2020

Annual Report and Accounts

Foxtons Group plc

Foxtons is proud to be London's leading estate agency, with over 1,000 highly motivated professionals working across more than 50 interconnected branches. Since 1981, our success has been underpinned by our people, our reach and our technology to deliver exceptional service and consistently great results for our customers.

2020 HIGHLIGHTS

REVENUE
£93.5 MILLION
2019: £106.9 million

ADJUSTED OPERATING PROFIT/(LOSS)[1]
£1.9 MILLION
2019: £(0.7) million

STATUTORY LOSS BEFORE TAX
£(1.4) MILLION
2019: £(8.8) million

NET CASH[1]
£37.0 MILLION
2019: £15.5 million

CUSTOMER SATISFACTION
Trustpilot[2]
4.8 OUT OF 5
2019: 4.7 out of 5

EMPLOYEE ENGAGEMENT SCORE[2]
84%
2019: 83%

[1] Measures marked with this symbol are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 26 of the financial statements.

[2] Refer to the pages 23 to 25 for definitions of these measures.

Certain images in this report were captured prior to Covid-19 social distancing measures.

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FOXTONS AT A GLANCE

OUR PURPOSE

We do more than help people move. We help people move up in the world by offering job opportunities to people from all backgrounds and experiences. This means our people truly mirror the communities we serve and we can be even more successful together.

→ Read more about the Foxtons purpose on page 39

OUR MISSION

To deliver exceptional customer service through our network of over 50 interconnected branches, fuelled by the commitment and expertise of our people and industry-leading technology and data capabilities.

OUR BUSINESS MODEL

Creating value for our stakeholders.

→ Read more about the Foxtons business model on pages 12 and 13

OUR STRATEGY

Build on our leadership position by continuing to invest in our offer so it best reflects customer needs and delivers tangible value and results for them.

→ Read more about the Foxtons strategy on pages 14 and 15

- **NO. 1 ESTATE AGENT FOR LISTINGS** in London utilising a network of more than 50 interconnected Foxtons branches and our head office expertise and systems.
- **MORE THAN 1,000 HIGHLY TRAINED EMPLOYEES** delivering premium customer service, enabling customers to find the right property and landlords and sellers to unlock the true value of their property.
- **SUPPORT OVER 20,000 TENANCIES, COLLECT MORE THAN £400 MILLION OF RENT EACH YEAR** and earn recurring fees from a range of lettings services.
- **AWARD-WINNING MORTGAGE BROKING BUSINESS** providing professional mortgage advice.
- **ACT FOR THE SALE OF MORE THAN £1 BILLION OF PROPERTIES EACH YEAR** earning fees on a success basis.
- **UTILISE MARKET-LEADING TECHNOLOGY, DIGITAL MARKETING AND DATA ANALYSIS** to successfully connect more tenants and buyers with properties across our network.

CHAIRMAN'S STATEMENT

Ian Barlow

>>Foxtons has shown itself to be a resilient business able to manage a profound market dislocation, whilst continuing to progress its strategy.<<

INTRODUCTION FROM THE CHAIRMAN

2020 will forever be associated with the Covid-19 virus and the devastating impact it has had on communities across the world. Its effects have been particularly acute in cities and London has suffered significant economic and social damage.

At Foxtons, we took quick action to safeguard our colleagues and the viability of the business. During the spring lockdown, we supported vulnerable customers, helping them with essential moves and to negotiate rent holidays with landlords at a moment of acute financial uncertainty.

Foxtons has shown itself to be a resilient business able to manage a profound market dislocation, whilst continuing to progress its strategy. We have returned to acquisition activity through the purchase of three high quality lettings businesses during the year and of Douglas & Gordon subsequently. In addition, we continue to invest in our excellent technology and data capabilities.

We enter 2021 in a strong financial position which gives us the flexibility both to withstand further challenging conditions and invest for the future.

Dear Shareholder,

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

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

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

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

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

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

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

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

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

Ian Barlow
Chairman

9 March 2021

CHIEF EXECUTIVE'S REVIEW

Nic Budden

>> I'm extremely proud that the diversity of Foxtons' workforce genuinely mirrors the city we serve. This goes to the core of who we are and we believe it makes us stronger than our competitors and means we can better serve our customers.<<

2020 PERFORMANCE

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

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

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

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

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

PROTECTING THE BUSINESS DURING COVID-19

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

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

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

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

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

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

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

STRATEGIC PROGRESS

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

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

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

THE LETTINGS BUSINESS AND MARKET

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

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

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

THE SALES BUSINESS AND MARKET

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

OUR PURPOSE

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

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

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

2021 TRADING UPDATE AND OUTLOOK

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

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

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

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

Nic Budden
Chief Executive Officer

9 March 2021

LONDON'S LEADING ESTATE AGENT

MARKET REVIEW

We remain confident in the inherent attractiveness of the London market and our ability as London's most recognised estate agent to capitalise on future growth opportunities.

OVERVIEW OF OUR MARKETS

LETTINGS | SALES | MORTGAGE BROKING

Foxtons serves the London residential property market through the provision of lettings, sales and mortgage broking services.

→ Our business model is set out on pages 12 and 13

The London market is a disproportionately valuable residential property market, accounting for 9% of United Kingdom sales transactions by volume but 19% of total value whilst its private rental sector houses 28% of residents versus 18% in the rest of the UK.

Historically, the sales market has displayed cyclical characteristics, whilst the lettings market is more stable through the cycle. By operating across both markets, the Group aims to deliver shareholder value through the property cycle and is well positioned to benefit from increased sales market activity.

LETTINGS MARKET

LETTINGS MARKET DYNAMICS

Resilient market with attractive long-term structural supply and demand characteristics.

Demand is driven by a number of factors including:

- affordability in the sales market and tenure preference – rising house prices drive stronger demand for lettings and the flexibility of renting can drive a tenure preference towards renting;
- affordability in the lettings market – renters' budgets, often determined by the prevailing economic climate, and rental levels drive the level of demand at any one time; and
- despite the impact of Covid-19, London continues to be a unique city attracting people from all over the world to stay, work and study, driving structural demand for quality lets.

Supply of rental properties is primarily driven by landlord investment and their ability to realise value via the rental market. New supply has been constrained as investment by private landlords has decreased since 2016, driven by tax changes and increasingly complex regulatory requirements. Offsetting this, the number of purpose-built Build to Rent schemes operated by large institutional landlords is increasing.

Pricing has been historically resilient due to healthy supply and demand dynamics with rental prices broadly flat over the last few years despite political and economic uncertainty. This trend has been disturbed by Covid-19 which has reduced demand from overseas business and students and increased supply through the return of properties to rental from the short-term holiday market. This has placed pressure on rents with an average decrease of 6% over the course of 2020 as the market recalibrated to changing levels of supply and demand. Our expectation is that as Covid-19 is brought under control, the demand/supply equation will eventually right itself but it remains to be seen how quickly this will occur.

LETTINGS MARKET (CONTINUED)

LETTINGS MARKET DEVELOPMENTS

The lettings market continues to be dominated by private investors, with more than 90% of landlords being individuals utilising both long-term and short-term tenancies to realise their investment. However, this dynamic is changing with growth in the Build to Rent sector over the past five years, backed by significant institutional investment and Government support. Whilst this is currently a relatively small proportion of the private rental sector, there is a strong pipeline of new developments in London and it is already contributing to the growing professionalisation of the sector.

FOXTONS' EXPOSURE TO THE LETTINGS MARKET

At 31 December 2020 we held 21,800 live tenancies, the most of any London agent, and provide property management services to over a third of these. Through the provision of lettings services we earn recurring commission revenue over the life of the tenancy, as well as benefitting from the renewal of existing tenancies and future tenancies. Our longstanding and trusted relationships with both private and institutional landlords enable our lettings business to deliver resilient results throughout the cycle.

Foxtons is well-placed to benefit from the shift towards greater professionalisation in the sector as our knowledge and expertise helps landlords navigate the ever changing regulatory environment and more demanding tenants who expect the highest levels of customer service.

Specifically for Build to Rent developers and operators, our rich market data and knowledge supports development optimisation whilst our people, reach and technology allows us to let large-scale developments at speed, whilst providing the highest levels of service to tenants.

CASE STUDY

This luxury development by Essential Living is on the banks of Deptford Creek in Greenwich and offers high specification interiors, fantastic views as well as great resident amenities.

Foxtons successfully demonstrated its Build to Rent credentials and worked alongside our client's in-house marketing team to let out the development. We utilised our single brand network and technology to achieve market-leading tenant lease-up rates and rentals maximising developer returns from the outset. Over 300 viewings were completed within the first month of launch and the scheme was fully let within 16 weeks, with over the asking price offers achieved on multiple units.

LETTINGS MARKET PERFORMANCE IN 2020

- **Demand**

  Covid-19 had a significant impact on the lettings market with more than 9 in 10 tenants opting to renew existing tenancies during the spring lockdown period rather than move property. Tenant demand returned following the spring lockdown as tenants searched for new properties. The demand for short-lets reduced during 2020 due to reduced visitor numbers with landlords seeking more secure long-term income using Foxtons' offering rather than online short-let booking platforms.

- **Supply**

  Supply of lettings stock has been strong throughout the period, with our stock levels approximately 80% above the previous year at 31 December 2020 due to a reduction in overseas visitors and reduced demand from students and corporate relocations due to Covid-19 restrictions.

- **Rental prices**

  Despite the high level of existing tenant activity, average rental prices declined 6% in the year as demand from new tenants reduced and new rental properties came on to the market causing excess supply.

>>Essential Living have now been working with Foxtons for over two years and they have played a key role in leasing all our buildings. Their market knowledge, professionalism and commitment has been second to none. This coupled with their vast branch network enables them to reach performance levels that most other agents can't.<<

Testimonial – Head of Lettings, Essential Living

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SALES MARKET

SALES MARKET DYNAMICS

Key market drivers include property prices, mortgage availability, affordability and consumer confidence. Affordability continues to be a constraint for London buyers with a house price to earnings ratio of approximately 12x. This ratio compares to 7x for England and Wales as a whole.

→ Refer to the chart below for the long-term affordability trend for London compared to England and Wales as a whole

The sales market, which is cyclical in nature, has seen constrained volumes since 2016 as a number of factors have discouraged buyers and sellers from transacting. These include affordability constraints, high levels of political and economic uncertainty, stamp duty regime changes and a variety of disincentives to new buy-to-let investments.

Despite these pressures, the general preference for people to own their own home, low interest rates, low levels of unemployment and the Help to Buy scheme has ensured demand has been reasonably maintained. This, together with relatively low levels of stock, has meant pricing has remained resilient and broadly flat over recent years.

FOXTONS' EXPOSURE TO THE SALES MARKET

Foxtons manages the property sales process from valuation through to completion on behalf of sellers. We generate revenue through our success-based pricing model whereby we earn commissions based on the transaction price.

Foxtons operates a premium service built around extensive market knowledge, a London-wide network giving sellers access to a wide range of buyers and a service culture where colleagues are committed to helping buyers find the most suitable properties and sellers to achieve a fair market price.

House price to earnings ratio 2011 to 2020

SALES MARKET PERFORMANCE IN 2020

Covid-19 had a significant impact on the sales market with strong momentum in the first quarter of the year being interrupted by the closure of the property market during the spring lockdown as explained below:

- **Prior to the spring lockdown**
  The sales market displayed good momentum at the start of the year following the General Election in December 2019, with forward indicators such as sales applicant registrations, viewings and offers all above the prior year.

- **The spring lockdown and property market closure**
  The property market was largely closed during the spring lockdown and the majority of ongoing sales transactions were put on hold, with sales revenues 53% lower compared with the prior year. New offers were also limited in the period due to restrictions on physical viewings.

- **Post the spring lockdown**
  Demand surged following the re-opening of national housing markets in May 2020, reflecting both the release of pent-up demand and a reappraisal of housing needs due to prolonged periods spent at home. The Government's stamp duty relief also provided an additional catalyst as buyers and sellers looked to complete before the deadline.

  However, the time to complete a sales transaction increased as the impact of Covid-19 was felt across all parties typically involved in a property transaction. Mortgage providers, conveyancing solicitors and surveying services all experienced capacity constraints which together with other factors resulted in an increase in the fall-through rate of sales transactions. This meant that offers took time to feed through to completed transactions so that it was only in the last two months of the year that we saw the benefit to our commission income with a monthly exit rate materially ahead of the prior year.

MORTGAGE BROKING MARKET

MORTGAGE BROKING MARKET DYNAMICS

The mortgage broking market is primarily driven by the availability of mortgage products, interest rates offered and the level of demand for either refinance mortgages or new mortgages for property purchases.

FOXTONS' EXPOSURE TO THE MORTGAGE MARKET

Foxtons' integrated mortgage broker, Alexander Hall, provides mortgage broking advice and supports the underwriting of mortgages for clients' new property transactions alongside the provision of remortgage advice on clients' existing properties. Whilst the provision of new mortgages is closely linked to volumes in the residential sales market, the remortgage business is recurring in nature and therefore not dependent on sales market transactions.

MORTGAGE BROKING MARKET PERFORMANCE IN 2020

In 2020, new mortgage lending activity reflected the wider residential sales market, with nearly all types of new lending adversely impacted by Covid-19. The closure of the property market impacted new mortgage activity after which market activity recovered broadly in line with the wider sales market.

The reduction in the Bank of England base rate to 0.1% in March 2020 initially led to a large increase in remortgages during Q2 as borrowers locked in all-time-low mortgage rates. Interest rates on mortgages rose from the third quarter onwards driven by lender processing constraints and credit risk perceptions relating to economic conditions.

Product availability has varied during the year, with many lenders pausing mortgages with a loan-to-value ratio of above 80% which disproportionately affected first time buyers. Towards the end of the year, there was better availability of mortgage products through higher rate products.

→ Refer to the chart below for the Bank of England's two-year fixed mortgage rate data for varying levels of loan-to-value from 2014 to 2020

2-year fixed mortgage rates 2014 to 2020

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OUR BUSINESS MODEL

We continue to invest in our reach, people and technology to further strengthen our competitive advantage and enable us to maintain a market-leading position and deliver sustainable value for our stakeholders.

Inputs to our business

Our reach, people and technology underpin our business model:

OUR REACH

Our head office operations, network of more than 50 interconnected branches and leading brand position enables us to connect more people with the right properties. When combined with our multi-channel marketing, we are able to reach more tenants and buyers more effectively allowing us to cover 85% of Greater London*.

OUR PEOPLE

Our knowledgeable, engaged and experienced people are key to guiding customers through the complicated process of buying, selling, renting and letting a property.

OUR TECHNOLOGY

Through industry-leading proprietary technology, data science expertise, centralised processes and customer-facing digital platforms, we are able to provide a cutting-edge customer experience.

How we create value

We create value through the provision of estate agency and mortgage broking services across the sales and lettings markets. Our success-based fee model ensures we are focused on delivering exceptional service and results for our customers.

We leverage the strength of our inputs to deliver competitive advantage.

LEADING BRANDS

Built up over 40 years, the Foxtons brand has the most unprompted awareness of all London's estate agents. Our brands, when combined with our interconnected branch network and technology, forms a powerful network and provides customers with an unrivalled choice of properties across Greater London.

BUSINESS CENTRALISATION

Our substantial long-term investment in centralised work groups, business process engineering, compliance, governance, technology and data has created a highly focused and scalable business, delivering high levels of productivity, workforce expertise and customer service.

* Coverage is defined as the number of market transactions (per Land Registry data), for the territories covered by Foxtons in London, divided by the total number of market transactions in London as a whole (per Land Registry data).

Creating value for our stakeholders

OUR CORE SERVICES:

Lettings:
For more than 20,000 tenancies, we provide a range of lettings services including tenant find, rent collect and property management. The lettings business benefits from solid recurring revenue streams in the form of renewal, re-let and property management income.

Sales:
Estate agency services, including a dedicated New Homes team, expertly managing the sales process from property valuation to completion, enabling sellers to unlock the value of their property. Revenue is generated once a sale is successfully transacted.

Mortgage broking:
Award-winning mortgage broking service operating under the 'Alexander Hall' brand providing professional mortgage advice to secure the best products for our customers. Revenue is generated once a product is successfully transacted.

THE FOXTONS COMPETITIVE ADVANTAGE

CULTURE AND PEOPLE

Our people are highly knowledgeable, motivated and engaged to deliver exceptional service and results for our customers. Our industry-leading training and development creates the finest estate agents with high levels of professionalism, integrity and a strong work ethic.

DATA AND TECHNOLOGY

Our industry-leading data and technology underpins every aspect of the business through investments in sophisticated workflow systems, web applications, content-rich databases and virtual viewings. The innovative My Foxtons portal provides end-to-end transactional capabilities and unparalleled visibility to customers.

INTEGRATED SERVICE

The Group's integrated mortgage broker, Alexander Hall, and outsourced conveyancing service complement the sales business, and alongside lettings products provide a seamless 'one stop shop' for customers.

Creating value for our people, customers and suppliers, enables the Group to deliver sustainable value to our shareholders and support our communities.

OUR PEOPLE

Develop and retain a knowledgeable, experienced, engaged and diverse workforce

84%

2020 employee engagement survey score[1]

OUR CUSTOMERS AND SUPPLIERS

Delivering exceptional service and results for sellers, landlords, buyers and tenants supported by our trusted supplier base

4.8 OUT OF 5

on Trustpilot

OUR SHAREHOLDERS

Delivering sustainable and long-term shareholder value

£4.6 MILLION

of investment in lettings book acquisitions in 2020[2]

£3.0 MILLION

share buyback announced in December 2020 to return excess capital to shareholders

OUR COMMUNITIES

Engaging with and contributing to the communities in which we operate

TRAINED OVER 450 HIGH POTENTIAL LONDONERS

through our partnership with Making the Leap

→ Refer to page 43 for more details

[1] Results from the 2020 employee engagement survey independently administered by Willis Towers Watson.

[2] Investment consideration measured on a cash and debt free basis.

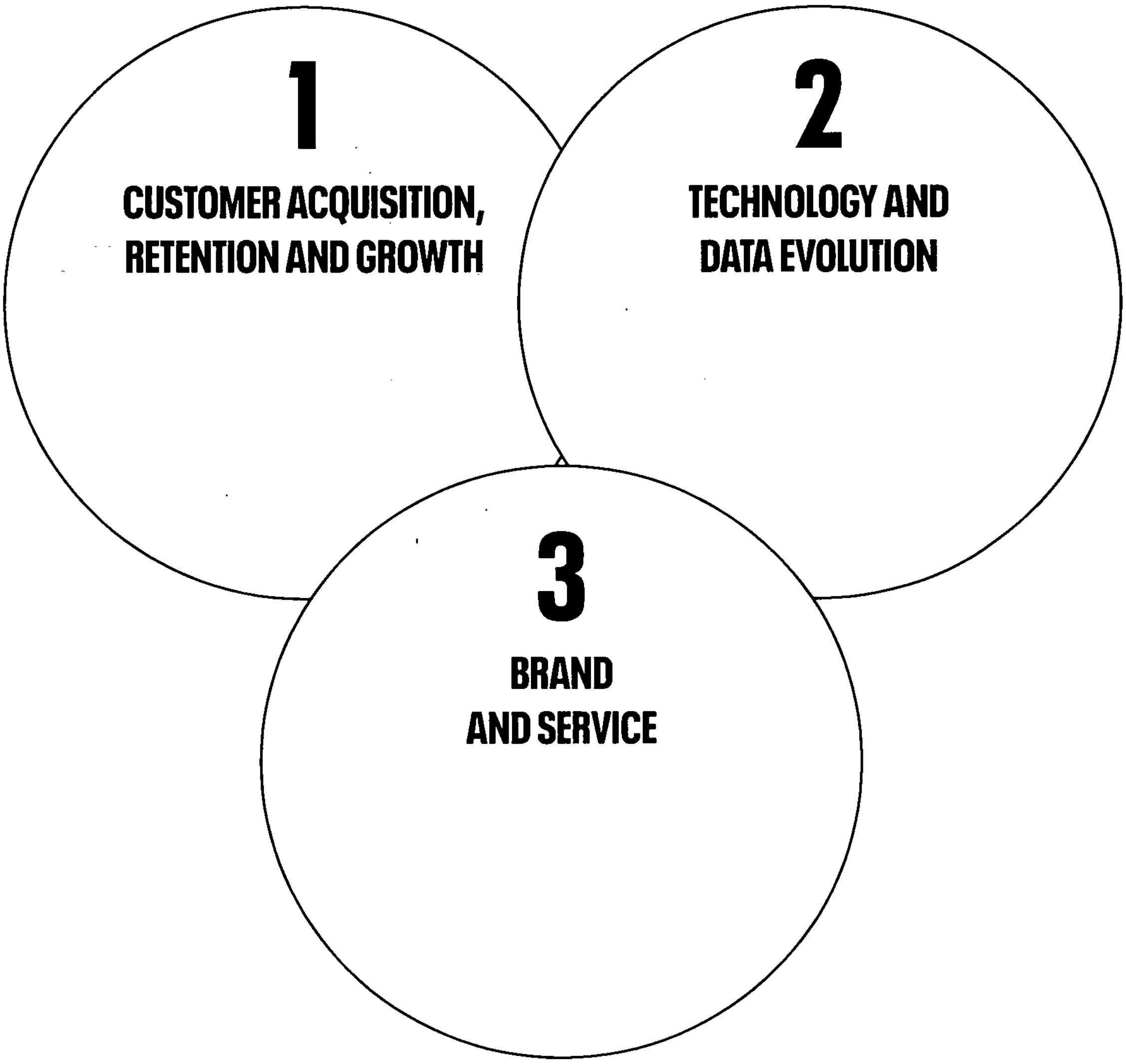
→ For more information on how we engage with our stakeholders refer to pages 20 to 21

OUR STRATEGY

The Group's strategy continues to evolve as we adapt successfully in a changing environment.

