Share Plan (RSP)
During the year the Company introduced the RSP for Executive Directors and certain members of Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to non-market performance conditions, vest over a three year period, and the holding period subsequent to the vesting date is two years, with discretion available to the Foxtons Group plc Remuneration Committee. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions.

During the year, 3,515,174 share options with a fair value of £1.3m were granted.

b) Share Option Plan (SOP)
The SOP awards have been made in three tranches in 2017 and 2019 in the form of an option with an option price of 105.67p and 52.38p respectively. The awards are subject to a Total Shareholder Return (TSR) performance condition and vest over a five-year period, with discretion available to the Remuneration Committee. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions.

Outstanding share options
The options outstanding at 31 December 2020 had a weighted average remaining contractual life of six years (2019: seven years). Of the share options outstanding at the end of the period, there are 11,240,120 (2019: 11,240,120) share options with an exercise price of 105.67p; 300,000 (2019: 300,000) share options with an exercise price of 52.38p and the balance have a nil cost exercise price.

The movement in the share based payment reserve is presented net of deferred tax.

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24. Client monies

At 31 December 2020, client monies in approved bank and building society accounts amounted to £84.2m (2019: £87.0m). Neither this amount nor the matching liabilities to the clients concerned is included in the Company's 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 £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

25. Events after the balance sheet date

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

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

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