We aim to build on our leadership position by continuing to invest in our offer so it is the most relevant and delivers tangible value and results for customers.

OUR STRATEGIC PRIORITIES



Strategic priorities	Approach	2020 progress
1 CUSTOMER ACQUISITION, RETENTION AND GROWTH	Foxtons continues to seek growth across its sales and lettings businesses by: - Retaining and attracting new landlords through best-in-class service, knowledge and technology. - Driving growth in our Build to Rent business by leveraging our relationships with developers, sector expertise and established track record. - Acquiring high quality lettings books where the value and reach is additive. - Attracting more sellers through our market-leading offer delivering a service that better connects sellers to quality buyers. - Targeted expansion beyond London to serve a wider customer base including overseas buyers.	**LETTINGS BOOK ACQUISITIONS** - Invested £4.6 million in lettings books adding more than 1,600 tenancies to our portfolio. **GROWING OUR BUILD TO RENT BUSINESS** - Ranked No. 1 by market share in the London Build to Rent market. **BROADENING OUR REACH** - Foxtons China Sales Desk established, broadened Foxtons' reach within South East England and delivered sales business market share growth. → Refer to page 17 for more details
2 TECHNOLOGY AND DATA EVOLUTION	Foxtons is already the market leader in sales and lettings in London. That is no reason to stand still and we want to be a market leader in how we use technology and data. This gives us the opportunity to plan progressively in a way that diversifies our business and creates value for customers and shareholders. This includes: - Investing in technology that will continue to enhance our market-leading position and drive value creation. - Using our best-in-class business operating system and our data to enhance our proposition and service to customers including using advanced analysis techniques to better understand buyer and seller behaviour.	**DELIVERING RESULTS THROUGH DATA** - Invested in market-leading database segmentation technology to improve our engagement and marketing. **EVOLVED OUR CUSTOMER INTERFACES** - Enhanced our customer-facing technology interfaces and tools. **BUILDING NEW STRATEGIC TECHNOLOGY-LED PARTNERSHIPS** - Became a founding member of the Boomin online property portal. → Refer to page 18 for more details
3 BRAND AND SERVICE	The Foxtons brand and our relentless focus on customer service are key to our success. We will: - Continue to invest in our people and our training and development to deliver the best service, customer experience and levels of compliance in the market. - Add customer-facing technology that ensures we stay at the head of the pack and make our customers' lives easier. - Tell a modern Foxtons brand story, underpinned by our purpose, that ensures our customers and stakeholders are aware of our offer and the value we bring.	**INVESTING IN OUR PEOPLE** - Continued to invest in people and training, backed by an effective digital offer. **PERFORMANCE AND PRODUCTIVITY** - Increased employee engagement against a challenging operating backdrop. **THE FOXTONS PURPOSE** - Refreshed the Foxtons purpose and corporate social responsibility proposition. → Refer to page 19 for more details

OUR STRATEGY IN ACTION

We have made significant progress against our strategic priorities and strengthened our market position, despite a challenging market environment.

CUSTOMER ACQUISITION, RETENTION AND GROWTH

LETTINGS BOOK ACQUISITIONS

More than
1,600
tenancies acquired in the period

In 2020, the Group invested £4.6 million, measured on a cash and debt free basis, in high quality lettings books and integrated more than 1,600 tenancies into our existing lettings portfolio. Our lettings book acquisition strategy focuses on purchasing businesses that will fit well with our existing business model and branch network, and have a robust portfolio of tenancies with high levels of property management penetration. The acquired lettings books generate commission revenues that are resilient and recurring in nature.

We have successfully incorporated the acquired lettings contracts into the Foxtons model, and utilising our lettings expertise, reach and technology, will continue to realise cost synergies and deliver high levels of customer service to landlords.

Ranked
NO. 1
by market share in the London Build to Rent market
(source: Molior market data)

GROWING OUR BUILD TO RENT BUSINESS

Foxtons launched its Build to Rent offering in 2016 and as set out in our market review on pages 8 and 9, this is a high-growth sector benefitting from a strong development build pipeline. Our market expertise, professional approach of high compliance and integrity and well-established relationships with both institutional developers and professional landlords enables Foxtons to realise value from the high growth sector. Our specialist Build to Rent team often works with landlords right from the planning stage through to development launch, and then manages the initial lease-up, re-let and renewals processes. Our customer database and data capabilities differentiate us, with both institutional and professional landlords utilising our rich data sets to inform development launch and pricing.

Despite the challenging Covid-19 operating conditions, we have grown our Build to Rent business and further built on our lease-up track record which enables us to quickly find tenants and deliver market-leading lease-up rates, occupancy rates and rental levels for landlords.

Stratford Lofts,
Build to Rent development

BROADENING OUR REACH

Our reach is achieved through our prominent high street branches, our head office business hub and our online presence broadened through our partnerships with the property aggregators. During the year, we have expanded our reach by breaking into new areas through our virtual branch model and the launch of the Foxtons China Sales Desk.

- Our virtual branch model serves customers in areas where we do not have a physical presence on the high street. In the year, we have expanded our virtual model into Berkshire. This model enables sellers to market their property under the Foxtons brand and gain access to Foxtons' Greater London pool of buyers, supported by in-person property viewings delivered by Foxtons' negotiators on the ground.
- The Foxtons China Sales Desk consists of a number of property specialists with in depth knowledge of Chinese buyers looking to invest or live in London. London continues to be an area of investment focus for Chinese buyers and the Foxtons brand, combined with specialist property and language skills, has enabled us to broaden our customer reach.

Over
270
square miles served through our virtual branch model

TECHNOLOGY AND DATA EVOLUTION

DELIVERING RESULTS THROUGH DATA

This year, more than 90,000 buyers and 200,000 tenants registered with us in search of their next property and every year, we transact on thousands of properties. Our market position provides us with an excellent insight into London property market trends such as *pricing, demand and supply dynamics, demographics and customer preferences*. This insight, combined with our market-leading operating system, has allowed us to build a rich information database which we can use to deliver the best results for our customers.

In the year, we launched our customer data platform which allows us to segment our database and apply data science, machine learning and artificial intelligence to our customer and property database. This investment enables us to create a single view of our relationships and, therefore, more reliably predict the likelihood of customers transacting. This in turn allows us to focus our marketing efforts, tailor our customer experience offering and utilise personalised multi-channel marketing.

LAUNCHED OUR CUSTOMER DATA PLATFORM

to drive results for customers

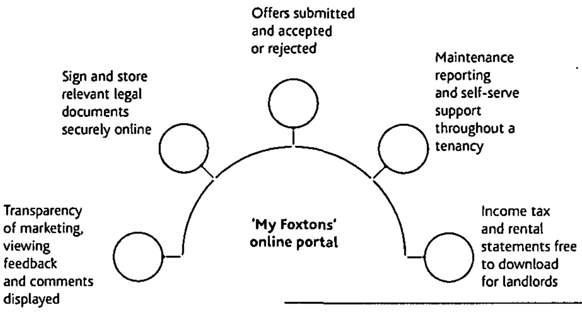
Over

300,000

virtual property viewings took place during 2020

EVOLVED OUR CUSTOMER INTERFACES

Developing customer-focused technology solutions has never been more important than in 2020 when our technology enabled us to continue to serve customers remotely and interact through digital channels. Our innovative My Foxtons portal continues to provide customers with the ability to manage their property tenancy or sale digitally. During 2020, we launched a number of features to enhance customer experience and drive results:



Virtual viewings and digital signing

During the spring lockdown, physical property viewings were severely restricted. We quickly rolled out virtual viewings to allow prospective buyers to view properties remotely.

The use of our digital signing technology has been accelerated during 2020, allowing property transactions to move forward more quickly which is particularly important within the fast moving lettings market.

End of tenancy management

Within My Foxtons, we have developed end of tenancy tools which streamline the process for customers, and further enhance our professional lettings service and customer value.

These include the ability to manage cleaning services, property check-out reports and manage the tenant deposit release process.

Tenancy payment management

Within My Foxtons, landlords are now able to access historical tenancy income and expenditure reports for each of their tenancies.

We launched our new 'pay by link' payment solution which allows a wide range of tenancy payments to be made securely online. This provides additional peace of mind to our customers and suppliers.

BUILDING NEW STRATEGIC TECHNOLOGY-LED PARTNERSHIPS

Beyond our own marketing channels, we maintain a number of strategic partnerships to ensure each of the properties we market has maximum exposure. As a technology-driven business, selecting partners with strong technology capabilities is critical and complements our in-house capabilities.

During the year, we became a Founder Agent of Boomin, a soon-to-launch property portal. Boomin has been created to improve the user experience for customers and estate agents by providing a deeper and more personalised browsing experience, as well as offering agents new revenue streams and access to technology-driven insight. We believe that the Boomin business model includes a number of powerful differentiators that will enable it to capture market share from the existing portals and will transform key aspects of customer experience.

FOUNDER AGENT

of the new Boomin property portal

BRAND AND SERVICE

Foxtons Negotiator Awards February 2020 – celebrating exceptional employee performance

INVESTING IN OUR PEOPLE

People will always be at the heart of the Foxtons business and in 2020, during Covid-19, it had been even more important to protect our people and progress our people investment strategy. With our Covid-19 secure working practices underpinning any people decisions, we have invested in both training and professional development during the year.

Foxtons partnered with external service specialists to further develop our service style, where team members put customers at the centre of their decisions, conversations and behaviours. Together, we created a shared way of working that aligns with and promotes Foxtons' values, giving clarity on what great service looks like. Other key areas of focus have been training our people on industry, technical and regulatory matters, with us continuing to support individuals in our lettings business to gain an industry-recognised qualification.

OpenBlend, a new digital coaching and appraisal platform, provides both support for existing team members, as well as enabling us to attract the best talent in the industry. Through this focus, we are able to sustainably grow the leadership of tomorrow and effectively deliver the premium service our customers expect.

Over
19,000
training courses *completed on our digital* learning platform

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Over
7,300
***landlord properties* expertly managed under our property management service**

PERFORMANCE AND PRODUCTIVITY

Market-leading levels of performance and productivity underpins the Foxtons brand. Our ability to efficiently find the right tenants and buyers remains critical to our success, combined with the ability to provide a range of other value-added services such as property management.

2020 has seen us further invest in our productivity tools to enable our salesforce to focus on serving our customers. Innovations in the year included enhancing our market data feeds. Our systems are constantly ingesting external data feeds, providing both our head office and branch-based staff greater insight in to market behaviour enabling more efficient property valuations and higher quality conversations with customers.

Within our lettings business, we have continued to invest in our property management service which provides landlords with peace of mind that their asset will be protected and will be managed professionally. Investment has seen a redesign of our workflows and technology enabling property managers to serve landlords better. This process enables us to keep landlords better informed on property and tenancy matters and provide a more tailored service, resulting in stronger relationships with landlords.

THE FOXTONS PURPOSE

Foxtons has always been a purpose-led business, and we continue to ensure our purpose is at the heart of everything we do and captures the way in which we create a positive impact on stakeholders.

Foxtons has always played an important role in the London residential property market by helping people move, supporting stronger sector regulation and creating value for Londoners. However, we do more than help people move, we also help people move up in the world by offering job opportunities to people from all backgrounds and experiences. This wider ethos enables Foxtons to truly mirror the communities we serve.

In 2020, the Board undertook a detailed review of the Foxtons purpose and developed a roadmap which will support a stronger articulation of our purpose. In 2021, we will be launching a refreshed social mobility programme which will drive a stronger connection between our workforce and our communities. Read more about the Foxtons purpose on page 39.

THE FOXTONS PURPOSE

defines everything we do and how we create value for our stakeholders

Participants of a career development workshop delivered by members of the Afro Foxtons diversity network at a South London school

STAKEHOLDER ENGAGEMENT

Engaging with stakeholders delivers better outcomes for society and is critical to our long-term success, and has been even more important during Covid-19.

Our stakeholders include **our people, our customers** and **suppliers, our shareholders** and **our communities**. Effective engagement with stakeholders plays an important role throughout our business and helps us to gain a better understanding of the impact of our decisions on stakeholder interests.

Our stakeholders	Why we engage
OUR PEOPLE	Our people are key to our future success. The Board engages with the workforce to better understand the views of our people. This enables our people to influence matters that affect them and encourage workforce participation in shaping strategic initiatives.
OUR CUSTOMERS AND SUPPLIERS	Sellers, landlords, buyers and tenants are our customers, and maintaining excellent levels of customer service is critical to our success. Engaging with customers helps us to satisfy changing needs, innovate and deliver better results. Our suppliers support us in maintaining the highest levels of customer service. Engaging with suppliers enables us to improve and enhance the services we offer and maintain high standards of business conduct.
OUR SHAREHOLDERS	Shareholders provide funds that support investment in the business and generate long-term and sustainable return. The Board recognises the importance of engaging with the Group's shareholders in order to understand their views. This enables the Board to make well-informed decisions, provide relevant and beneficial information and to act fairly.
OUR COMMUNITIES	Supporting our communities is an integral part of the Group's purpose. A key focus is advancing social mobility, fundraising for charities which benefit our communities and managing our impact on the environment. Through engagement, we can seek to create stronger communities and have a positive impact on Greater London.

→ Refer to pages 61 to 65 for the Group's Section 172 statement and specific details of how the Board has engaged with stakeholders and considered stakeholders in the context of key Board decisions

→ Refer to pages 38 to 46 for details of how we operate our business responsibly, for the long term, for the benefit of all our stakeholders

How we engage	Key interests	Key outcomes
We engage with our people in a number of ways including through Employee Engagement Committee (EEC) meetings, the Covid-19 health and safety committee, branch visits, staff meetings, Company-wide communications, diversity network events and reviewing the annual employee engagement survey.	- Health and safety - Business performance and Covid-19 operating procedures - Employee communication and working practices - Workforce remuneration - Diversity and inclusion (D&I)	- Covid-19 safe working practices - Resilient performance through Covid-19 lockdowns - Communication channels enhanced to support flexible working practices during Covid-19 lockdowns - Workforce remuneration strategy explained - Enhanced D&I networks → Refer to pages 40 to 42 for details of our people programmes
We engage with our customers throughout a property transaction, as well as through other channels such as consumer review platforms, customer forums and social media. Service levels are reviewed regularly, as well as monitoring the integrity of the way we do business. We engage regularly with our supplier partners through regular service reviews, particularly within our lettings property management business. Supplier payment practices are reviewed on a regular basis.	- Customer service delivery, Covid-19 safety measures and working practices - Marketing strategy and technology - Customer journey technology developments - Responsibly navigating legislation and compliance changes	- Supported customers through the Covid-19 lockdown by facilitating necessary home moves where permitted and serving tenant/landlord needs - Developed technology solutions to drive effectiveness of our property marketing - Customer-facing technology enhancements to improve our digital offering - Supported customers through legislation changes → Refer to pages 16 to 19 for highlights of our strategy in action and page 46 for details of our supplier responsibilities
The Board and our investor relations team interact with shareholders via one-to-one meetings and correspondence, investor roadshows, trading updates and at or in advance of our Annual General Meeting. Interactions are supported by regular interactions with external financial analysts.	- Financial results and position - Strategic direction and execution - Response to the Covid-19 trading environment and broader responsible business initiatives - Capital allocation - Executive remuneration	- Obtaining support for the Company's placing of new ordinary shares in April 2020 - Launch of a share buyback programme in December 2020 following investor engagement - Approval of the Executive Remuneration Policy at the 2020 AGM → Refer to pages 61 to 65 for details of engagement with our shareholders
We engage with our communities primarily through our charity and community partnerships and through wider community initiatives. Engagement includes fundraising activities, hosting community events and workshops and allowing our employees to take paid time off to support a charity or cause of their choice.	- Informing ongoing community engagement programmes and areas of focus - Maximising value from support offered	- Delivery of community investment events and fundraising events during the year → Refer to pages 43 to 45 for details of our community programmes and our environmental initiatives

KEY PERFORMANCE INDICATORS

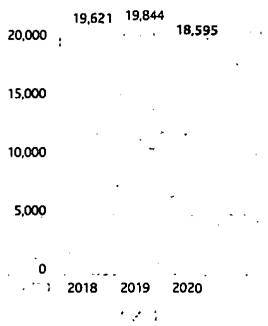
The Group uses key performance indicators to measure its performance and to assess progress against strategic priorities and monitor the impact of principal risks.

Chiswick Park – Foxtons' head office

FINANCIAL PERFORMANCE

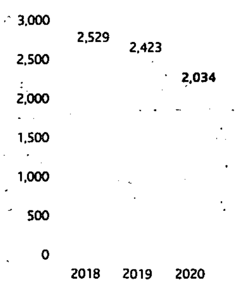
Lettings volumes

2020: 18,595



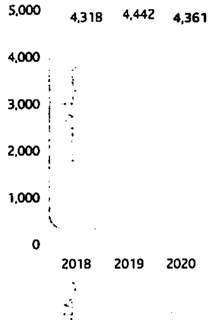
Sales volumes

2020: 2,034



Mortgage volumes

2020: 4,361



Description

Total number of sales transactions, lettings transactions agreed (including renewals) and mortgage broking products arranged during the relevant period.

Performance for 2020

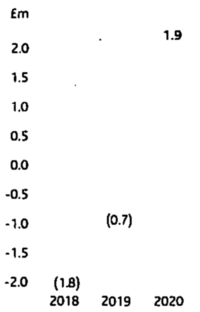
All volumes were severely impacted by the Covid-19 restrictions, although lettings and mortgage volumes were partly protected by non-transactional recurring business, and sales volumes recovered once the spring lockdown eased, driven by pent-up demand following the re-opening of the property market and Stamp Duty relief. Market share gains also enabled the Group to partly mitigate the reduction in market activity.

Linked strategic priorities

1 2 3

Adjusted operating profit/(loss)

2020: £1.9 MILLION



Description

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance cost, other gains/losses and adjusted items (defined in Note 1).

Performance for 2020

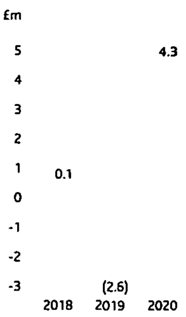
Group adjusted operating profit was £1.9 million, compared to a £0.7 million loss in 2019, with profitability protected through £15.9 million of operating cost reductions as explained in further detail on page 26.

Linked strategic priorities

1 2 3

Net free cash flow

2020: £4.3 MILLION



Description

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

Performance for 2020

Net free cash inflow of £4.3 million including the deferral of £2.3 million of lease payments which will be settled over the next 12 months.

Linked strategic priorities

1 2 3

OPERATIONAL PERFORMANCE

Balance of business

LETTINGS: 61%

SALES: 30%

MORTGAGE BROKING: 9%

Description

Balance of business indicates the revenue contribution from each operating segment. Our balance of business enables the Group to withstand fluctuations in the property market thereby providing protection from the potentially volatile sales market.

Performance for 2020

During 2020, the lettings business, with its annuity characteristics, has contributed 61.2% of the Group's revenue, which provided trading stability. Lettings provided a level of underpin to our commissions during the spring lockdown alongside our recurring mortgage broking revenue streams.

Linked strategic priorities

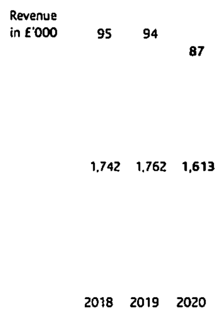
1

Average revenue per branch and per employee

2020

AVERAGE REVENUE PER BRANCH:
£1.6 MILLION

AVERAGE REVENUE PER EMPLOYEE:
£87,000



Description

Average revenue per branch: Group revenue during the relevant period divided by the average number of branches during the relevant period.

Average revenue per employee: Group revenue during the relevant period divided by the average total headcount during the relevant period.

Performance for 2020

Average revenue per branch and average revenue per employee has decreased due to reduced levels of revenue in the period attributable to Covid-19.

Linked strategic priorities

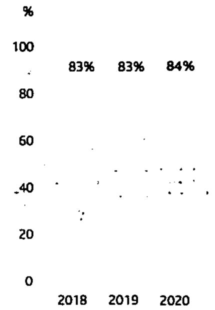
1 2

EMPLOYEES AND CUSTOMERS

Employee engagement

2020: 84%

EMPLOYEE ENGAGEMENT SCORE



Description

Overall employee engagement score from the Group's annual employee engagement survey (independently administered by Willis Towers Watson).

Performance for 2020

During a challenging year, the increase in employee engagement is reflective of continued progress with our people strategy and recognising the importance of our employees in driving success. Refer to page 42 for further details of the 2020 employee engagement survey.

Linked strategic priorities

1 2 3

Customer satisfaction

Trustpilot score

2020: 4.8 OUT OF 5

2019: 4.7 out of 5

Description

Trustpilot is an independent consumer review platform which enables our customers to review and rate the quality of our service.

Performance for 2020

We have achieved our highest Trustpilot rating in 2020 which is a testament to the dedication and hard work of our colleagues under challenging conditions, and reflective of our continued investment in customer service and our business model. Our customer satisfaction score continues to exceed that of our competitors and we maintain a sizeable margin against our nearest competitor.

Linked strategic priorities

1 2 3

Our strategic priorities

1 Customer acquisition, retention and growth

2 Technology and data evolution

3 Brand and service

→ Refer to pages 14 and 15 for details of our strategic priorities

FINANCIAL REVIEW

>>We responded rapidly to Covid-19, strengthening the balance sheet whilst delivering robust results in a challenging year.<<

Richard Harris, Chief Financial Officer

OVERVIEW

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

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

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

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

Summary income statement

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

♦ Measures marked with this symbol are APMs. APMs are defined, purpose explained and reconciled to statutory measures within Note 26 of the financial statements.

Revenue	♦ Adjusted operating profit/(loss)	Statutory loss before tax	♦ Net cash
£93.5 MILLION	**£1.9 MILLION**	**£(1.4) MILLION**	**£37.0 MILLION**
(2019: £106.9 MILLION)	**(2019: £(0.7) MILLION)**	**(2019: £(8.8) MILLION)**	**(2019: £15.5 MILLION)**

REVENUE

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

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

Lettings

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

Sales

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

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

Mortgage broking

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

Balance of business

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

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

PROFITABILITY

Contribution, contribution margin, adjusted operating profit/(loss) and adjusted operating profit/(loss) margin are APMs which management uses to monitor the profitability of the Group and operating segments. The Group's APMs are defined and purpose explained in Note 26.

Contribution and contribution margin

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

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

Year ended 31 December	2020 £m	2020 margin	2019 £m	2019 margin
Lettings	**40.2**	**70.2%**	46.7	70.9%
Sales	**14.0**	**50.0%**	16.4	50.4%
Mortgage broking	**3.8**	**46.8%**	4.0	47.2%
Group contribution	**58.1**	**62.1%**	67.1	62.7%

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

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

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

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

Adjusted items

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

Statutory loss before tax

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

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

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

TAXATION

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

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

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

LOSS PER SHARE

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

CASH FLOW AND NET CASH

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

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

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

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

ACQUISITIONS

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

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

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

OTHER BALANCE SHEET POSITIONS

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

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

CAPITAL ALLOCATION POLICY AND DIVIDENDS

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

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

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

In December 2020, the Group announced a share buyback programme up to a maximum consideration of £3 million after taking into account the cash position of the Group, cash requirements to pursue strategic growth opportunities, working capital requirements and the possibility of further Covid-19 disruption. A total of £0.3 million of shares had been bought back as at 31 December 2020, and £1.8 million as at 9 March 2021.

POST BALANCE SHEET EVENTS

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

TREASURY POLICIES AND OBJECTIVES

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as:

- the Group has no external borrowings;
- the Group is entirely UK-based with no foreign currency risks; and
- surplus cash balances are held with major UK-based banks.

As a consequence of the above, the Group has not had to enter into any financial instruments to protect against risk. The Group has a £5 million RCF which expires in June 2022 and is undrawn.

PENSIONS

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

RISK MANAGEMENT

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to pages 30 to 35 for details of the Group's risk management framework and principal risks and uncertainties.

GOING CONCERN, PROSPECTS AND VIABILITY

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

Refer to Note 1 of the financial statements for details of the Group's going concern assessment and page 103 for the going concern statement. The prospects and viability statement is set out on page 36.

RELATED PARTIES

Related party transactions are disclosed in Note 23 of the financial statements.

Richard Harris
Chief Financial Officer

9 March 2021

RISK MANAGEMENT

The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates.

RISK MANAGEMENT

The Board regularly reviews the principal risks facing the Group together with the relevant mitigating controls and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks and changes to existing risks. In addition, the Board has set guidelines for risk appetite as part of the risk management process against which risks are monitored.

The identification of risks is undertaken by specific executive risk committees which analyse overall corporate risk, information technology risk and mortgage broking risk. Other committees exist below this level to focus on specific risk areas. A common risk register is used across the Group to monitor gross and residual risk with the results being assessed by the Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

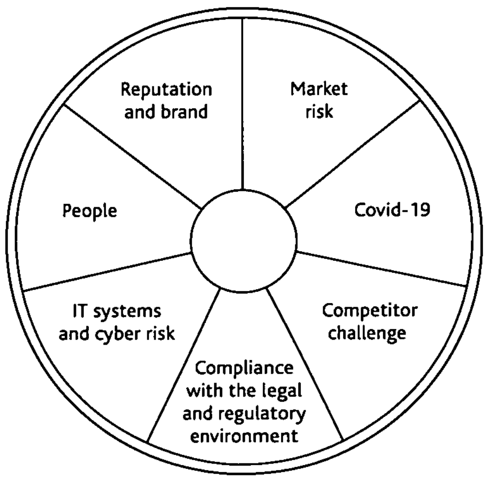
Further detail of each principal risk is provided on pages 32 to 35 analysed between external and internal risks, including an overall risk rating and whether the risk has changed over the course of the year.

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

Details of the Board's process for identifying key emerging risks and how these risks are managed are also set out on page 35.

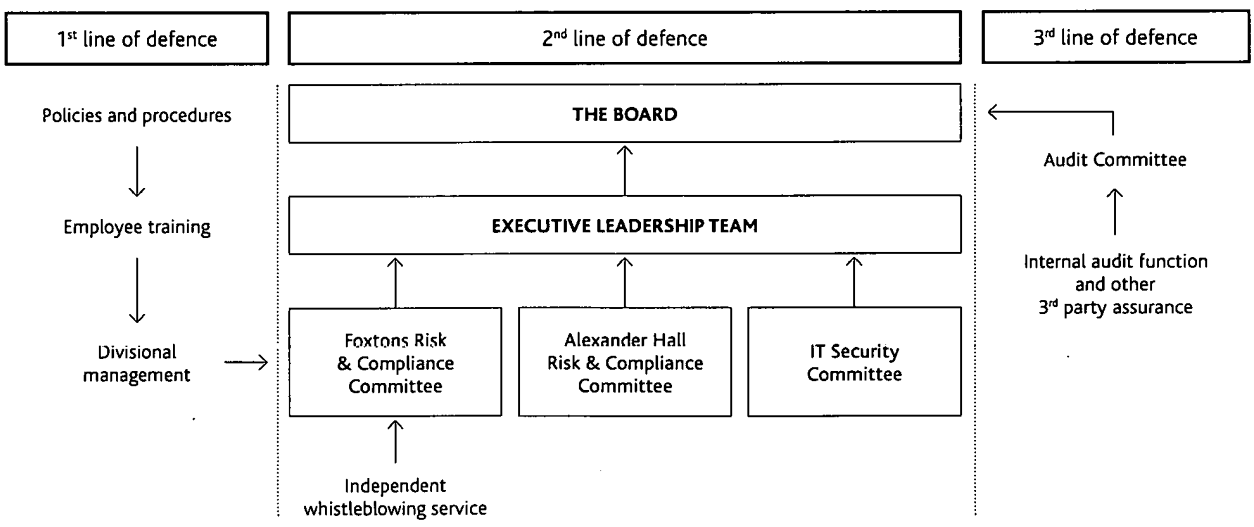
Further information on the Group's risk management procedures can be found in the Audit Committee Report on page 75.

Our principal risks



Risk framework overview

The broad structure of our risk management framework is presented in the chart below.



RISK APPETITE

The risk appetite statement details the Group's approach to risk and includes a series of risk assertions which are aligned to our strategy, *together with the risk parameters within which we expect our people to work. Compliance with the risk appetite statement is monitored* through the Group's standard monitoring and reporting mechanisms. The Board reviews the risk appetite statement annually.

Risk type	Risk assertion	Risk parameter	Risk appetite
Strategic	We will not pursue growth at all costs and expect high margins and strong returns on capital.	We will pursue growth strategies to meet our market growth objectives. We aim for industry-leading operating margins and returns on capital whilst protecting the long-term viability of the Group.	**High**
Financial	We will manage/avoid situations or actions that might adversely impact the integrity of financial reporting.	It is a critical requirement that financial reporting complies with relevant accounting standards and is fair, balanced and understandable.	**Low**
Operational	We will manage/avoid situations or actions that might adversely impact the Group's ability to provide a premium service level to our customers and to protect the assets of the Group.	The costs of control systems must be commensurate with the benefits achieved.	**Moderate**
Compliance	We will ensure we comply with all legal requirements and manage/avoid situations or actions that could have a negative impact on our reputation or brand.	No tolerance for breaches of: - Legislative/statutory requirements - Delegated authority levels - Group and divisional policies - Health and safety regulations	**Low**

Risk appetite statement

The Group operates in markets with high growth potential which are subject to volatility, particularly in the residential sales market. We continue to pursue ambitious growth targets and are willing to accept certain levels of risk to increase the likelihood of achieving or exceeding our strategic objectives, subject to the relevant *risk parameters*.

Risk appetite varies depending on the risk type

The Board's appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, customer service issues, staff turnover and brand/reputational damage. The Board has a low tolerance for compliance-related risk. Conversely, it has a higher tolerance for strategic risk. The Board will adjust the short-term appetite for risk to reflect prevailing conditions as necessary.

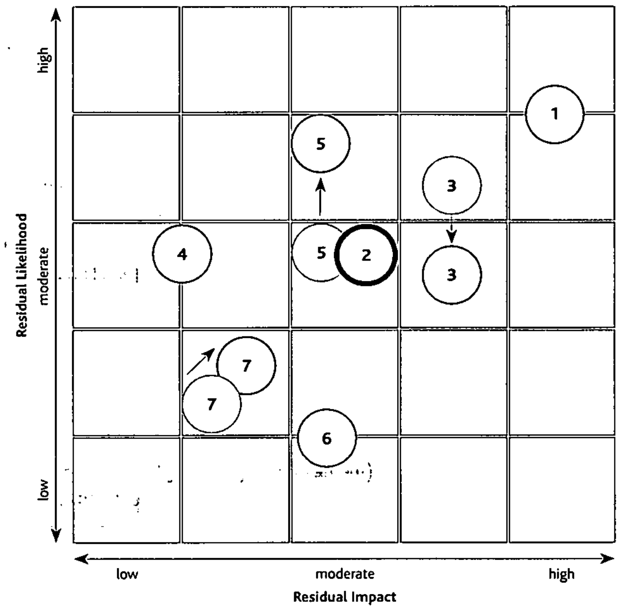
Assessment of risk versus Board's appetite for risk

The Board has assessed the risks of the Group and, with the exception of market risk, considers all risks to be within the Board's appetite for risk. The Board recognises the Group operates in markets which are cyclical and subject to volatility. As such, the Board's risk appetite for market risk is high. Although there continues to be heightened market risk due to the depressed sales market the Board considers appropriate actions have been taken to mitigate the impact on the Group including strengthening the balance sheet, investing in high quality lettings books and taking further cost action. The Group expects the sales market to return to more normal levels in the medium term.

PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS HEAT MAP

The heat map presented below provides a visual representation of the principal risks facing the Group, including movements and new risks identified in the year. Risks shown in the bottom left-hand corner of the chart have a low risk rating as they have a low residual likelihood of occurring and a low residual potential impact on the Group. Conversely, risks shown in the top right-hand corner of the chart have a high risk rating as they have a high residual likelihood of occurring and a high residual potential impact on the Group.



External risks

1 Market risk
2 Covid-19
3 Competitor challenge
4 Compliance with legal and regulatory environment

Internal risks

5 IT systems and cyber risk
6 People
7 Reputation and brand

2019 risk positioning (if year-on-year movement)
2020 risk positioning
New 2020 principal risk

Three principal risks have been subject to movements in residual likelihood or residual impact as described below. The movements have not been significant enough to impact the overall residual risk ratings which are set out on pages 33 to 35:

- **Competitor challenge (3):** Residual likelihood has reduced due to lower levels of competitor pressure from online and hybrid agents.
- **IT systems and cyber risk (5):** Residual likelihood has increased as malware and data theft attacks become more sophisticated and prevalent. The Group was subject to a malware attack in October 2020 which affected some IT systems but these were restored without significant disruption to customers. The Board is satisfied that the attack did not result in the loss of any data that could be damaging to customers and details of the attack were provided to the Financial Conduct Authority (FCA) and the Information Commissioner's Office (ICO) at the time. The Group's cyber defences continue to be strengthened to reduce the likelihood and impact of such attacks.
- **Reputation and brand (7):** Increased risk of reputation and brand damage due to an increased level of interest and scrutiny of the Group's response and actions during Covid-19.

The assessment of residual likelihood, residual impact and overall residual risk is based on the following definitions:

Residual likelihood	Residual impact	Overall residual risk rating
! Low potential of the risk crystallising	! Very limited or isolated impact to the Group and/or its broader customer base	! Low
! Moderate potential of the risk crystallising	! Moderate impact to the Group and/or our broader customer base	! Moderate
! High potential of the risk crystallising	! Potentially significant impact to the Group and/or our broader customer base	! High

Our strategic priorities

1 Customer acquisition, retention and growth
2 Technology and data evolution
3 Brand and service

→ Refer to pages 14 and 15 for details of our strategic priorities.

Change in overall residual risk rating

Increased
No change
New risk
Reduced

PRINCIPAL RISKS: EXTERNAL RISKS

Impact	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
MARKET RISK					
The Group continues to be impacted by the prolonged downturn in the London sales market and transaction levels have deteriorated further in 2020 due to Covid-19. The key factors driving the risk level are: - affordability, which in turn may reduce transaction levels; - arguably a reduction in London's standing as a major financial city caused by the macro-economic and political environment, including the UK's decision to leave the EU; - the market being reliant on the availability of mortgage finance, a deterioration in which may adversely affect the Group; - the market being impacted by changes in government policy such as changes in stamp duty taxes or increased regulation in the lettings market. In July 2020, 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 which is captured as a separate principal risk below. **Linked strategic priorities** 1 3	The Group 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 Group'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.	!	!	!	= Overall residual risk remains high due to the prevailing market conditions.
COVID-19					
The Group's performance has been significantly impacted by Covid-19. Although transaction volumes have recovered broadly back to pre-Covid-19 levels, the pandemic has introduced additional market and operational risk. Although the extent of the risk is considered moderate, with vaccine programmes underway, the level of risk is 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 Group's offices and branches may have to temporarily close, property viewings could be required to switch to virtual viewings and customer-facing activities could be restricted due to future lockdowns; and - there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers. **Linked strategic priorities** 1 2 3	With support from external specialists, the Group maintains a detailed Covid-19 risk assessment to identify and prioritise risks. Key mitigating actions include: - additional market risk is partly mitigated by the Group's recurring lettings revenue streams which provide protection from reduced market transactions; - Covid-19 health and safety training is mandatory for all employees and Covid-19 secure environments are maintained across our network; - customer-facing activities must be conducted in line with the Group's Covid-19 policies and procedures; - the Covid-19 Health and Safety Committee meets regularly to monitor the ongoing effectiveness of controls in place; and - detailed contingency plans are maintained to protect core business operations against future Covid-19 restrictions.	!	!	!	N New principal risk due to Covid-19 and the associated ongoing disruption and economic uncertainty.

Impact	*Mitigation of risk*	Residual *likelihood*	Residual *impact*	Overall residual *risk rating*	Assessment of change in risk *year-on-year*
COMPETITOR CHALLENGE					
The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, services, methods of working including online and hybrid agents, which could give them a competitive advantage. **Linked strategic priorities** 1 2 3	We continually assess competitor activity and utilise 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 accordingly. 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.	(!)	(!)	(!)	(=) Overall residual risk remains moderate, although the residual likelihood has reduced due to lower levels of competitor pressure from online and hybrid agents.
COMPLIANCE WITH THE LEGAL AND REGULATORY ENVIRONMENT					
Breaches of laws or regulations could lead to financial penalties and reputational damage. The mortgage broking division is authorised and regulated by the FCA and could be subject to sanctions for non-compliance. **Linked strategic priorities** 1 3	The Group is supported by compliance and legal teams which monitor regulatory reform proposals and participate in industry forums. The Group's centralised service model enables the Group to respond to regulatory change in an efficient and coherent manner. The mortgage broking division has a specific Risk and Compliance Committee which monitors compliance with FCA regulations.	(!)	(!)	(!)	(=) Overall residual risk remains low due to the continued focus from the relevant authorities to monitor compliance and there continue to be developments in the regulatory landscape.

PRINCIPAL RISKS: INTERNAL RISKS

Impact	*Mitigation of risk*	Residual *likelihood*	Residual *impact*	Overall residual *risk rating*	Assessment of change in risk *year-on-year*
IT SYSTEMS AND CYBER RISK					
Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service. Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service, corruption of data or theft of personal data. Such a failure or loss could also result in reputational damage, fines or other adverse consequences. **Linked strategic priorities** 2 3	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.	(!)	(!)	(!)	(=) Overall residual risk remains moderate, although the residual likelihood has increased as malware and data theft attempts become more sophisticated and prevalent. As noted on page 32, the Group's cyber defences continue to be strengthened with immediate action taken following the October 2020 malware attack.

Impact	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
PEOPLE					
There is a risk that the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. This risk may occur in the event competition for talent increases or there are changes in our industry or markets that result in less attractive career opportunities. **Linked strategic priorities** 1 3	The Group 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 Group 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.	!	!	!	= Overall residual risk remains low due to the continued risk that we are unable to recruit or retain quality staff or sufficiently mitigate succession risk.
REPUTATION AND BRAND					
Foxtons is a strong, single network brand with a reputation for delivering exceptional service and the highest brand awareness in London estate agency. Our reputation and brand provides competitive advantage and is critical to maintaining and protecting the future prospects of the business. There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations, or our actions considered to be inappropriate. In the current Covid-19 environment, there is an additional risk that employees' actions and behaviours do not comply with the Group's health and safety policies and procedures or that the policies and procedures are ineffective. **Linked strategic priorities** 1 3	We continue to invest in our customer proposition, technology, training and processes. These investments further strengthen our service offering and provide ongoing protection to 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. Specific Covid-19 mandatory employee and operating policies have been established. Media coverage and positioning of our brand is continuously reviewed to ensure our values and our purpose are clear and consistently promoted and reflected in the way we do business.	!	!	!	= Overall residual risk remains low, although there is an increased risk of reputation and brand damage due to there being an increased level of public scrutiny over Covid-19 response plans and related actions.

EMERGING RISKS

The Board considers emerging risks on a regular basis. The Company has procedures in place to identify emerging risks and manages them accordingly. Two key emerging risks and the associated risk management approach are set out below.

Description	Risk management
EMERGING TECHNOLOGIES AND CUSTOMER SOLUTIONS There continues to be emerging technology and customer offerings across the residential estate agency sector. There is a risk our customer offer does not provide sufficient competitive advantage as competitors develop alternative technology and products.	The Board closely monitors competitor activity, emerging customer service offerings and technology investment opportunities so that any changes can be anticipated and our competitive advantage protected.
CHANGES IN GOVERNMENT HOUSING POLICIES Future changes in Government housing policies may lead to structural changes in the lettings and sales market. Future Government policy cannot be reliably predicted, but changes could result in market disruption and shift the balance between renting and buying homes, or the introduction of measures which manage transaction prices.	The Board monitors Government housing policy and incorporates changes into strategic decisions where applicable. Additionally, we regularly review the balance of our business to maintain sufficient protection against changes in Government policies. The Group is a member of Propertymark, a major industry body, and actively engages with groups such as London First, which consults with Government policymakers to help them make informed decisions. We also meet with other stakeholders including HM Treasury, local councils, and representatives from the Greater London Authority on housing policy and regulatory matters.

PROSPECTS AND VIABILITY

The long-term prospects and viability of the Group is a focus of the Board when determining and monitoring the Group's strategic priorities and business model. The identification and mitigation of the Group's principal risks also form part of the Board's assessment of long-term prospects and viability.

LONG-TERM PROSPECTS

Foxtons has an established position in London's property market, with a well-known brand and a differentiated business model which is designed to deliver sustainable value to stakeholders. Covid-19, the associated closure of the residential property market and related market uncertainty significantly impacted performance during 2020, including the temporary 10-week closure of our branches.

In response to Covid-19, management rapidly undertook a number of actions in order to minimise the impact on cash flow and protect the long-term prospects of the business. A key action was the successful completion of a placing of ordinary shares raising net proceeds of £21.1 million. The raised funds protected the Group against a potential liquidity gap in the event of a reasonable worst-case scenario under which there was a protracted period of lockdown, followed by a slow recovery in London property markets.

Although there has been a recovery in market conditions following the re-opening of our branches, there continues to be market uncertainty. During the recovery period, the business has been managed in line with market conditions, alongside pursuing our strategic priorities including investing £4.6 million, measured on a cash and debt free basis, in lettings books.

Brexit continues to cause macro-economic uncertainty, which has, and will continue to have, a significant impact on the London property market. We have assessed all material elements of our business and are satisfied that Brexit will not have a significant operational impact since almost all of the Group's purchases are procured locally in GBP and we believe the labour pool in London is sufficiently liquid that talent will continue to be available. Additionally, the Board recognises the Group is exposed to the cyclicality of the London residential sales market and other market challenges, such as affordability.

Notwithstanding the market pressures, the Group's competitive advantage and ongoing delivery against its Group's strategy means it is well positioned to benefit from a recovery in market conditions.

VIABILITY APPROACH

The Group's viability is assessed through the strategic planning process which includes financial projections for the next five years after taking into account the Group's principal risks.

Key assumptions within the strategic plan include market volumes, market pricing, market share and the inherent flexibility of the Group's cost base. Our core assumption is that our market is cyclical and our planning is cautious and therefore, certain potential upsides are not included.

Other factors taken into consideration include the Group's conservative use of cash resources and cash position, no external borrowings and the availability of a £5 million RCF which expires in June 2022 and is currently undrawn.

ASSESSMENT OF VIABILITY

In accordance with the Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the going concern provision.

Given the nature of the current downturn and ongoing market uncertainty, the Directors have determined that five years is the most appropriate timeframe over which the Board should assess long-term viability, with this being the longest period over which the Board considered an appropriate assessment of the principal risks could be made. This is consistent with the period over which the Group's strategic review is assessed by the Board and the minimum vesting and holding period for Executive Director share schemes.

This viability assessment has considered the potential impact of the principal risks on the business model, future performance and liquidity of the Group. In making this statement, the Directors have considered the resilience of the Group under varying market conditions together with the timing and effectiveness of any mitigating cost actions.

SEVERE BUT PLAUSIBLE SCENARIO

For the purpose of testing viability, a severe but plausible scenario has been determined under which the Group is significantly impacted by market risk, which has been assessed to have the highest residual likelihood and impact on the performance of the Group.

The severe but plausible scenario captures a sustained downturn in the lettings, sales and mortgage markets with an adverse impact on transaction volumes and pricing. The scenario captures the risk of further significant Covid-19 related disruption and significant market uncertainty due to Brexit.

As well as capturing market risk, the scenario incorporates the associated reduction in costs due to reduced revenues and the availability and effectiveness of controllable mitigating actions, including reducing capital expenditure and managing the cost base. Each of these actions would be available to limit the impact of the identified risks. The key assumptions assumed in the severe but plausible downside scenario are summarised below.

Lettings volumes and pricing	Reduced lettings recovery, with volumes failing to recover to 2019 levels within the viability period. Average rental prices decline by 6% in 2021 compared to 2020, with no recovery thereafter.
Sales volumes and pricing	No recovery in market sales volumes in 2021 compared to 2020, which was severely impacted by Covid-19, and with modest recovery thereafter. No growth in house prices across the viability period.
Direct operating costs and mitigating actions	Mitigating actions to reduce discretionary expenditure and headcount managed to reflect demand, resulting in a £5 million reduction in the Group's cost base by 2025. Capital expenditure and acquisition spend is minimised.

Under the severe but plausible scenario, the Group would be able to withstand the adverse conditions and would have sufficient cash resources throughout the period without the use of the RCF. Based upon the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year viability period.

RESPONSIBLE BUSINESS:

BALANCING THE NEEDS OF DIFFERENT STAKEHOLDERS AND BUSINESS SUSTAINABILITY FOR THE LONG TERM

RESPONSIBLE BUSINESS

We're committed to operating our business responsibly, for the long term, for the benefit of all our stakeholders.

>>Despite the challenge of Covid-19, we have not been distracted from the vital task of ensuring we run our business responsibly and for the benefit of stakeholders, from customers to shareholders.<<

Patrick Franco, Chief Operating Officer

OUR APPROACH TO RESPONSIBLE BUSINESS

Like the majority of customer-facing businesses in England, Foxtons had to close its branches during the first national lockdown in spring 2020.

These were tough times, full of uncertainty for everyone. It placed enormous pressure on the business and particularly on our people.

When estate agents were given the green light in May 2020 to reopen, we could have immediately flung open our doors and raced to try and recover revenue. We didn't do that. Instead, we took two weeks to carefully and systematically make sure we were able to operate safely in a way that inspired confidence in both our people and our customers prior to opening on 1 June 2020.

When the next Government lockdowns came, our business was able to stay open when many other businesses, sadly, were not. This is testament to the care taken and investment made and is just one very small example of how taking care to operate responsibly drives longer-term value.

Responsible business is at the core of our operations. With the arrival of Covid-19, we might have been forgiven for resting on our laurels and being happy with the status quo for a year.

This hasn't been our approach. We have again pushed ourselves to consider how different ways of acting and operating responsibly can add value for our people, our customers and suppliers, our shareholders and our community.

We know it's not just what we do but how we do it. And we know it's not just how well we conduct our core business but how we contribute more widely to society that can create connections that help our business acquire customers and operate more efficiently.

BEING A COVID-19 RESPONSIBLE BUSINESS

We are proud of how we've made Foxtons Covid-19 secure.

We take our duty of care extremely seriously and created an employee-led Covid-19 health and safety committee to ensure Foxtons maintains the highest standards. In our branches, we ensure that all appointments are conducted safely and in line with Government guidelines and we have both enhanced safety measures and new protocols for our staff and customers. These extended safety measures include wearing appropriate PPE on viewings and maintaining social distancing, as well as offering digital valuations and viewings. We've considered four different sources when designing our enhanced health and safety protocols: Government guidelines, Propertymark, the estate agent industry body, our employee-led committee and our customers' and suppliers' expectations.

At our head office, we are strictly adhering to social distancing and hygiene guidance. There are one-way systems on every floor and we have introduced a significantly enhanced cleaning regime.

In addition, we were recognised by the University of Bath and the Chartered Institute of Personnel and Development as a responsible business, which successfully navigated the Covid-19 crisis with key stakeholder groups. We were pleased to contribute to their valuable research.

OUR PURPOSE

We do more than help people move. We help people move up in the world by offering job opportunities to people from all backgrounds and experiences. This means our people truly mirror the communities we serve and we can be even more successful together.

We are here to sell and rent homes and to lead our sector in this regard. But there is definitely more to it than that.

Foxtons has consistently given opportunities to Londoners from all backgrounds and walks of life. These might not be the Londoners who would typically walk into jobs at corporates looking for degrees as proof of talent.

At Foxtons, we do hire people with degrees, but we also make a point to consider people without the typical academic qualifications. The right estate agent or support team member demonstrates our values and is able to make strong connections with customers and broker a great outcome for all parties. They may have left school, may not have taken A-levels, keen to get straight into the jobs market. Rather than demand academic qualifications, we use a range of selection and assessment methods designed to understand the individual, their ability and competencies.

Some people call this enabling social mobility. We call it getting the right person for the job. It means we have a workforce that genuinely mirrors the diversity of London, the city we principally serve. We think this is important and also believe it gives us a competitive advantage and allows us to do better business.

It's also something we're proud of and plan to build on even more over the coming years. It's our purpose to give opportunity to Londoners and help everyone move up in the world.

OUR CULTURE

Our culture is driven from the top; it underpins everything we do and supports our mission to deliver excellent customer service. Culture is monitored on a regular basis and assessed in a number of ways, including gathering and assessing feedback from our customers and suppliers, as well as by engaging directly and indirectly with our people.

OUR VALUES

Our culture is shaped by our four values, which guide our employees on how they contribute to the Group's success.

Helpful	Agile	Expert	Passionate
Superior service and dedication to delivering above and beyond customer expectations	Continuously evolving to meet customers' changing needs	Sharp minds with unrivalled knowledge	Confidence to embrace any challenge and achieve the best possible results

FOXTONS AS A RESPONSIBLE BUSINESS

Operating as a responsible business has always been a key focus noting the wider role Foxtons plays in our market and our wide range of stakeholders. Covid-19 has meant that there has been an even greater focus on our business practices and behaving and operating in a responsible way. The way Foxtons interacts with our people, our community, our environment and demonstrates its responsibilities to other parties, such as suppliers, is of the utmost importance.

OUR PEOPLE

→ More details on pages 40 to 42

OUR COMMUNITY

→ More details on page 43

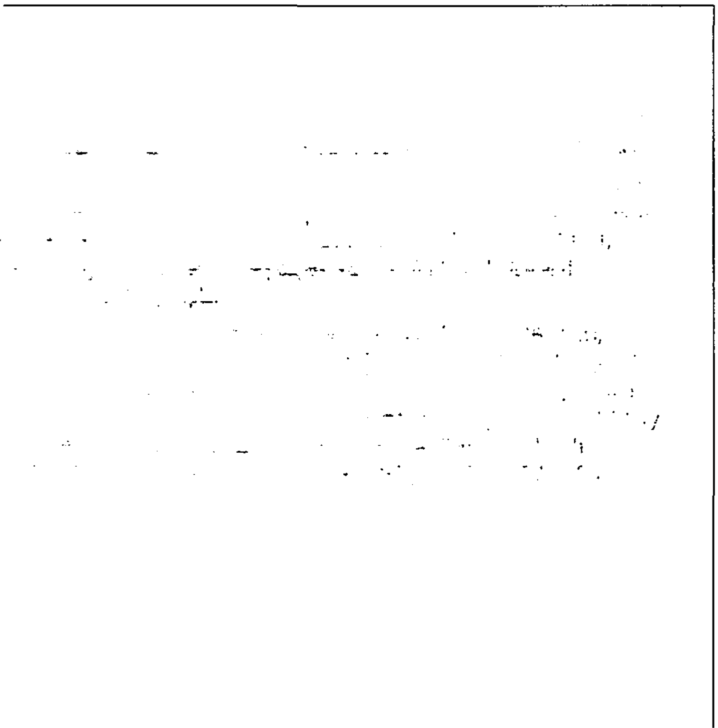
OUR ENVIRONMENT

→ More details on pages 44 and 45

OUR OTHER RESPONSIBILITIES

→ More details on page 46

OUR PEOPLE



SARAH MASON
CHIEF PEOPLE OFFICER

"We never lose sight of the fact we are a people business first and foremost. Everything we do in terms of diversity, learning, development, recruitment and culture is with one outcome in mind – providing the right conditions to enable happy, expert people to do their best work in order to drive market-leading results."

DIVERSITY AND INCLUSION

Our commitment to diversity runs through our own people as well as our communities.

Our 2020 employee engagement survey indicated that 92% of our people believe Foxtons supports a diverse and inclusive workplace.

We are always challenging ourselves to do more and ensure we are using all the tools at our disposal to attract candidates from diverse backgrounds. This includes continuing to implement consistent, objective and effective people practices for both hiring and managing people.

Across the business, our diversity networks (Women@Foxtons, Afro Foxtons and Foxtons LGBTQ+) have been active and engaged and have come into their own to an even greater extent given the impact of Covid-19 and embraced digital meet ups. For Black History Month, the Afro Foxtons network hosted a digital panel with historians and entrepreneurs, selected by members of the Afro Foxtons network. More than a quarter of the workforce attended this virtual event, demonstrating a high level of engagement alongside active community members.

We also partnered with the AllBright club, a women's network with the aim of empowering professional women to realise their potential across all stages of their career. All our female managers now have access to the AllBright digital platform which provides opportunities to learn and connect through digital content, virtual events and networking.

We remain so proud that our workforce accurately mirrors the diversity of London and feel it also gives us competitive advantage.

Our diversity networks continue to grow and reflect our commitment to diversity, inclusion and wellbeing.

women@foxtons
Established in 2016

We want to develop more women within the business to become leaders

Afro Foxtons
Established in 2018

An inclusive network to cultivate talent and create more leaders

LGBTQ+@Foxtons
Established in 2018

Developing more acceptance and awareness within the business

Our gender diversity split as at 31 December 2020 is summarised below. We continue to work on improving our gender balance at senior levels.

	Male	Female	Male %	Female %
Directors of Parent Company	5	2	71%	29%
Senior Managers[1]	136	49	74%	26%
All other	424	443	49%	51%
Total	**565**	**494**	**53%**	**47%**

[1] 'Senior Managers' refers to Senior Management, Senior Sales and Support Staff and Senior Administrative Staff.

LEARNING AND DEVELOPMENT

Foxtons' training remains industry leading. We transformed our Learning and Development offering in 2019 from purely classroom-based workshops to a more blended approach utilising digital methods alongside in-person training. This meant that we were able to quickly switch to remote digital learning in 2020, deliver Covid-19 health and safety training, and continue to prioritise learning and development for all our employees throughout the year.

Over
19,000
training courses completed on our digital learning platform in 2020

Patrick Franco, Chief Operating Officer, discussing employee matters at the EEC

EMPLOYEE ENGAGEMENT COMMITTEE

The EEC was established in 2019 and although fully operational in the year during the spring lockdown, it was necessary to defer certain meetings and the Board received alternative regular updates on the impact of Covid-19 on employees and their wellbeing. Each EEC meeting is attended by a Non-Executive Director, who reports back to the Board to ensure the Board is fully informed of employee matters when making decisions.

In 2020, we have discussed a range of topics with the EEC, including talent acquisition, gender pay gap reporting and career development. Key outcomes included enhancements to our recruitment selection processes, informing the Group's future career development programmes and new mechanisms to support female progression into senior roles to close the gender pay gap. The Senior Independent Director also led a discussion with the EEC of how the Board approaches Executive Director remuneration in the context of workforce remuneration.

RECRUITING THE BEST TALENT

Hiring the right people is critical to our success and enables us to deliver exceptional customer service. We continue to be pleased with the calibre of candidates we attract to Foxtons, backed by recent developments in our recruitment practices which use a range of selection and assessment methods to match the right talent to our vacancies. This was recognised by being shortlisted for the 'Best Graduate Recruitment Strategy' at the Recruiter Awards 2020.

MONITORING AND STRENGTHENING OUR CULTURE

We regularly seek feedback from our customers and suppliers, as well as from our own people, to monitor our culture. Senior Management works closely with the Board to analyse feedback and take appropriate steps to strengthen culture.

In 2020, as set out above, the Board used the EEC to facilitate effective engagement with the workforce and monitor culture. Additionally, the Board commissioned an annual employee engagement survey independently administered by Willis Towers Watson.

→ Refer to page 42 for further details of the 2020 employee engagement survey

→ Refer to pages 62 and 63 for further details of the Board's engagement with employees and other stakeholders

2020 EMPLOYEE ENGAGEMENT SURVEY

Again, despite the challenges of 2020, we carried out our annual employee engagement survey and are pleased to report an 88% (2019: 63%) response rate and an improvement in our overall employee engagement score of 84% (2019: 83%). We believe the result reflects the Group's ongoing focus of leading with authenticity and providing strategic clarity, to empower and develop employees and to recognise the importance of each person's role in driving success. Key outcomes of the survey are as follows:

- Progress compared to 2019 in key areas of the employee experience, including career development, empowerment and rewards.
- Willis Tower Watson's summary noted that the Group is very favourably positioned compared to typical UK PLCs and that the Group exceeds the Willis Towers Watson UK national norm in almost all areas.
- The positive trend persists when the 2020 Foxtons results are compared to aggregated scores from organisations who have surveyed employees since the beginning of Covid-19.
- An outcome of the survey is to provide employees with further opportunities to get more actively involved in supporting the Foxtons purpose which is expected to have a positive impact on employee engagement.
- Key metrics from the survey are summarised below.

84%

EMPLOYEE OVERALL ENGAGEMENT SCORE[1]

95%

% OF EMPLOYEES THAT FEEL ENCOURAGED TO ACT ETHICALLY AND ADHERE TO THE HIGHEST STANDARDS AT ALL TIMES[1]

92%

% OF EMPLOYEES THAT BELIEVE FOXTONS SUPPORTS A DIVERSE AND INCLUSIVE WORKPLACE[1]

[1] Results from the 2020 employee engagement survey independently administered by Willis Tower Watson.

BUSINESS CULTURE AWARDS 2020

This year, the Group participated in the Business Culture Awards which attract submissions from a number of well-known and respected business. Other finalists in 2020 included Sainsbury's, Lloyds Banking Group, Barclays, Volkswagen Group, TSB, DP Group, Ministry of Defence, Tata Consultancy Services, Very and Cognizant.

We are delighted to report that this year, Foxtons' commitment to diversity and inclusion was recognised by the Business Culture Awards 2020 including: Winner of the Diversity and Inclusion category; Highly Commended in the category for Medium Organisation and Silver Overall Winner.

OUR COMMUNITY

We have a clear responsibility to the communities in which we operate and that responsibility is to contribute. Alongside taking a fresh look at our purpose and continuing to offer a step on to the employment ladder for all Londoners from all backgrounds, we have taken a fresh look at how we give back and during 2021, will be launching a new community partnership.

2020 has been the final year of our successful and enjoyable partnership with London's Air Ambulance. Over the five years of this partnership, we're proud to have raised over £250,000. We'd like to say a big thank you to London's Air Ambulance for their work over the years and wish them all the best for the future. In 2021 we look forward to announcing a new charitable partnership focused upon social mobility.

With social mobility and diversity being such integral parts of our ethos, we continue to be a signatory of the Social Mobility Pledge, as well as being a sponsor to the UK Social Mobility Awards, celebrating the achievements of individuals and businesses who work hard to offer opportunity to those who have to work harder for it.

We have continued to work with Making the Leap, a charity focused on raising the aspirations of disadvantaged school students by providing a range of educational programmes anchored in the real world since the start of the Making the Leap programme, Foxtons has trained over 450 high potential Londoners, delivering workshops on motivation and leadership. Despite the restrictions this year, we've delivered virtual workshops on careers for Making the Leap participants. We also partnered with Workfinder this year to offer virtual work experience to support females looking at careers in science, technology, engineering and maths.

We introduced Volunteer Days, allowing our employees to take paid time off to support a charity or cause of their choice.

OUR ENVIRONMENT

The Board recognises its responsibility to consider the impact of our operations on the environment and the likely consequences of business decisions in the long term. Although, as a people-based business, with a relatively small infrastructure and a simple supply chain, our impact on the environment is smaller than many other listed businesses, we continue to recognise our broader responsibilities in this area.

OUR BUSINESS MODEL AND THE ENVIRONMENT

The Group's business model is resilient in the context of environmental change insofar as reasonable possible climate change scenarios would not be expected to significantly impact the Group's operations or strategy, nor have any emerging risks been identified in this area. Where an investment decision is expected to have a significant impact on the environment, the Board will consider the environmental consequences as part of the Board decision making process. During 2020, no Board decisions had a significant environmental impact.

ENVIRONMENTAL IMPACT

Our business, primarily through its vehicles and leased property, uses energy, generates emissions and therefore inevitably contributes to climate change. Going forwards, the Board will continue to seek to reduce our environmental impact and continue to take steps to support the Government's long-term environmental pledges.

→ Our streamlined energy and carbon reporting (SECR) is set out on page 45

LEASED PROPERTY

The Group's head office and more than 50 interconnected branches provide office space for our employees, but are also used for customer interactions and meetings. Our single brand branch network, when combined with our online presence, provides us with brand exposure across London's business districts and residential areas.

We continue to monitor, and reduce where possible, the environmental footprint of our head office and branch network. We work closely with our energy supplier to monitor our usage and utilise a REGO-backed electricity product (REGO – Renewable Energy Guarantees of Origin).

Through the REGO product, our electricity is backed by renewable sources which helps reduce our carbon footprint, is a step towards carbon neutrality and supports the UK's drive towards becoming 'net zero' by 2050.

We also continue to transition to paperless transactions through the use of technology and digital signing which have become even more the norm through Covid-19. We also recycle right across our estate.

VEHICLE FLEET

The Group leases a fleet of vehicles which are used in the day-to-day operations of the business, including to undertake property viewings and inspections. Our fleet enables us to maintain brand presence across Greater London and enables us to safely transport customers between properties.

2019 saw us become a member of EV100, a global initiative from The Climate Group that brings together forward-looking companies. As part of our commitment to this initiative, we have pledged to switch our entire fleet to electric vehicles by 2030.

Over the course of 2020, we have continued to increase the number of electric vehicles in our fleet and retired petrol and diesel vehicles. Additionally, we have taken steps to strengthen our EV infrastructure with the installation of EV charging points at our head office and fleet depot.

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STREAMLINED ENERGY AND CARBON REPORTING

Our SECR reporting is based on emissions from 1 January 2020 to 31 December 2020. It gives a summary of emissions from fuel consumption and the operation of our facilities (scope 1) and from purchased electricity (scope 2), both of which are mandatory. Our total greenhouse gas (GHG) footprint, in line with mandatory reporting requirements, is 1,999 tonnes CO_2e (2019: 2,985 tonnes CO_2e). All emissions and energy usage is incurred within the UK.

GHG emissions	2020	2019[1]
Scope 1		
Combustion of fuel (tonnes CO_2e)	**1,055**	1,542
Other – gas, diesel and LPG (tonnes CO_2e)	**48**	94
Scope 2		
Purchased electricity (tonnes CO_2e)	**896**	1,349
Total GHG emissions (tonnes CO_2e)	**1,999**	2,985
Intensity ratio		
Average number of full-time employees[2]	**883**	1,139
Tonnes of CO_2e per full-time employee	**2.22**	2.62
Energy consumption		
Aggregate energy consumption (kWh)	**8,378,302**	11,886,263

[1] 2019 disclosures re-measured using the 2020 calculation basis to support year-on-year comparability.

[2] Average number of full-time employees in 2020 has been adjusted to reflect the use of the CJRS to support year-on-year comparability.

Total CO_2e by emission type

	Electricity, heat & cooling	Combustion of fuel	Other (gas, diesel & LPG)	Total
2020	45%	53%	2%	**1,999 tonnes CO_2e**
2019	39%	60%	1%	**2,985 tonnes CO_2e**

Baseline year: 2019
Emission factor data source: UK Government GHG Conversion Factors for Company Reporting
Assessment methodology: The Greenhouse Gas Protocol
Intensity ratio: Emissions per full-time employee

The Group has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company), the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

OUR OTHER RESPONSIBILITIES

The Board recognises its wider responsibilities when working with other parties such as suppliers.

ETHICS

The Board promotes high ethical standards when carrying out our business activities and the Company has clear guidelines for dealing with gifts, hospitality, anti-money laundering, the use of inside information, and a full suite of policies and procedures to guard against bribery and corruption. As explained on page 75, the Group operates an independent whistle-blowing hotline with activity reports regularly reviewed by Senior Management and the Board.

HEALTH AND SAFETY

The Group takes the health and safety of its employees and customers very seriously, with regular training sessions and a steering committee which reports to the Board as necessary. 2020 was an exceptional year and even more focus was placed on our duty of care due to Covid-19. Our employee-led Covid-19 health and safety committee, combined with a thorough risk assessment process, ensured Foxtons was able to serve customers safely during the pandemic and maintain the highest standards. Refer to page 38 for further details as to how we acted, and continue to act, as a Covid-19 responsible business.

SUPPLIER RELATIONSHIPS

The Group has a range of supplier relationships which provide services and goods to the Group not for resale, and trusted and vetted supply partners which provide a range of lettings property management services to our landlords and tenants.

We carefully manage our supplier relationships and regularly review our supplier engagement policies with a view to maintaining a high quality of service, both for the Company and our customers. We strive to engage with our suppliers in a fair and transparent manner. During Covid-19, it has been particularly important that the Group worked closely with all suppliers to enable essential property maintenance to be undertaken under the restrictions.

The Board, supported by the Audit Committee, regularly reviews our supplier payment practices and associated statutory reporting.

HUMAN RIGHTS

The Board has reviewed the risk of modern slavery within the Group and considers the risk to be low. This assessment is based upon the nature of the business which operates almost exclusively within Greater London. The Group's standard practice is to check that prospective employees have the right to work in the UK and we do not generally employ agency staff. We are committed to ensuring that there is no slavery or human trafficking in our organisation or our supply chain. Before we contract with a supplier, we issue them with guidelines including our slavery and trafficking principles and our overall approach to environmental and social governance. Refer to our 2021 Modern Slavery Statement at www.foxtonsgroup.co.uk.

OUR WIDER RESPONSIBILITIES

The Board recognises the Group's wider responsibility of supporting society's need for high quality housing and a well-regulated estate agency industry that supports this supply. The Group engages with industry influencers such as regulators, industry bodies, Government and the media to influence sector regulation leveraging on our expertise and experience. Examples include engaging in consultations regarding fire safety measures and the adoption of unique property reference numbers.

Patrick Franco
Chief Operating Officer

NON-FINANCIAL INFORMATION STATEMENT

The table below, and information in the 2020 Annual Report and Accounts which it refers to, is intended to assist our stakeholders in understanding our position on key non-financial matters and satisfy the requirements of Section 414CA of the Companies Act 2006.

The table sets out our position on the following key non-financial areas: business model, employees, human rights, social matters, anti-corruption and bribery and environmental matters.

Reporting requirement	Key policies and guidelines governing our approach[1]	Risk management and additional information	Associated KPIs and other published metrics
BUSINESS MODEL		- Stakeholder engagement (pages 20 and 21) - Our business model (pages 12 and 13) - Our strategy (pages 14 and 15) - Principal risks: Market risk and competitor challenge (pages 33 and 34)	- Financial and operational KPIs (pages 23 and 24)
EMPLOYEES	- Data protection policies - Health and safety policies - Employee handbook	- Stakeholder engagement (pages 20 and 21) - Responsible business – Our people (pages 40 to 42) - Principal risks: People (page 35) - Directors' report (pages 100 to 103)	- Employee engagement score (page 25 and 42) - Gender diversity (page 41)
HUMAN RIGHTS	- Environmental, social and governance policy	- Stakeholder engagement (pages 20 and 21) - Responsible business – Our other responsibilities (page 46)	
SOCIAL MATTERS	- Environmental, social and governance policy	- Stakeholder engagement (pages 20 to 21) - Principal risks: Reputation and brand (page 35) - Responsible business – Our community (page 43)	- Community and charitable contributions (page 43)
ANTI-CORRUPTION AND BRIBERY	- Environmental, social and governance policy - Anti-money laundering and anti-bribery policies	- Stakeholder engagement (pages 20 and 21) - Principal risks: Compliance with the legal and regulatory environment (page 34) - Responsible business – Our other responsibilities (page 46)	
ENVIRONMENTAL MATTERS	- Environmental, social and governance policy	- Stakeholder engagement (pages 20 and 21) - Responsible business – Our environment (pages 44 and 45)	- Streamlined energy and carbon reporting (page 45)

[1] Certain Group policies and guidelines are not published externally.

The Strategic Report, from pages 1 to 47, has been reviewed and approved by the Board of Directors on 9 March 2021.

Nic Budden
Chief Executive Officer

GOVERNANCE

CHAIRMAN'S INTRODUCTION

Dear Shareholder,

I am delighted to introduce our Corporate Governance report ('Report') for the financial year ended 31 December 2020.

As a Board, we recognise that how the Group carries out its business practices is important. The Board is responsible for leading Foxtons and ensuring that we have a strong and robust governance framework. This framework is designed to encourage strong debate and challenge by all Board members, leading to successful decision making within acceptable timeframes based on accurate information. Being committed to achieving the highest standards of governance is an important factor in delivering our strategic objectives and in generating shareholder value and contributing to wider stakeholder interests.

This year, we are again reporting against the UK Corporate Governance Code published in July 2018 ('the Code'). I am satisfied with the standards of governance that the Board continues to maintain and build upon, and the Board believes that the Company has complied with the Code throughout the year.

We have continued to develop our stakeholder reporting and provide commentary as to how the Board has had regard to the matters set out in Section 172 of the Companies Act 2006. You will find an overview of our stakeholders in the Strategic Report on pages 20 and 21 and more specific details of Board stakeholder engagement, our Section 172 statement and examples of how stakeholders were considered when making key Board decisions on pages 61 to 65.

This year's Report has again been structured to ensure it is in line with the Principles and Provisions of the Code, which are categorised under the following headings: Board leadership and company purpose, values and strategy; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration. The report also includes detailed reports from the various Board Committees. I hope you will find the Report constructive and helpful in providing an overview of our governance framework.

THE FOXTONS PURPOSE

In the year, the Board has reviewed the Foxtons purpose which aims to capture what and who Foxtons is as a business. Foxtons is driven by its purpose and this has become an increasingly important part of Board discussions and stakeholder engagement.

The Board led a detailed review which included engaging with employees and customers and really getting inside what Foxtons means to them and what we do beyond simply helping people move home. An important part of Foxtons' ethos has always been people focused and providing opportunities to people from all backgrounds and experiences. The approach means the business can truly mirror the communities we serve and we believe this enables us to create additional value for all our stakeholders, including serving our customers better.

COVID-19 RESPONSE

The Covid-19 pandemic has been a significant challenge for all businesses, including Foxtons. How we responded to the crisis during 2020 is an example of the ways in which we took into account the interests of stakeholder groups in our decision making processes. Further details of the Board's response and key considerations are set out on page 64.

SHARE PLACING

It was critical to move quickly to secure the Group's financial position following the unprecedented closure of the residential property market during the spring lockdown. Through a share placing we raised £21.1 million of net proceeds which gave us the security to be able to handle various scenarios and further our strategic agenda. Further details of the Board's response and key considerations are set out on page 64.

BOARD CHANGES

One priority for 2020 was the execution of our succession plan, the result of which was my appointment as Chairman in March 2020, with Garry Watts retiring from the Board having served as Chairman since 2013. In addition, we were delighted to welcome Rosie Shapland as an independent Non-Executive Director in February 2020. Rosie succeeded me as Chair of the Audit Committee in March 2020, at which time Alan Giles was appointed Senior Independent Director. Further details of these appointments can be found in the Nomination Committee Report on pages 66 to 71.

>>The Board's interaction at Foxtons extends beyond the boardroom and supports efforts to promote Foxtons culture and to ensure we support our purpose and deliver our strategic objectives.<<

EXECUTIVE DIRECTORS' REMUNERATION

A key focus of the Remuneration Committee has been reviewing the Executive Directors' 2020 remuneration taking into account the performance of the Group, strategic progress and the Group's robust Covid-19 response and the views of relevant stakeholders. The Remuneration Committee has applied discretion to ensure the reward levels are proportionate and appropriate when taking into account the experience of shareholders and employees, and the Government support provided. Please refer to the Remuneration Committee Chairman's letter on pages 79 and 80 for an overview of the Committee's work in the year.

AUDIT, RISK AND INTERNAL CONTROL

Covid-19 has made it even more important for the Group to maintain a robust risk management and internal control framework. Good progress has been made in the year, with key highlights being the appointment of BDO LLP ('BDO') as external auditor following the conclusion of a competitive tender and the appointment of PricewaterhouseCoopers LLP ('PwC') as our outsourced internal audit partner. This will support the Board in obtaining additional independent assurance over the control environment.

BOARD EVALUATION

We undertook an internal evaluation of the Board this year with the Board and its Committees continuing to function well. Details of the process undertaken and a summary of areas of focus are set out on pages 70 and 71.

ANNUAL GENERAL MEETING

Due to the Covid-19 restrictions on public gatherings, we were not able to offer the usual level of engagement for shareholders to attend the 2020 AGM. We plan to hold our 2021 AGM on 22 April 2021 with details of the arrangements for the meeting set out in the AGM notice which is included in a separate document circulated with the Annual Report and Accounts. The AGM notice is also available on our website at www.foxtonsgroup.co.uk.

Ian Barlow
Chairman, Foxtons Group plc
9 March 2021

GOVERNANCE: CONTENTS

BOARD OF DIRECTORS

1_

2_

3_

NON-EXECUTIVE DIRECTORS

1_Ian Barlow
Chairman

Appointed to the Board_ 23 August 2013

Appointed as Chairman_ 1 March 2020

Committee memberships_ N R D

Chairman of the Nomination and *Disclosure Committees*

Skills and experience_ Ian has been a Non-Executive Director of Foxtons since its flotation in 2013 and was appointed as Chairman in March 2020. He previously served as Senior Independent Director of Urban & Civic plc and Smith & Nephew plc and as Chairman of WSP Group plc. Ian also chaired the board of HM Revenue & Customs 2012-2016. As a former KPMG Senior Partner and Chartered Accountant and Chartered Tax Adviser, Ian brings a wealth of expertise on financial and accounting matters as well as broader board experience.

External appointments_ Ian is a Non-Executive Director of The Goodwood Estate Company Limited.

2_Alan Giles
Senior Independent Non-Executive Director

Appointed to the Board_ 1 June 2019

Appointed as Senior Independent Director_ 1 March 2020

Committee memberships_ A N R

Chairman of the Remuneration Committee

Skills and experience_ Alan has extensive experience as a Non-Executive Director and was the Senior Independent Director and Chairman of the Remuneration Committee of Rentokil Initial plc until May 2017, and the Senior Independent Director and Remuneration Committee Chairman of The Competition and Markets Authority until March 2019. He was formerly Chairman of Fat Face Group Limited, Chief Executive of HMV Group Plc and a Non-Executive Director of The Office of Fair Trading, Somerfield Plc and Wilson Bowden Plc.

External appointments_ Alan is a Non-Executive Director of Murray Income Trust plc. He is also the Chairman of The Remuneration Consultants Group, an associate fellow of Saïd Business School, University of Oxford, and an honorary visiting professor at The Business School (formerly Cass), City, University of London.

3_Sheena Mackay
Independent Non-Executive Director

Appointed to the Board_ 14 September 2017

Committee memberships_ A N R

Skills and experience_ Sheena has almost 30 years' HR experience, leading global HR *functions across FTSE 100 and 250 companies.* She is currently Group HR Director of Smiths Group plc, and was previously Group HR Director at Aggreko plc, BBA Aviation plc and SSL International plc, starting off her career at GEC plc. Her HR experience covers business transformations including acquisitions and disposals. Leadership development and remuneration design have been a particular focus throughout her career.

External appointments_ Sheena is Group HR Director at Smiths Group plc.

Key

- ◯ Chair of the Committee
- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- D Disclosure Committee

4_

>>The Board is responsible for the long-term success of the Company and for delivering sustainable shareholder value.<<

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4_Rosie Shapland
Independent Non-Executive Director

Appointed to the Board_ 5 February 2020

Appointed as Chair of the Audit Committee_ 1 March 2020

Committee memberships_ Ⓐ Ⓝ Ⓡ Ⓓ
Chair of the Audit Committee

Skills and experience_ Rosie is a Chartered Accountant and a former audit partner at PwC. Rosie has over 30 years of audit experience across multiple sectors within public and private companies, and has worked with numerous boards and their audit committees. She brings to Foxtons extensive knowledge of accounting and financial reporting, risk management and governance.

External appointments_ Rosie is a Non-Executive Director and Chair of the Audit Committee at PayPoint plc and a Non-Executive Director of Workspace Group PLC.

EXECUTIVE DIRECTORS

5_Nic Budden
Chief Executive Officer

Appointed to the Board_ 1 July 2014

Committee memberships_ Ⓓ

Skills and experience_ Nic joined Foxtons in 2005 as its COO and was appointed as CEO on 1 July 2014. Prior to joining Foxtons, Nic had an international career in business development, operations, marketing, strategy and finance, having held positions at BT Group plc, Cable & Wireless Group and Severn Trent Group.

External appointments_ None

6_Richard Harris
Chief Financial Officer

Appointed to the Board_ 24 June 2019

Committee memberships_ Ⓓ

Skills and experience_ Richard joined the Board as CFO in June 2019 and is a qualified management accountant. Prior to joining Foxtons, Richard was Group Financial Controller at Laird plc and previously spent over 11 years at Marks and Spencer plc, in a number of senior finance roles. He has extensive international experience covering corporate finance, divisional and commercial finance roles, investor relations and financial reporting.

External appointments_ None

7_Patrick Franco
Chief Operating Officer

Appointed to the Board_ 1 October 2019

Committee memberships_ N/A

Skills and experience_ Patrick Franco joined Foxtons as COO in 2015 and has since been responsible for key elements of the Group's operations. With over a decade of financial services experience, Patrick has worked in a range of strategy and business development roles across investment banking and wealth management at Credit Suisse in London and New York. He also helped launch the start-up, Second Home, which offers stimulating workspaces that support new forms of collaboration and creativity. Patrick is also executive sponsor of the Foxtons LGBTQ+ network. Prior to Foxtons, Patrick was Chief Operating Officer of Credit Suisse Asset Management UK.

External appointments_ Patrick serves as a trustee of Global Heritage Fund which works to create pathways to prosperity for communities through heritage preservation.

5_

6_

7_

EXECUTIVE LEADERSHIP TEAM

The Board delegates responsibility for the day-to-day operational management to the Executive Directors, who are supported by the Executive Leadership Team.

The Executive Leadership Team is responsible for developing and implementing the Group's strategy, policies, procedures and financial plans; monitoring performance; managing risk; and allocating resources.

Standing *(left to right)*:

Patrick Franco, Chief Operating Officer
Sarah Mason, Chief People Officer
Jean Jameson, Chief Sales Officer (Sales)
Nic Budden, Chief Executive Officer
Dom Scott, Alexander Hall Managing Director
Sarah Tonkinson, Lettings Build to Rent Managing Director
Ed Phillips, Chief Sales Officer (Lettings)

Sitting *(left to right)*:

Imran Soomro, Chief Information Officer
Richard Harris, Chief Financial Officer
Fran Giltinan, Property Management & Customer Experience Managing Director
Chris Hough, Finance Director & Company Secretary
John Ennis, New Homes & Central London Managing Director

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT OVERVIEW

The Report has been structured to follow the Principles of the Code, which are categorised under the following headings: Board leadership and Company purpose, values and strategy; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration. The Report sets out our governance framework and illustrates how we have applied the Code Principles and complied with its Provisions.

Code Category	Code Provision	Elements of the Code	Key principles	Reference to further discussion
Board leadership and Company purpose, values and strategy	A. *Effective Board* B. *Purpose, values and culture* C. *Governance Framework and Board resources* D. *Stakeholder engagement* E. *Workforce policies and practices*	*The Board's role is to:* - establish the Company's purpose, values and strategy and ensure these are aligned with its culture; - promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society; - ensure the necessary resources are in place for the Company to meet its objectives and measure its performance; - establish a framework of prudent and effective controls for the assessment and management of risk; - ensure effective engagement with shareholders and other stakeholders; and - ensure workforce policies are consistent with the Company's values and that the workforce can raise any concerns.	*This section details:* (i) the role of the Board and matters reserved for the decision of the Board; (ii) how we have assessed the basis on which the Company generates and preserves value over the long term; (iii) how we have assessed and monitored our culture; and (iv) the methods used to engage with our shareholders and other key stakeholders, including engagement with our workforce.	→ Refer to pages 54 and 55 and 61 to 65
Division of responsibilities	F. *Board roles* G. *Independence* H. *External commitments and conflicts of interest* I. *Board policies, processes and resources*	The Chairman leads the Board and is responsible for its overall effectiveness. The Board should include an appropriate balance of Executive and Independent Non-Executive Directors. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. Non-Executive Directors should devote sufficient time to meet their responsibilities. The Board, supported by the Company Secretary, should ensure it has appropriate policies, processes and resources to function effectively.	*This section explains:* (i) the Company's governance framework including Board and Board Committee membership; (ii) the role of the Chairman, Executive Directors, the Senior Independent Director and other Non-Executive Directors; (iii) Board and Committee meetings and Director attendance during the year; and (iv) Board activity in 2020.	→ Refer to pages 56 to 61
Composition, succession and evaluation	J. *Appointments to the Board* K. *Board skills, experience and knowledge* L. *Annual Board evaluation*	Board appointments should be subject to a formal, rigorous and transparent process. A succession plan should be maintained for Board and Senior Management. The Board and its Committees should have a combination of skills, experience and knowledge. The annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives.	*The report of the Nomination Committee includes a review of:* (i) the role of the Nomination Committee; (ii) the activities of the Committee during 2020, including succession planning and related Board changes; (iii) the Company's policies and practices in relation to Board appointments, Directors' induction and professional development; (iv) the Board's diversity policy; and (v) the nature of the performance evaluation and outcomes for 2020.	→ Refer to pages 66 to 71
Audit, risk and internal control	M. *Financial reporting and external and internal Audit* N. *Fair, balanced and understandable* O. *Internal financial controls and risk management*	The Board should establish formal and transparent policies to ensure the effectiveness of internal and external audit functions. The Board should satisfy itself as to the integrity of the financial and narrative statements and should present a fair, balanced and understandable assessment of the Company's position and prospects. The Board should establish procedures to manage risk, oversee internal controls and determine the nature and extent of the principal and emerging risks facing the Company.	*The report of the Audit Committee includes details of the policies, and the activities of the Audit Committee during 2020, in relation to:* (i) financial and narrative reporting; (ii) significant accounting judgements; (iii) the relationship with and appointment of the external auditor; and (iv) risk management and internal controls, including reviewing the work of the Company's internal auditor.	→ Refer to pages 72 to 77
Remuneration	P. *Linking remuneration with purpose and strategy*	Remuneration policies should be designed to support strategy and promote long-term sustainable success. There should be a formal and transparent procedure for developing policy on executive remuneration and for determining Director and Senior Management remuneration. Directors should exercise independent judgement and discretion when authorising remuneration outcomes.	*The report of the Remuneration Committee sets out:* (i) the annual statement from the Chairman of the Remuneration Committee; and (ii) the Directors' Annual Report on Remuneration.	→ Refer to pages 78 to 99

STATEMENT OF COMPLIANCE WITH THE CODE

In the year ended 31 December 2020, the Company has applied the Principles and complied with the Provisions of the UK Corporate Governance Code published in July 2018. This Report outlines the key features of the Company's corporate governance framework and sets out how the Company has applied the Principles of the Code.

A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

BOARD LEADERSHIP AND COMPANY PURPOSE, VALUES AND STRATEGY

THE ROLE OF THE BOARD

The Board is responsible for promoting the long-term sustainable success of the Company, delivering value for shareholders and contributing to wider society. It agrees the strategic objectives for the Company, ensuring that these are consistent with the Company's culture and achieved within an appropriate framework of effective controls which enable risk to be assessed and managed. It also ensures effective engagement with shareholders and other stakeholders, and that workforce policies are consistent with the Company's values.

Further details of our engagement with stakeholders and how we promote success are set out on pages 61 to 65.

Responsibility for day-to-day operations is delegated by the Board to the Executive Directors within defined authority limits, which are regularly reviewed and updated by the Board. The schedule of matters reserved is regularly reviewed and is available at www.foxtonsgroup.co.uk.

MATTERS RESERVED TO THE BOARD

The Board maintains a schedule of matters reserved for decision by the Board, which details the key aspects of the affairs of the Company which the Board does not delegate to management or any Board Committees, though it may consider recommendations from them. The schedule of matters reserved is regularly reviewed and is available at www.foxtonsgroup.co.uk.

The Board's specific responsibilities include:

- setting the strategic aims, purpose and values;
- approving the Group's budget and financial plans;
- ensuring alignment of culture, policy, practices and behaviour throughout the business with the Group's purpose, values and strategy;
- approval of capital expenditure, significant investments and acquisitions;
- approval of annual and interim results and trading updates;
- payment of interim dividends and recommendation of final dividends to shareholders;
- setting the Group's risk appetite and oversight of the internal control, risk management and governance frameworks;
- monitoring management's performance;
- ensuring succession plans are in place; and
- ensuring a satisfactory dialogue with shareholders and other key stakeholders.

Matters outside the schedule of matters reserved for decision by the Board or the Committees' terms of reference fall within the responsibility and authority of the Executive Directors, including all executive management matters.

OUR PURPOSE, OUR CULTURE AND OUR VALUES

OUR PURPOSE

The Board has taken the opportunity to review the Foxtons purpose which captures what and who Foxtons is as a business.

An important part of the Foxtons' ethos has always been people focused – helping people move up in the world by offering job opportunities to people from all backgrounds and experiences. The Board believes this means our people truly mirror the communities we serve and we can be even more successful and create additional value.

OUR CULTURE

The Board believes a sound culture is fundamental to strong corporate governance and our success. The Board monitors culture so that as a Company we do the right thing and act as a responsible business, with the tone and expectations continuing to be set from the top. As a Board, we therefore look to make decisions that reflect the culture that we wish to foster as well as enabling us to provide sound professional advice to our customers in an increasingly complex regulatory environment.

→ Refer to pages 38 to 46 we explain the key elements of our responsible business practices

→ Refer to pages 61 to 65 for details of the Board's approach to stakeholder engagement

OUR VALUES

Our culture is shaped and underpinned by values, which guide our employees on how they contribute to the Group's success:

Helpful	Agile	Expert	Passionate
Superior service and dedication to delivering above and beyond customer expectations	Continuously evolving to meet customers' changing needs	Sharp minds with unrivalled knowledge	Confidence to embrace any challenge and achieve the best possible results

DIVISION OF RESPONSIBILITIES

OUR GOVERNANCE MODEL

The Board

The Board is responsible for the long-term sustainable success of the Company, delivering value for shareholders and contributing to the wider society. It agrees the strategic objectives for the Company and ensures that these are consistent with the Company's culture and are achieved within an appropriate framework of effective controls which enable risk to be assessed and managed.

→ Board activities in 2020, refer to page 59
→ Board biographies, refer to pages 50 and 51
→ Roles and responsibilities, refer to page 57

Nomination Committee

Chair: Ian Barlow
(effective 1 March 2020)

Other members: Sheena Mackay, Alan Giles, Rosie Shapland (appointed 5 February 2020)

Key responsibilities: Responsibility for reviewing Board composition, identifying and nominating candidates for Board appointments and for succession planning.

→ For more information see pages 66 to 71

Audit Committee

Chair: Rosie Shapland
(effective 1 March 2020)

Other members: Sheena Mackay, Alan Giles

Key responsibilities: Provides oversight and governance over the Group's financial reporting, risk management and internal controls, internal audit function and relationship with the external auditor.

→ For more information see pages 72 to 77

Remuneration Committee

Chair: Alan Giles

Other members: Ian Barlow, Sheena Mackay, Rosie Shapland (appointed 5 February 2020)

Key responsibilities: Reviews and recommends the remuneration policy and sets and monitors the level and structure of remuneration for Executive Directors and Senior Management. Sets the Chairman's fee.

→ For more information see pages 78 to 99

Disclosure Committee

Chair: Ian Barlow
(effective 1 March 2020)

Other members: Rosie Shapland (appointed 5 February 2020), Nic Budden, Richard Harris

Key responsibilities: Oversees the Company's compliance with its disclosure obligations under the Listing Rules and the Market Abuse Regulation. Ensures that the Company has appropriate disclosure controls and procedures in place.

The diagram above shows the Group's corporate governance structure and provides an overview of the Committees of the Board.

The Board comprises the Non-Executive Chairman, three independent Non-Executive Directors and three Executive Directors. The Directors' biographical details can be found on pages 50 and 51.

There is a separation of responsibilities between the Chairman and the CEO, which is set out in writing. This division of responsibilities, together with the schedule of matters which are reserved for the Board, ensures that no individual has unfettered powers of decision-making.

By delegating specific responsibilities to its Committees, the Board can ensure that it is operating effectively and efficiently with the right level of attention and consideration being given to relevant matters. The role and responsibilities of each Board Committee are set out in formal terms of reference, which are reviewed annually. *The Chairman ensures that the very significant work of the* Committees feeds into, and is influenced by, the full Board. The Chair of each Committee reports to the Board after each Committee meeting on the matters discussed and minutes of each meeting are provided to the Board for information as appropriate. The terms of reference of the Committees are available at www.foxtonsgroup.co.uk.

ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Board members and Company Secretary are set out below.

Chairman: Ian Barlow	- Provides leadership and promotes a culture of openness and debate between Executive and Non-Executive Directors, facilitating constructive Board relations and the effective contribution of all Directors, and providing constructive challenge to management. - Sets the Board agenda and ensures that Directors are provided with accurate, timely and clear information to enable the Board to operate effectively. - Responsible for the integrity and effectiveness of the systems of governance. - Seeks regular engagement with major shareholders in order to understand their views on governance and performance, and ensures the Board has an understanding of their views. - Represents the Company to its stakeholders. - Acts on the results of the annual Board evaluation by recognising the strengths and addressing any weaknesses of the Board.
Chief Executive Officer: Nic Budden	- Responsible for leading the Group's operating performance and day-to-day management and implementation of the strategic objectives agreed by the Board. - Managing relationships with key stakeholders.
Chief Financial Officer: Richard Harris	- Responsible for the Group's financial reporting, financial strategy and investor relations programme. - Provides leadership of the finance function.
Chief Operating Officer: Patrick Franco	- Responsible for supporting the Group's operations and implementation of the strategic objectives agreed by the Board. - Provides leadership of the marketing, public relations, customer service, legal, compliance, strategy and product development functions.
Senior Independent Director: Alan Giles	- Available to shareholders if they have concerns that cannot be addressed through normal channels. - Internal sounding board for the Chairman, providing support in the delivery of his objectives. - Leads the evaluation of the Chairman on behalf of the other Directors as part of the annual evaluation process. - Acts as an intermediary for the other Directors with the Chairman, if necessary, working with the Chairman, other Directors and/or shareholders to resolve significant issues in order to maintain Board and Company stability.
Non-Executive Directors: Alan Giles, Sheena Mackay, Rosie Shapland	- Provide a broad range of skills and experience to the Board to assist in formulating the Company's strategy. - Provide constructive challenge, strategic guidance and support to the Executive *Directors based on their breadth of knowledge and experience.* - All of the Non-Executive Directors are regarded by the Company as independent and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
Company Secretary: Chris Hough	- Supports the Board and its Committees in ensuring that it has the policies, processes, information, time and resources they need in order to function effectively and efficiently. Provides guidance and advice on corporate governance matters.

Board governance

The Board is comprised of the Chairman and an equal balance of Executive and independent Non-Executive Directors. The independent Non-Executive Directors have diverse backgrounds and a wide range of experience which enable appropriate challenge at Board and Committee discussions. The Chairman was independent on his appointment as Chairman.

The Board has established a governance framework to discharge its collective responsibilities. This framework supports our Directors' compliance with their duty to promote the success of the Company under Section 172 of the Companies Act 2006, which requires the Directors to act in the way they consider, in good faith, would most promote the success of the Company for the benefit of its shareholders, having regard to certain other matters including other key stakeholders. Agendas for Board meetings identify matters that require a Board decision, and an overview of Section 172 is included in the papers for each Board meeting to act as a reference for Board decisions. Information about how this duty has been performed by our Directors, including the Section 172 statement, is detailed on pages 61 to 65.

Board and Committee meetings

The Chairman sets the agenda and determines the format of discussions at Board meetings. At each scheduled Board meeting, the CEO, CFO and COO present reports on business performance and progress against strategic objectives.

Other members of Senior Management are invited to attend during the year to update the Board on key priorities and challenges. External advisers also attend meetings as required.

To ensure the continued effectiveness of the Board, the Chairman is able to meet with the Non-Executive Directors without the presence of the Executive Directors when necessary. Similarly, the Senior Independent Director consults when necessary with the other Non-Executive Directors, without the Chairman being present, to consider the Chairman's performance. Refer to pages 70 and 71 of the Nomination Committee Report on the Group's evaluation procedures.

Directors' attendance at scheduled Board and Board Committee meetings held during 2020 is provided in the table below:

	Meetings attended			
Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Garry Watts (retired 1 March 2020)	👤	–	–	👤
Ian Barlow[1]	👤👤👤👤👤👤	👤	👤👤👤	👤👤👤
Nic Budden	👤👤👤👤👤👤	–	–	–
Patrick Franco	👤👤👤👤👤👤	–	–	–
Alan Giles	👤👤👤👤👤👤	👤👤👤	👤👤👤	👤👤👤
Richard Harris	👤👤👤👤👤👤	–	–	–
Sheena Mackay	👤👤👤👤👤👤	👤👤👤	👤👤👤	👤👤👤
Rosie Shapland (appointed 5 February 2020)	👤👤👤👤👤👤	👤👤👤	👤👤👤	👤👤👤

👤 Attended

[1] Ian Barlow chaired one meeting of the Audit Committee during the year before his appointment as Chairman of the Board.

Additional Board and Committee meetings were held during the year as required in connection with changes to the composition of the Board, the impact of the Covid-19 pandemic, the share placing and the share buyback programme.

No meetings of the Disclosure Committee were held during the year. This Committee meets on an ad-hoc basis when there are matters to be considered within its remit.

BOARD ACTIVITY IN 2020

The Board dedicates one of its meetings every year to focus on reviewing the Group's strategy and to consider annual objectives. Deep dives on strategic matters are also scheduled during the course of the year, as required. The Board monitors the achievement of the Company's objectives through monthly Board reports which include updates from the CEO, CFO, COO and Senior Management. There is a rolling agenda of items that are regularly considered by the Board and this agenda is continually updated to include any topical matters that arise.

The Board held six scheduled meetings during the year, with additional meetings being held to deal with the issues arising from the Covid-19 pandemic, the share placing, the share buyback programme, acquisitions and investment opportunities. The main activities of the Board during the year were as follows:

Financial reporting and other related matters including capital allocation

- Approval of annual results for 2019 and interim results for 2020
- Approval of trading updates
- Review of dividend policy
- Review of monthly financial performance
- Consideration of viability statement and going concern and the related impact of the Covid-19 pandemic
- Consideration and approval of the share placing
- Consideration and approval of the share buyback programme

Linked strategic priorities

1 2

Budget and strategic plan

- Approval of the 2020 annual budget and the five-year strategic plan

Linked strategic priorities

1 2 3

Internal control and risk management

In conjunction with the Audit Committee:

- Consideration of risk appetite and principal and emerging risks, including related Covid-19 implications
- Assessment of effectiveness of internal controls and risk management systems
- Consideration of the need for an internal audit function and the appointment of PwC as our independent internal audit partner
- Cyber security and compliance/regulatory reviews

Linked strategic priorities

1 2 3

Operations and technology

- Impact of Covid-19 and our business and stakeholder response
- Market reviews including trends and outlook
- Business performance reviews, including reviewing our mortgage broking strategy, trading and risk management
- Review of our technology, data and marketing strategy

Linked strategic priorities

1 2 3

Strategy

- Consideration of overall strategy, strategic projects and monitoring progress
- Consideration of opportunities for growth in both new and existing services
- Approval of the acquisition of a number of lettings businesses and other investment opportunities

Linked strategic priorities

1 2 3

Shareholder engagement

- Discussion of Environmental, Social and Governance (ESG) matters including Foxtons purpose, culture and values
- Regular updates on views of investors, including independent feedback from external brokers and shareholders following investor meetings
- Consideration of market reaction to key announcements
- Engagement with shareholders concerning the share placing and share buyback programme

Linked strategic priorities

1 2 3

Board

- Consideration of Board evaluation results for 2020
- Approval of Non-Executive Directors' fees (by Executive Directors and Chairman only)

Linked strategic priorities

1 2 3

Governance

- Continued review of the Code, including the approval of this report
- Review of terms of reference of Committees and matters reserved for the Board
- Review of Company policies
- Updates on governance, legal and regulatory matters and the impact of regulatory changes on the Group

Linked strategic priorities

1 2 3

Our strategic priorities

1 Customer acquisition, retention and growth

2 Technology and data evolution

3 Brand and service

→ Refer to pages 14 and 15 for details of our strategic priorities

2020

Key business considered at Board meetings and key market announcements across the year

BOARD AND COMMITTEE MEETINGS

February	May	June	July	September	November
- Main Board - Audit Committee - Remuneration Committee - Nomination Committee	- Main Board - Remuneration Committee	- Main Board - Remuneration Committee	- Main Board - Audit Committee - Nomination Committee	- Main Board	- Main Board - Audit Committee - Remuneration Committee - Nomination Committee

KEY BUSINESS CONSIDERED AT BOARD MEETINGS

February	May	June	July	September	November
- Approval of Annual Report and Accounts - Approval of acquisition of London Stone properties - Approval of Modern Slavery Act statement - Progress on strategic programmes	- Covid-19 trading and finance update	- Covid-19 operational update - 2020 budget and strategic plan re-forecast - Deep dive on strategic programmes: Marketing and the Customer Data Platform	- Approval of Half-Yearly Report - Review of ESG policy	- Strategic review - Deep dive on ESG factors and Company purpose - Five-year strategic plan	- Alexander Hall mortgage broking strategic review - 2021 budget and strategic plan - Deep dive update on ESG factors and Company purpose - Build to Rent update

KEY MARKET ANNOUNCEMENTS

January	February	March	April	May	June
- Full-year trading update	- Change in Board responsibilities and appointment of Ms. Shapland - 2019 full-year results	- Acquisition of London Stone Properties - Covid-19 update	- Notice of AGM - Q1 trading statement, update on management actions in response to Covid-19 impact and proposed share placing - Results of share placing	- Result of AGM - Covid-19 update	–

July	August	September	October	November	December
- 2020 half-year announcement	–	–	- Q3 trading statement	Acquisition of Aston Rowe Statement on 2020 AGM Remuneration Policy vote	Trading update and share buyback programme

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. During the year, no actual or potential conflicts were identified which required approval by the Board. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Company, they should notify the Board. The Board deals with each actual or potential conflict and takes into consideration all the relevant circumstances.

TIME COMMITMENT

All Non-Executive Directors are required to set aside sufficient time to carry out their Board responsibilities and show commitment to their role. During the year the Nomination Committee, as part of their review of the results of the Board evaluation process, considered the time commitment of all the Directors and agreed that the required time commitment is still appropriate. For the year ended 31 December 2020, and as at the date of the publication of this Annual Report, the Board is satisfied that none of the Directors is over committed and that each Director devotes sufficient time to discharge their responsibilities.

INDEPENDENCE

The Nomination Committee reviews the independence of the Non-Executive Directors annually and has confirmed to the Board that it considers all of the Non-Executive Directors to be independent in accordance with the matters set out in the Code.

BOARD STAKEHOLDER ENGAGEMENT

HOW WE PROMOTE THE SUCCESS OF FOXTONS FOR THE BENEFIT OF ALL

The Board recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making.

SECTION 172 OF THE COMPANIES ACT 2006 STATEMENT

Section 172(1) of the Companies Act requires the Directors to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, taking into account the following matters set out below. Further context and details are provided in the report as cross-referenced below.

Section 172 matter	Where to find out more
- the likely consequences of any decision in the long term;	→ Our business model (pages 12 and 13) → Our strategy (pages 14 and 15) → Our purpose (page 39)
- the interests of the Company's employees;	→ Responsible business – Our people (pages 40 to 42)
- the need to foster the Company's business relationships with suppliers, customers and others;	→ Responsible business – Our other responsibilities (page 46)
- the impact of the Company's operations on the community and the environment;	→ Responsible business – Our Community (page 43) → Responsible business – Our environment (pages 44 and 45)
- the desirability of the Company maintaining a reputation for high standards of business conduct; and	→ Responsible business – Our culture and values (page 39) → Responsible business – Our other responsibilities (page 46) → Assessing culture (page 55)
- the need to act fairly as between members of the Company.	→ Shareholder engagement (pages 62 and 63)

The Board believes that, individually and together, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out above in the decisions taken during the year ended 31 December 2020.

OUR STAKEHOLDERS AND HOW THE BOARD ENGAGES

Proactive engagement with our stakeholder groups remains a central focus for the Board, and even more so during the Covid-19 pandemic, which ensures the Directors have regard to the matters set out in Section 172. The Board receives regular stakeholder insights and feedback, which enables stakeholder considerations to be considered in key Board decisions, as well as engaging directly with stakeholder groups.

Pages 20 and 21 of the Strategic Report set out our four key stakeholder groups, including why we engage, how we engage, key stakeholder interests and key outcomes. The key approaches used by the Board to engage with stakeholders in 2020 are summarised below:

THE BOARD

OUR PEOPLE

- The EEC facilitated effective engagement between the Board and the workforce and supported the Group in satisfying Provision 5 of the Code.

  Throughout the year, each Non-Executive Director attended an EEC meeting and reported back to the Board on key discussion points and findings.

  Due to Covid-19, certain meetings were deferred and the Board received alternative updates on the impact of the pandemic on employees.
- The Board commissioned the independent 2020 annual employee engagement survey. The output from the survey was reviewed by the Board and appropriate actions taken in response to the findings. Refer to page 42 for further details of the survey.
- The Board, through the Nomination Committee, received an update from the Chief People Officer on a number of matters including diversity and inclusion initiatives.
- The Board, through the Remuneration Committee, reviewed the Group's workforce remuneration polices alongside reviewing Directors' remuneration and considered the Group's gender pay gap.
- Board members visited branches and attended staff events. This engagement provided an opportunity to assess culture and discuss workforce matters with a range of employees.

OUR CUSTOMERS AND SUPPLIERS

Management provided the Board with regular updates on customer satisfaction, key strategic programmes and participated in Board deep dives on key business areas. These areas are reviewed in the context of the interests of customers and suppliers. Key activities included:

- Reviewing the marketing strategy and how this supports our brand and customer proposition by leveraging digital channels, data platforms and technology.
- Inviting employees to attend Board meetings to present on their respective business areas, with a focus on understanding customer and supplier relationships.
- Reviewing IT security in the context of customer data management.
- Reviewing supplier payment practices and associated reporting.
- Reviewing the Group's Modern Slavery Statement and related processes.
- Reviewing our purpose and values in the context of our customers and suppliers.

The Board engages with stakeholders both directly and by receiving updates from the Executive Directors on Executive Management-led stakeholder engagement. In addition, the Board uses the following methods to perform their duties, all of which include a review of the impact on stakeholders:

- Annual strategic review to consider the long-term success of the Group
- Regular deep dives on key strategic and operational matters
- Regular consideration of risk management procedures
- Setting the Group's purpose and values
- External assurance through audits and feedback from professional advisors including external brokers

OUR SHAREHOLDERS

The Board aims to present balanced and clear views when communicating with shareholders. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of major shareholders and to communicate with them.

The Non-Executive Directors are available to meet with shareholders if requested and would instigate such meetings if they became aware of issues and concerns through the procedures in place.

During 2020, the Board communicated with shareholders in a number of ways:

- Formal reporting of our full and half-year results using a combination of presentations, calls and one-to-one meetings with shareholders.
- Met with existing and prospective shareholders to update them on our latest performance or to introduce them to the Group.
- Obtained views on specific matters such as Directors' remuneration, raising additional capital, strategic direction and capital allocation.

The AGM serves as an important opportunity to engage with shareholders, who are encouraged to attend and ask questions during the meeting. However, in 2020, due to Covid-19 restrictions, the AGM had to be held as a closed meeting. The Board therefore engaged with major shareholders through informal means ahead of the meeting to discuss the proposed resolutions and policies. All resolutions at the 2020 AGM were passed.

OUR COMMUNITIES

The Board receives regular updates from Senior Management on the Group's contributions to both our community and charitable partnerships.

As well as receiving updates on existing partnerships, the Board receives information on potential future partnerships or initiatives. The Board considers these in the context of the Group's ESG strategy and provides direction on the Group's community engagement strategy.

HOW STAKEHOLDER ENGAGEMENT HAS IMPACTED PRINCIPAL BOARD DECISIONS DURING 2020

Examples of how the Board considered Section 172 matters as part of key Board decisions during 2020 are set out below. For each example, the relevant stakeholder groups have been indicated along with the key matters taken into consideration.

Principal decision	Key stakeholders considered	Key matters taken into consideration
Placing of new ordinary shares in April 2020	**OUR PEOPLE** **OUR CUSTOMERS AND SUPPLIERS** **OUR SHAREHOLDERS**	Ahead of the placing of new ordinary shares, the Board considered the interests of relevant stakeholders, alongside the financial position and potential uncertainty attributable to Covid-19. Although the Group had a relatively strong net cash position to support operations through a number of scenarios, the Group could have potentially faced a liquidity gap in the event of a reasonable worst-case scenario. In the interests of protecting the viability of the Group and the interests of stakeholders, rather than implementing further cost reduction measures that could have damaged our long-term operational capacity or seeking further borrowings, further capital was raised. The Board consulted with a significant number of its major institutional shareholders in relation to the rationale of the proposed placing and its non pre-emptive nature. The placing structure minimised costs and time to completion at a time when it was critical to move quickly during the unprecedented closure of the residential property market.
Our response to Covid-19	**OUR PEOPLE** **OUR CUSTOMERS AND SUPPLIERS** **OUR SHAREHOLDERS** **OUR COMMUNITY**	All of our stakeholders were affected in some way by Covid-19 and the Board took quick action to safeguard our stakeholders and the viability of the business. Engagement was led by Senior Management with the Executive Directors providing regular updates to the Board. Key considerations included undertaking risk assessments to protect our employees and community, utilising the CJRS appropriately to protect jobs and re-opening our branches and head office following the spring lockdown in a systematic and safe manner. The views of our employees were carefully considered when putting into place Covid-19 secure working practices as well as increasing staff communication to ensure employees were well informed. Customer engagement was a focus during the spring lockdown to ensure our most vulnerable customers were able to safely progress with home moves where permitted or negotiate with landlords at a moment of acute financial uncertainty. We also engaged with a wide range of our suppliers who supported our operations through the crisis providing essential property management services to customers. We sought to engage proactively with shareholders and released market announcements in relation to our financial performance and position.

Principal decision	*Key stakeholders considered*	*Key matters taken into consideration*
Review and implementation of the Directors' Remuneration Policy approved at the May 2020 AGM	OUR PEOPLE OUR SHAREHOLDERS OUR COMMUNITY	In preparing the Directors' Remuneration Policy, the Remuneration Committee carried out an extensive shareholder consultation exercise with its largest shareholders and their representative bodies, the results of which were fully explained in the 2019 Annual Report. Following the consultation exercise, some changes were made to the final Policy to reflect shareholder feedback and the Board has a clear understanding of the reasons why some shareholders were not supportive of the Policy. The Board believes the Policy approved at the 2020 AGM is the best structure to provide strong alignment with shareholders' interests in a highly cyclical business. The Board considers the Policy to be in the best interests of the Company and the shareholders, and does not intend to propose further changes to the Policy at the 2021 AGM. Refer to page 99 of the Directors' Remuneration Report for further details. During the year, the Remuneration Committee implemented the Directors' Remuneration Policy, including awards under the Restricted Share Plan and the setting of, and the subsequent review of, targets under the Bonus Banking Plan in light of Covid-19. Further details can be found in the letter from the Chairman of the Remuneration Committee on pages 79 and 80.
Capital allocation review and share buyback programme	OUR PEOPLE OUR CUSTOMERS AND SUPPLIERS OUR SHAREHOLDERS	The Board reviewed the Group's capital allocation policy. The Board considered the trading performance since the share placing and the Group's financial position to progress our strategy, deploy capital on attractive opportunities and manage further Covid-19 disruption. Taking into consideration the views of several shareholders, the Board made the decision to return excess cash to shareholders and to do this by way of a share buyback programme. The decision allowed the Group to continue to invest in the interest of our people, customers and suppliers, whilst delivering on the Board's commitment to maintain an efficient balance sheet as communicated at the time of the placing. The Board will continue to keep its capital allocation policy under review.

>>On behalf of the Nomination Committee, welcome to our report for the financial year ended 31 December 2020.<<

NOMINATION COMMITTEE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

Dear Shareholders,

INTRODUCTION FROM THE CHAIRMAN OF THE NOMINATION COMMITTEE

The Nomination Committee reviews Board composition to ensure the Board and Senior Management are best placed to drive operational performance and oversee the Group's strategic objectives.

2020 AREAS OF FOCUS

- Completion of Chair succession
- Completion of the search for and appointment of an Independent Non-Executive Director to chair the Audit Committee
- Review of Board and Senior Management succession
- Review of Group-wide diversity and inclusion initiatives
- Review of the Board skills matrix

BOARD AND COMMITTEE COMPOSITION

Garry Watts retired from the Board in March 2020 and I succeeded Garry as Chairman. We were delighted to welcome Rosie Shapland, who joined us in February 2020 and succeeded me as Chair of the Audit Committee in March 2020. Alan Giles was appointed Senior Independent Director in March 2020. Details of these appointments can be found below on page 68.

DIVERSITY AND INCLUSION

During the year, we reviewed and updated our Board diversity policy and diversity continues to be an area of focus for the Board and the Group as a whole. We also considered and received updates from management on key people programmes, particularly around the impact of Covid-19 on our employees, the size and shape of the workforce, employee engagement and performance and productivity. We support and actively monitor the Group's incentives to improve diversity across the organisation. Further details of Foxtons diversity and inclusion networks can be found in the Strategic Report on page 40 and our Board diversity policy can be found on page 69.

SUCCESSION PLANNING

As Directors, we have a duty to ensure the long-term sustainable success of the Company. One of the factors that impacts on this goal is the need to have an established succession plan for Board and Senior Management positions. During the year, the Committee considered Board and Senior Management succession plans, taking into account the skills and experience of the current Board and Senior Management.

PERFORMANCE EVALUATION

During the year, we conducted an internal performance evaluation exercise led by the Senior Independent Director which concluded that the Board, its Committees and the Directors continue to perform well, particularly in view of the operational challenges the business has faced over the period. A number of suggestions for improvement were agreed and are reported on further below.

We set out on page 67 details of the composition and work of the Nomination Committee during the year.

Ian Barlow
Chairman of the Nomination Committee

Members of the Nomination Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Director Committee members are considered independent by the Board and in accordance with the Code. The Chair of the Committee was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on pages 50 and 51. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chairman: Ian Barlow

Current members: Sheena Mackay, Alan Giles, Rosie Shapland (appointed 5 February 2020)

Role and responsibilities and activities undertaken during the year

The Committee's main responsibilities, as outlined in its terms of reference, are:

- to keep under review the structure, size and composition of the Board (including a review of the scope to further promote diversity of skills, social and ethnic background, sexual orientation, nationality, experience, cognitive and personal strengths, knowledge, outlook and approach) and the membership of its Committees;
- to review succession planning processes for the Board and other Senior Management positions and the opportunities available to the Company to further promote diversity and inclusion; and
- to ensure a formal rigorous and transparent process is adopted for the appointment of new Directors, both Executive and Non-Executive, including the Chairman.

Terms of reference were reviewed during the year and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Company's website at: www.foxtonsgroup.co.uk.

Since the last Nomination Committee Report, the Committee held three scheduled Committee meetings.

The Committee's main activities and areas of focus were as follows:

Board composition

- reviewed the structure, size and composition of the Board;
- reviewed the skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board;
- reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles; and
- considered and recommended to the Board the re-election of Directors at the 2021 AGM.

Governance

- considered and confirmed that each Non-Executive Director remained independent and committed to their role;
- approved the report from the Nomination Committee in the 2020 Annual Report and Accounts;
- reviewed its terms of reference;
- reviewed and updated the Board diversity policy and ensured that diversity and inclusion were being promoted across the business; and
- reviewed the gender balance of those in Senior Management and their direct reports.

Succession planning

- assessed the tenure of Board members in order to review the succession plan; and
- considered succession plans for Directors and Senior Management.

Committee effectiveness

- reviewed progress against matters arising from the annual evaluation for 2019 and the matters arising from the 2020 annual evaluation exercise; and
- participated in the evaluation of its performance and agreed a plan to address any issues arising.

BOARD COMPOSITION AS AT 31 DECEMBER 2020

TENURE

Over 5 years

1-2 years

3-4 years

ROLE

Chair
14%

Executive
43%

Non-executive
43%

GENDER

2
Female

5
Male

APPOINTMENT OF CHAIRMAN

Ian Barlow succeeded Garry Watts as Chairman of the Company on 1 March 2020. The process surrounding this appointment was fully disclosed in the 2019 Annual Report and Accounts. Upon his appointment as Chairman, Ian Barlow stood down as Chairman of the Audit Committee and was replaced by Rosie Shapland.

APPOINTMENT OF SENIOR INDEPENDENT DIRECTOR

Alan Giles succeeded Ian Barlow as Senior Independent Director on 1 March 2020.

APPOINTMENT OF NON-EXECUTIVE DIRECTOR

Rosie Shapland was appointed as a Non-Executive Director with effect from 5 February 2020 and took over as Chair of the Audit Committee on 1 March 2020. The process surrounding this appointment was fully disclosed in the 2019 Annual Report and Accounts.

DIRECTORS' APPOINTMENTS AND SERVICE CONTRACTS

The Board has a formal procedure in respect of the appointment of new Directors, with the Nomination Committee leading the process and making recommendations to the Board.

All of the Directors have service agreements or letters of appointment which are available for inspection at the Company's registered office during normal business hours. Details of the letters of appointment for Non-Executive Directors and the service contracts for Executive Directors can be found in the Directors' Remuneration Report on pages 96 and 97. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Board appointment criteria are considered automatically as part of the Committee's review of succession planning. Currently, all the independent Non-Executive Directors and the Chairman have been appointed for less than nine years. Non-Executive Directors are typically expected to serve a minimum of two three-year terms, and thereafter their appointment is reviewed on an annual basis and voted upon by shareholders.

DIRECTORS' INDUCTION AND PROFESSIONAL DEVELOPMENT

The Company has in place an induction programme, led by the Chairman and the CEO, for new Directors to provide them with a full, formal and tailored introduction on joining the Board, which ensures that they attain sufficient knowledge of the Company to discharge their duties and responsibilities effectively. The programme includes meeting with Senior Management and advisers and visits to the Group's operational locations. The Board calendar is planned to ensure that Directors are briefed on a wide range of topics, including updates on corporate governance and regulatory matters.

Directors are also given the opportunity to visit the Group's branches and discuss aspects of the business with employees. As well as internal briefings, Directors may also attend appropriate external seminars and briefings.

All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring the Board procedures are complied with and that Directors have access to independent and professional advice at the Company's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

Overview of Rosie Shapland's induction to the Board:

Rosie Shapland received an induction post-appointment that focused on the culture, operations, markets, risks and opportunities for the Group. As Chair-designate of the Audit Committee, Rosie worked closely with Ian Barlow, the former Audit Committee Chair, in ensuring an effective handover of responsibilities. Key elements of the induction comprised:

- an introductory meeting with the Chair to discuss Board process and the Group's culture;
- a comprehensive document pack was provided which included analyst and market reports, governance reports and financial reporting matter reports; and
- a series of meetings with the Executive Directors and Senior Management. During each of these, strategy; operating and financial performance; budget and forecasts; compliance; customer service; diversity and talent strategy were discussed.

RETIREMENT AND RE-ELECTION OF DIRECTORS

All Board members will stand for re-election at the 2021 AGM. The relevant experience and effectiveness of the Directors, and how that furthers the Company's business, is kept under review. The Committee and the Board have concluded that each Director standing for re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Biographies of each Director are available on pages 50 and 51. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Details of the Board evaluation and effectiveness process can be found on pages 70 and 71.

SUCCESSION PLANNING

During the year, the Committee considered succession planning for the Executive Directors and reviewed the CEO's plan for Senior Management succession. The Company's policy is to develop the talent pipeline and promote from within, wherever possible. Due to the nature of the Company's operations and size, it is not practicable for the Company to have an internal successor identified for all Senior Management roles, but where there is no obvious successor, the Committee is satisfied that the Company has a plan for appropriate short-term cover until a permanent successor can be recruited. Succession planning takes into account the Board diversity policy and the skills and experience of the Board and future requirements.

During 2021, the Committee will continue to review the succession plan for the Board and Senior Management team, ensuring that the leadership of the Group is aligned to deal with strategic and operational opportunities and challenges.

BOARD AND SENIOR MANAGEMENT DIVERSITY

The Company believes that diversity throughout the business is important for the Group in order to reflect the varied nature of the communities that Foxtons operates in and its customer base. The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking and perspective. Appointments to the Board are always made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the Code. The Board has not set any specific gender or diversity targets. When identifying candidates for appointment to the Board, any search firm engaged is instructed to include a range of candidates from diverse backgrounds for consideration.

During the year, the Committee considered the issue of diversity and inclusion in both the context of the Board and Senior Management.

The Committee continues to be broadly satisfied with the diversity within the Company but aspires to improve the gender balance and ethnic diversity at the senior level. Management has in place a range of measures designed to address this, including mentoring, development programmes and flexible working, and the Committee will continue to monitor progress on behalf of the Board. Details of the Group's diversity and inclusion initiatives are set on pages 40 and 41. This includes details of the gender breakdown of Directors, Senior Management and the Company's employees.

During the year, the Company published its gender pay gap figures as at 5 April 2020. The report can be found on the Company's website at: www.foxtonsgroup.co.uk.

BOARD EVALUATION AND EFFECTIVENESS

An internal Board evaluation was completed in the second half of 2020. This exercise was carried out to review the performance of the Board, its Committees and the individual Directors. The internal Board evaluation was facilitated by Link Company Matters Limited, which has no connection to the Company (other than the provision of Company Secretarial advisory services) or its individual Directors, and was led by the Senior Independent Director. The evaluation took the form of a questionnaire which gave Directors the opportunity to provide comments on areas of focus, including the structure of the Board, effectiveness of the Board, and Committee-specific questions.

The responses to the evaluation of the Board and the Committees were collated and analysed by Link Company Matters Limited. Under the direction of the Chairman, the Senior Independent Director discussed the anonymised results of the evaluation with each Director individually and compiled a report for consideration by both the Board and the Nomination Committee. The actions agreed by the Directors will be monitored by the Board during 2021.

As a separate exercise, the Senior Independent Director, together with the Non-Executive Directors, conducted the Chairman's evaluation. The views of the Executive Directors were also taken into account.

Overview: Our internal Board evaluation process

Questionnaire

- The evaluation process was conducted using a questionnaire in which Board members were asked to score questions and to provide additional commentary where appropriate.
- Questions were designed to focus the evaluation by Board members in a number of key areas and to cover the performance of the Board and its Committees as well as that of the Chairman and areas of focus for 2021.
- The draft questionnaire was reviewed and agreed by the Committee in July 2020.

Appraisal

- Following receipt of the completed questionnaires during August and September 2020, the Company Secretary reviewed the responses and produced a report which compiled the results of the evaluation exercise.

Consultation

- During September 2020, the Senior Independent Director discussed the results of the evaluation exercise with all Board members and compiled a separate report on high level issues which were discussed with the Chairman.

Evaluation

- The Chairman reviewed the results of the evaluation exercise and the report from the Senior Independent Director which was shared with Board members during October 2020.

Outcomes

- In November 2020, the Board reviewed the results of the evaluation exercise and agreed actions for 2021 and the Company Secretary was tasked with tracking the actions as appropriate.
- The Committee reviewed the evaluation results in November 2020 as far as responses impacted on Board size, composition, induction and training.
- The diagram on page 71 summarises the 2020 evaluation outcomes and proposed actions. Additionally, we have set out the 2019 evaluation outcomes and actions taken.

Outcomes: Board evaluation process 2019 and 2020

2019 outcomes and actions taken

2019 assessment outcomes

- The Board and its Committees were noted to continue to perform well and there were no significant concerns among the Directors about the Board's effectiveness.
- Certain actions were proposed to further enhance Board effectiveness and these were taken in 2020 as summarised to the right.

Actions taken in 2020

- Rosie Shapland was recruited as a Non-Executive Director and succeeded Ian Barlow as Chair of the Audit Committee.
- Continued focus was placed on succession planning within the Senior Management team.
- There was an increasing focus on engaging with stakeholders to support long-term value creation, including engagement with the workforce through the EEC.
- The Board continued to regularly review strategic initiatives and the competitive landscape. The introduction of deep dive sessions enabled the Board to review key parts of the business on a regular basis.

2020 outcomes and proposed actions

2020 assessment outcomes

- The Board and its Committees continue to be functioning well with the Board being of an appropriate size for the scale and complexity of the business.
- There were high levels of engagement and constructive and rigorous challenge throughout the Board with all members able to openly express their views and effectively contribute to the decision making process.
- Future Board appointments will consider any gaps in the skills and attributes of the current members as well as broader diversity and inclusion.
- Strategic discussions, including deep dives continue to be of value and support discussions on key operational and strategic issues. Additional analysis of competitor performance to be considered.
- The Foxtons purpose is of strategic importance and creates value for all stakeholders.
- The succession of both the Chairman and Chair of the Audit Committee during 2020 was noted to be effective.
- Meetings continue to be of the appropriate duration, papers are of a high quality and discussions focus on key operational and strategic issues. Continued focus to be given to key regulatory developments.
- Additional Board dinners and non-executive only sessions will be developed to vary the type of Board interactions.
- The EEC continues to be an effective employee engagement mechanism; however this will be kept under regular review.

Proposed actions

- Review succession plan and diversity in line with the Board's skills and experience matrix.
- Schedule further deep dive reviews with Senior Management and other employees attending Board meetings.
- Review the ongoing effectiveness of the EEC.
- Arrange Non-Executive Director only sessions to enable a range of broader topics to be discussed.
- Further develop the narrative supporting the articulation of the Company's purpose and leverage our purpose when engaging with stakeholders.

ANNUAL EVALUATION OF THE NOMINATION COMMITTEE'S PERFORMANCE

As part of the internal Board evaluation this year, the performance of the Nomination Committee was reviewed and no material concerns were identified.

GOVERNANCE

During the year, the Committee received briefings from the Company Secretary on corporate governance matters; particularly developments in light of the Covid-19 pandemic. We have reported on the Company's compliance with the 2018 Code on page 54 of the Corporate Governance Report.

PRIORITIES FOR 2021

The Committee will continue to focus on succession planning for both the Board and Senior Management to ensure the Group is well-placed to meet the strategic objectives of the Group. Consideration will also continue in the area of diversity and inclusion of both the Board and Senior Management, building on the excellent work being done in the wider Group. The Committee will also monitor the various actions arising out of this year's performance evaluation exercise.

Ian Barlow
Chairman of the Nomination Committee

9 March 2021

>>I am pleased to present my first Audit Committee Report setting out its key activities and principal and ongoing responsibilities.<<

AUDIT COMMITTEE REPORT

AUDIT, RISK AND INTERNAL CONTROL

Dear Shareholders,

Following my appointment as Chairman, the Committee's work has continued to focus on protecting the interests of shareholders. Covid-19 has made 2020 a unique year, with effective risk management, internal control and financial reporting being more important than ever in these unprecedented times. During the year, the Committee has focused on monitoring internal controls and risk management processes as the Group has navigated and responded to emerging risks.

During the year, we reviewed a number a number of key financial reporting matters including the impact of Covid-19, impairment review outcomes, acquisition accounting and the Group's going concern assumption and longer-term prospects and viability statement.

Following our 2019 external audit tender process, BDO was appointed as external auditor at the AGM and the Committee has overseen the audit transition process. We also appointed PwC in the year as an outsourced internal audit partner with a view to enhancing our internal control environment and obtaining additional independent assurance.

I would like to thank Ian Barlow, the previous Chair of the Committee, for an extremely supportive and thorough handover process.

R Shapland

Rosie Shapland
Chair of the Audit Committee

Members of the Audit Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Board and in accordance with the Code. Biographical information can be found on pages 50 and 51. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chair: Rosie Shapland

Current members: Sheena Mackay and Alan Giles (Ian Barlow stepped down from the Committee upon his appointment as Chairman of the Board on 1 March 2020)

Role of the Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of financial reporting, risk management and internal controls and governing the relationship with the internal and external auditors. Key responsibilities include:

- monitoring the integrity of the financial statements and half-year report and other formal announcements relating to financial performance;
- monitoring, reviewing and challenging when necessary the financial reporting processes, including significant financial reporting issues, accounting policies and judgements;
- recommending to the Board the appointment, re-appointment and removal of the external auditor, approving the terms of engagement and remuneration and monitoring the independence of the auditor and the provision of non-audit services;
- monitoring the statutory audit of the annual financial statements;
- reviewing internal audit's strategy, plans, effectiveness, results of work undertaken and resolution of any matters arising;
- reviewing the Group's systems and controls for the prevention of bribery and procedures for detecting fraud;
- reviewing the effectiveness of internal financial controls and risk management policies and systems and to monitor and review the effectiveness of the Group's internal audit programme; and
- reviewing the Group's processes and procedures for ensuring that material risks are properly identified, assessed, managed and reported and that appropriate systems of monitoring and control are in place.

The Committee's terms of reference were reviewed during the year and can be found on the Company's website at: www.foxtonsgroup.co.uk.

COMPOSITION OF THE COMMITTEE

On 1 March 2020, Ian Barlow stepped down from the Committee upon his appointment as Chairman of the Board, and Rosie Shapland, who was appointed as a Non-Executive Director on 5 February 2020, succeeded Ian Barlow as Chair of the Audit Committee.

Each member of the Committee is an independent Director and the Chair has recent and relevant financial experience being a former audit partner with over 30 years of audit experience across multiple sectors within public and private companies and is a Fellow Chartered Accountant. The Committee members as a whole have competence relevant to the sector, in addition to general management and commercial experience.

The Audit Committee usually invites the full Board, our outsourced internal audit partner and external auditor to attend each meeting. Other members of management attend as and when requested. The Committee holds private sessions with the external and internal auditor as necessary without members of management being present, where necessary.

SIGNIFICANT FINANCIAL REPORTING MATTERS

The Committee considered the following significant financial reporting matters which require judgement or are sources of estimation uncertainty. The matters, and how they were addressed by the Committee, are detailed below. The matters are disclosed as critical accounting judgements and key sources of estimation uncertainty within Note 1 of the financial statements.

The Group has an indefinite life brand asset with carrying value of £99 million.

- **Useful economic life of the brand intangible asset**
  The Committee challenged the appropriateness of the indefinite useful economic life assigned to the brand intangible asset. It was assessed whether there had been any changes in the period over which the brand asset is expected to generate cash inflows. Following this assessment, it was confirmed that there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. Therefore, it continues to be appropriate for the brand asset to be assigned an indefinite useful economic life.
- **Impairment of intangibles with an indefinite life**
  The Committee challenged management's impairment review methodology, including the relevant forecasts, discount rates and long-term growth rates.

  The Committee concurred with management's view that no impairment of the Group's brand asset is required. However, the Committee noted that a reasonably possible change in key assumptions would remove the headroom of the brand asset and appropriate sensitivity disclosure is included within Note 9 of the financial statements.

OTHER RELEVANT FINANCIAL REPORTING MATTERS

The Committee also reviewed other relevant financial reporting matters in the period.

- **Financial reporting Covid-19 considerations**
  Covid-19 has had a significant impact on our markets and operations and the Committee has considered the wider impact of the pandemic from a financial reporting perspective. Areas of focus included reviewing the use of Government assistance schemes and the recoverability of trade debtors, lease right-of-use assets and property, plant and equipment in the current economic environment.
  The Committee is satisfied with the treatment and disclosure of Covid-19 reliefs and the wider financial reporting impacts of Covid-19 have been treated appropriately.

- **Going concern and longer-term prospects and viability statement**
  The Committee reviewed management's assessment of the Group's going concern assumption and longer-term prospects and viability statement. The review included consideration of forecast cash flows, specifically the uncertainties relating to Covid-19 and Brexit, relevant sensitivities and the Group's cash position over the forecast period.

  For the purposes of assessing the going concern assumption, an 18 month forecast period from the date of the approval of the 2020 financial statements was considered. A longer period of five years was used for assessing viability which is consistent with the Group's strategic planning period. The viability assessment included the consideration of severe, but plausible scenarios, and the impact such scenarios have on the Group's future financial position.

  The Committee confirmed preparing the financial statements on a going concern basis continues to be appropriate, and recommended the approval of the viability statement as set out on page 36.

- **Impairment of branch assets**
  In the year, the Group recognised an impairment charge of £1.7 million, against property, plant and equipment and right-of-use assets relating to vacant, closed and underperforming branches. The Committee reviewed the key assumptions underpinning the branch impairment model and concluded the charge to be reasonable and the carrying value of branches at 31 December 2020 to be supportable.

- **Property-related provisions**
  At 31 December 2020, the Group held £1.5 million of 'provisions for adjusted items' (refer to Note 18) which relate to property-related liabilities including dilapidations and onerous property costs relating to vacant and closed branches. The Committee reviewed the key assumptions used to determine the year-end provision balance and concluded the valuation of the provision to be appropriate.

- **Equity placing**
  The Group completed an equity placing in April 2020 resulting in net proceeds of £21.1 million. The Committee provided oversight of the relevant elements of the transaction and the appropriateness of the subsequent accounting treatment.

- **Acquisition accounting**
  During the year, the Group invested £4.6 million, measured on a cash and debt free basis, in lettings book acquisitions resulting in the recognition of £3.3 million of acquired customer contracts and £2.1 million of acquired goodwill. The Committee reviewed the valuation methodology for the acquired assets, with particular focus on the acquired customer contracts and is satisfied that the acquisition accounting and related disclosures are appropriate.

- **Adjusted items**
  The Committee considered the presentation and disclosure of £1.1 million of adjusted items which have been recognised in the period (refer to Note 4 of the financial statements for further details). The Committee reviewed the nature of Adjusted items, with reference to the Group's Adjusted items policy (refer to Note 1 of the financial statements), and concluded the classification and disclosure of the items was appropriate and the policy had been consistently applied across financial years.

- **Alternative performance measures**
  Within the period, the Group introduced three new APMs: Adjusted operating profit, adjusted operating profit margin and net cash. These new APMs, and existing APMs, have been defined and purpose explained within Note 26. Following the application of IFRS 16, adjusted operating profit/(loss) is considered to be a superior measure to the Group's previous profitability APM (adjusted EBITDA) since the new measure includes depreciation of IFRS 16 right-of-use assets and fully captures the costs related to the Group's leased assets. The Committee is satisfied with the APM disclosures.

- **Client monies**
  The Committee reviewed the continuing rationale for not recording client monies in the Group's financial statements. The Committee concluded there was no judgement in this area, and no amounts should be recorded in the Group's financial statements, since these funds belong to tenants. Refer to Note 24 of the financial statements for details of the level of client money held at 31 December 2020.

FINANCIAL REPORTING

The Committee regularly reviews the robustness of financial reporting processes. The Group maintains a comprehensive financial review cycle, which includes a detailed annual financial planning process where budgets are prepared for challenge and approval by the Board. Management receives a weekly and monthly pack of key performance indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a Group level, a well-developed comprehensive management accounts pack, including income statements, balance sheets, cash flow statements, as well as key ratios, is reviewed monthly by management and the Board. A re-forecast of the current year performance is carried out quarterly with specific focus required during 2020 on the impact of Covid-19 on the Group's financial performance and liquidity. Management monitors the publication of new accounting and reporting standards and reports on any updates to the Committee.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Committee, on behalf of the Board, keeps under review the effectiveness of the Group's risk management and internal control systems to ensure that controls in place are effective in order to safeguard shareholders' investments and the Group's assets. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has defined its risk appetite for strategic, financial, operational and compliance risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring gross and residual risk and comparing residual risk against risk appetite. As required by the Code, the Board, through the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described in the Strategic Report on pages 30 to 35.

The Group has the following key procedures in place to provide effective internal control:

- an ongoing process to identify, evaluate and manage significant risks, which is monitored and regularly reviewed by the executive team with significant issues presented to the Board and Audit Committee;
- the Group's compliance department continuously reviews operations to ensure that transactions have been properly authorised and procedures are adhered to across the Group;
- the Group's key controls include appropriate segregation of duties and are embedded across the organisation;
- on behalf of the Board, the Audit Committee reviews fraud, anti-bribery and whistle-blowing policies and procedures and considers any whistle-blowing incidents; there have been no material instances of whistle-blowing or recorded instances of bribery or corruption during the period under review; and
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and the business plan as described.

On the basis of the above procedures and the monitoring processes employed, and having regard to the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the FRC in September 2014, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

The Directors confirm that the processes described above have been in place during the 2020 financial year and up to the date of the approval of the Annual Report and Accounts.

INTERNAL AUDIT

Following a competitive tender process, the Committee appointed PwC as the Group's independent internal audit partner. The appointment was made with a view to enhancing the internal control environment and to enable the Committee to obtain additional independent assurance over the effectiveness of key controls. The effectiveness of internal audit is monitored informally on an ongoing basis, and formally on an annual basis.

Since appointment, internal audit has undertaken a review of the risk environment and reviewed management's existing assurance map to inform the 2020/2021 internal audit programme and priorities.

The Committee has approved the internal audit plan and will monitor progress against it going forward. Immediate areas of internal audit focus include reviewing the GDPR processes and controls, the cyber and IT security framework and client money controls. Following each review, PwC will issue an independent report to the Committee with findings graded, appropriate remedial actions agreed as necessary and progress monitored and reported back to the Committee.

WHISTLE-BLOWING

The Group believes that it is important to have a culture of openness and accountability in order to prevent situations relating to possible impropriety, financial or otherwise, from occurring or to address them when they do occur. The Company's independent whistle-blowing hotline continues to be in operation and activity reports are provided to the Committee. There have been no material instances of whistle-blowing during the period under review. The Committee is satisfied that the whistle-blowing policy and its administration remain effective.

FAIR, BALANCED AND UNDERSTANDABLE

The Group has a comprehensive and thorough assurance process in respect of the preparation, verification and approval of periodic financial reports. The process involves:

- the involvement of qualified and appropriately experienced staff, under the direction of the CFO;
- a comprehensive review and verification process which deals with the factual content of the reports and ensures consistency across various sections;
- a common understanding amongst senior staff which ensures consistency and overall balance;
- a transparent process to ensure full disclosure of information to the external auditor;
- engagement of a professional and experienced external audit firm who understands the Foxtons business and business model; and
- oversight by the Committee which, among other things, reviews:
  - the key accounting judgements and key sources of estimation uncertainty;
  - the consistency of, and any changes to, significant accounting policies and practices;
  - significant adjustments arising from the external audit;
  - the Company's statement on risk management and internal control; and
  - the going concern and viability assumptions.

The process outlined, together with the review and challenge of management by the Committee and its recommendation to the Board, provides comfort to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy, position and performance. The Directors confirm this statement within the Directors' Responsibilities Statement on page 104.

EXTERNAL AUDITOR

In Autumn 2019, the Committee tendered the Group's external audit through a competitive tender. Following this process, a recommendation based on quality, knowledge and experience was made to appoint BDO as auditor for financial year 2020 and the appointment received shareholder approval at the 2020 AGM.

The 2020 audit was led by Tim Neathercoat. Under the partner rotation rules set out in the applicable ethical standards, his final year as partner will be 2024 after five years of service.

As noted, the Committee has reviewed the effectiveness of the external audit process. The Committee did this by:

- reviewing the proposed external auditor's transition plan following appointment and the plan for the 2020 audit;
- discussing the results of the external auditor testing, including their views on material accounting issues, key judgements and estimates, and their audit report;
- considering the robustness of the audit process;
- reviewing the quality of people and service provided by BDO, including a review of the FRC's latest Audit Quality Review of BDO; and
- confirming the independence and objectivity of BDO.

We concluded that we were satisfied with the performance and independence of BDO as external auditor.

NON-AUDIT SERVICES

The details of our non-audit services policy, which is designed to safeguard auditor independence, are set out on our website www.foxtonsgroup.co.uk.

In brief, there are certain services termed 'excluded services' that are not permitted to be provided by the external auditor. Excluded services includes services prohibited under the applicable regulatory and ethical guidance. All permitted non-audit services provided by the external auditor are subject to prior approval by the Committee. With the exception of the interim review performed under International Standard on Review Engagements (UK and Ireland) 2410 and an accountant's report required as a Propertymark member, there were no other non-audit services undertaken during the year. Total non-audit services provided by BDO for the year ended 31 December 2020 were £34,500 (2019: £26,000 provided by Deloitte LLP). Audit fees for the year were £222,000 (2019: £230,000).

EVALUATION OF THE AUDIT COMMITTEE'S PERFORMANCE

As part of the internal Board evaluation this year, the performance of the Committee was reviewed. I am pleased to report that there were no areas of significant concern and it was concluded that the Committee had effectively fulfilled its role.

CONCLUSION

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditor during the year.

Key activities

Since the last Audit Committee Report, the Committee has held three meetings, with the principal work being:

Role	Tasks	July 2020	Nov 2020	Feb 2021
Financial reporting	Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements, including any relevant changes in accounting or reporting standards.	◆	◆	◆
	Review of key financial reporting matters including the impact of Covid-19, impairment review outcomes and acquisition accounting.	◆	◆	◆
	Reviewing the plan for the production of the 2020 Annual Report and Accounts, including the plans for the reporting on the UK Corporate Governance Code published in July 2018.		◆	
	Receiving the annual and half-yearly financial statements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable. In fulfilling this task, the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures. The Committee also reviewed supporting papers to ensure the Annual Report and Accounts were factually correct.	◆		◆
	Reviewing the going concern paper which analysed the profitability and cash generation of the Company and agreeing with the adoption of the going concern basis.	◆		◆
	Considering and reviewing the viability statement and supporting sensitivity analysis which assessed the potential impact of the principal risks on the future performance and liquidity of the Group over a five-year period.			◆
External audit	Approving the appointment of the external auditor and their terms of engagement and fees for the financial year 2020.		◆	
	Considering the scope of work to be undertaken by the external auditor and reviewing the results of that work.	◆	◆	◆
	Receiving the external auditor's audit planning paper for 2020 and reviewing materiality thresholds and areas of risk where the auditor would concentrate.		◆	
	Reviewing and monitoring the independence of the external auditor and approving their provision of non-audit services.		◆	◆
	Reviewing the effectiveness of the external audit process.			◆
	Reviewing the external auditor's interim review and year-end report in which no issues of concern were identified.	◆		◆
Internal audit	Reviewing internal audit's assurance map and risk assessment. Approving the internal audit plan for 2020/2021.	◆		
	Reviewing internal audit reports following the completion of specific audits, monitoring progress against the internal audit plan and assessing ongoing effectiveness of internal audit.		◆	◆
Internal controls	Ensuring compliance with the UK Corporate Governance Code published in July 2018.		◆	◆
	Reviewing the whistle-blowing policy and helpline reports.		◆	◆
	Reviewing internal control reports from external audit, internal audit and relevant management committees; and advising the Board on the appropriateness of the Company's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.		◆	◆
Risk management	Reviewing the Company's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Company and comparing residual risk against the Board's risk appetite.		◆	◆
	Receiving a report on controls within the IT function from the Chief Information Officer and external auditor, including progress with the Group's cyber security strategy, response to cyber threats and attacks and the general IT control environment. Particular focus was placed on a cyber incident which occurred in October 2020 and the Group's regulatory and technical response.		◆	◆
	Receiving a report on legal and compliance matters within the Group including compliance with the General Data Protection Regulation (GDPR).		◆	
Governance	Reviewing the Committee's terms of reference.		◆	
	Reviewing the Group's non-audit services policy.		◆	

R Shapland

Rosie Shapland
Chair of the Audit Committee

9 March 2021

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>>The Company has had a successful year substantially exceeding the financial targets which earlier in the year seemed very challenging, whilst delivering impressive results on other measurable KPIs such as customer satisfaction, employee engagement and growth in market share.<<

DIRECTORS' REMUNERATION REPORT

REMUNERATION

Members of the Remuneration Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Directors who are Committee members are considered independent by the Board and in accordance with the Code. Ian Barlow was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on pages 50 and 51. Members' attendance at Committee meetings is set out in the table on page 58. The Company Secretary acts as Secretary to the Committee.

Chairman: Alan Giles

Current members: Ian Barlow, Sheena Mackay, Rosie Shapland (appointed 5 February 2020)

THIS REPORT IS DIVIDED INTO FIVE MAIN SECTIONS:

The 2020 annual report on remuneration, including the letter from the Chairman of the Remuneration Committee, will be subject to an advisory vote at the 2021 AGM.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholders,

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 December 2020. This report covers the first year of implementation of the Remuneration Policy agreed by shareholders last May, and in this letter I have set out the key remuneration outcomes for this year and the link to performance in 2020.

THE CONTEXT

It is perhaps a truism, but it has been an unprecedented year for the country and for the Company. Looking back from a strong final result for the year, it is perhaps difficult to remember the bleak scenario facing the Board in late March when the Government ordered the necessary closure of our offices and branches to help fight Covid-19. We estimated then it might take only two to three months to burn through our cash balances and modest debt facility. Our immediate staff needs reduced from a workforce of over 1,100 to just some 350 to maintain operations. Significant redundancies could have been required for the business to survive.

Our management team reacted very quickly to establish remote working for a skeleton crew of employees to provide essential service to customers, reduce cash costs wherever possible and to lead a successful equity raise, generously supported by our shareholders that gave us sufficient financial headroom to weather a reasonable worst-case scenario that included a second lockdown and protracted recovery. It was always understood that if, as proved to be the case, this headroom was not required, the funds would be used for strategic acquisitions and/or returned to shareholders.

In relation to financial measures offered by the Government to support business, our approach has been to use these sparingly to support employees and to 'stand on our own two feet' wherever possible. In particular, although we did use the CJRS to support furloughed employees whilst our branches were closed, we reverted quickly to more normal operations when the first lockdown was lifted. As a result, we have not made any use of the CJRS scheme since September 2020 despite further lockdowns being introduced in November 2020 and January 2021.

In any event, the Company has had a successful year substantially exceeding the financial targets that earlier in the year seemed very challenging, whilst delivering impressive results on other measurable KPIs such as customer satisfaction, employee engagement and growth in market share. This is down to a great team effort by Senior Management led by our three Executive Directors and supported by the enthusiasm and commitment of everyone in the business.

Variable remuneration and the use of it as an incentive tool is fundamental to the culture and remuneration philosophy at Foxtons. It is an approach that is mirrored throughout the organisation and is key to driving successful outcomes for the business. Taking this into account the Remuneration Committee has carefully considered the appropriate levels of reward to be paid to the Executive Directors in 2020 and reviewed the year-end bonuses awarded to the rest of Senior Management. A number of discretionary adjustments have been made to executive remuneration for 2020 which significantly reduce the short-term elements of executive pay compared with the formulaic outcomes for 2020 and sums paid in 2019. The Committee believes these adjustments are fair given the experience of the Company's stakeholders, primarily its shareholders and employees. We have taken into account, inter alia, the following factors:

- **Employees:** at peak, approximately 750 of our 1,100 employees were furloughed. This reduced to fewer than 100 at the end of August 2020 and six at the end of September 2020. In most cases, the Company did not add to the 80% CJRS pass through. 30 employees were made redundant as a result of efficiency improvements and restructuring arising from investment in technology which was not directly related to Covid-19. The Committee did feel that the experience of furloughed employees was a relevant consideration in the determination of bonuses and was part of the criteria used by the Committee to justify negative discretion from the formulaic bonus outcomes. The Committee, however, formed the view that the redundancies were not connected to Covid-19 and were not a direct consideration for bonus determinations.
- **Shareholders:** the Company raised £21.1 million of net proceeds in April 2020 from a successful placing at 40p per share to support the Company through the closure of the property market and/or for strategic investments. As the Company communicated better than expected results during the third and fourth quarters and continued to deliver on its strategy to invest in high quality lettings books, its share price has risen to c. 60 pence per share. In December, the Company announced its intention to return some of its excess capital to shareholders by buying back shares in the market to a maximum consideration of £3 million. The Committee did feel that this was a relevant consideration in the determination of bonuses and was part of the criteria used by the Committee to justify negative discretion from the formulaic bonus outcomes.
- **Government:** the CJRS scheme, as intended, protected jobs. Without this valued help, the Company would have been forced to put in place a large scale redundancy programme to conserve cash. In total, £4.4 million of CJRS support has been passed through to the employees concerned. In addition, the Company has benefitted from £2.5 million of Government support primarily in the form of business rates relief. The Committee did feel that this was a relevant consideration in the determination of bonuses and was part of the criteria used by the Committee to justify negative discretion from the formulaic bonus outcomes.

LETTER FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

continued

BASIC SALARY, BENEFITS AND PENSIONS

All Executive Directors took a voluntary reduction of 20% in their base salaries for the months of April 2020 and May 2020 whilst the property market was closed during lockdown. The CEO's pension contribution, which was reduced from 15% of base salary in 2019 to 10% in 2020, will be brought into line with that of the wider workforce by the end of 2022. The COO and CFO pension contributions are, at 3% of base salary, already in line with that of the wider workforce. Benefits are unchanged. Base salary for the CEO, CFO and COO has been increased by 1.8% from 1 January 2021, in line with the average increase for the workforce as a whole.

BONUS BANKING PLAN

Targets were originally set in February 2020 before Covid-19 emerged. Following the lockdown that required the closure of our branches, these original targets were largely rendered irrelevant as a means of incentivising management, and therefore, in June 2020, new financial targets for adjusted operating profit and costs were set as the prospects for the business were still highly uncertain. The target for adjusted operating profit was reduced from £2.1 million to £(2.1) million and the performance range widened from ±£1.0 million to ±£2.5 million. The target for cost reduction was increased from £1 million to £16 million, and the targets for the other four performance measures were unchanged. In the view of the Committee, the revised targets were as challenging in the new circumstances as those set in February 2020.

Against the revised targets, the Company has performed strongly and the formulaic outcome would have resulted in a Company contribution to each Executive Director's Bonus Banking Plan (BBP) of 91.2% of maximum (i.e. 137% of annual base salary for the CEO and 114% for the CFO and COO). Indeed the Company performance against the original financial targets set in February 2020 was also strong and would have resulted in overall bonus payouts in the upper regions of the range had these targets not been adjusted.

After in depth discussion among the Committee and following the principle of fairness between stakeholders, the Committee has decided to use its discretion to reduce the formulaic outcome by 50% to 45.6% of maximum, of which 70% will be paid immediately in cash with the remaining 30% to be awarded in shares which will roll over into the individual's 2021 BBP. In reaching this decision the Committee has, inter alia, considered the following:

- 2020 adjusted operating profit was £1.9 million, compared to £(0.7) million for 2019 which the Committee views as a highly creditable result under the circumstances. This is £2.6 million up on last year and above the consensus prevailing before we updated the market on 11 December 2020.
- The challenging profit target set in June was exceeded by a considerable margin of £4.0 million; indeed the final profit outcome was close to the profit target of £2.1 million originally set in February 2020 and would have resulted in overall bonus payouts in the upper end of the range had these targets not been adjusted.
- The CEO's base salary, pension contribution and annual bonus for the year totalled £997,900, down £225,338 (18.4)% on 2019, with the amount paid in cash during the year down 28.0%. There was a similar impact on those elements of remuneration for the CFO and COO, however comparisons are difficult to make due to the part year nature of their pay in 2019.
- 80% of all employees participate in bonus and/or commission schemes. Had the bonus for Executive Directors been reduced to zero, some Senior Managers would have earned more than some Executive Directors.

For further details on the bonus targets set in both February 2020 and June 2020, and the resulting outcome, refer to page 96.

RESTRICTED SHARE PLAN

Shareholders approved the introduction of the Restricted Share Plan (RSP) at the AGM in May 2020, and the first awards under the new scheme were granted on 13 May 2020 using an ordinary share price of 40.53 pence per share, being the average of the closing share prices over the three dealing days preceding that date.

The RSP awards will ordinarily vest after three years subject to the grantee's continued service and a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains. It should be noted that the Committee does not currently have a formulaic approach to deciding whether there has been any windfall gains but instead will, in line with the UK Corporate Governance Code, look holistically at the date of vesting whether the level is appropriate taking into account Company, individual and wider business considerations including, with the benefit of hindsight, whether there had been any windfall gains.

CONCLUSION

The Committee believes that the entire senior team, and in particular the Executive Directors, have provided extraordinary, inspiring and resourceful leadership during an unprecedented year of uncertainty and disruption. It therefore believes that these reward levels are proportionate and appropriate when taking into account the experience of shareholders and employees, and the Government support provided.

Alan Giles
Chairman of the Remuneration Committee

9 March 2021

THE WORK OF THE COMMITTEE

HOW MANY TIMES DID THE COMMITTEE MEET AND WHAT DID WE DO?

We met as a Committee five times since the last Directors Remuneration Report, with three of those meetings being scheduled. We believe it is important that the Committee keeps up-to-date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. Below we set out the key activities undertaken during the meetings.

MAY 2020

- Considered and approved the 2020 RSP;
- Noted the temporary 20% reduction in Executive Director base salaries, Chairman's fee and Non-Executive Director fees for April 2020 and May 2020; and
- Considered actions in response to the 21.59% vote against the Remuneration Policy.

JUNE 2020

- Reviewed the 2020 BBP targets in light of Covid-19.

NOVEMBER 2020

- Reviewed trends and governance developments;
- Reviewed workforce remuneration;
- Reviewed Executive Directors' and the Chairman's remuneration for 2021; and
- Reviewed Senior Management remuneration.

JANUARY 2021

- Reviewed and approved the outturn of the 2020 BBP and payouts for Executive Directors.

FEBRUARY 2021

Matters relating to 2020:

- Reviewed and approved the outturn of 2020 bonus payments for Senior Management;
- Reviewed and approved the 2020 Directors' Remuneration Report; and
- Reviewed the latest Gender Pay Gap Report.

Matters relating to 2021, policies and other matters:

- Set the 2021 BBP measures and targets for Executive Directors and Senior Management; and
- Initial consideration of 2021 RSP award levels.

WHO SUPPORTS THE COMMITTEE?

During the year, we sought internal support from the CEO whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Senior Management team. The Company Secretary acts as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration. Our adviser is PwC, with further details provided on page 99.

WHAT ARE THE COMMITTEE'S RESPONSIBILITIES?

The key responsibilities of the Remuneration Committee are to:

- determine the remuneration policy for Executive Directors and Senior Management, in the context of pay and conditions across the wider workforce;
- review workforce remuneration and related policies across the Company as a whole;
- design specific remuneration packages which include salaries, bonuses, equity incentives, pension rights and benefits;
- review the Executive Directors' service contracts;
- ensure failure is not rewarded and that steps are always taken to mitigate loss on termination, within contractual obligations; and
- approve the terms of and recommend grants under the Group's incentive plans.

The Committee's terms of reference, which are reviewed regularly, are set out on the Company's website (www.foxtonsgroup.co.uk). The Committee revised its terms of reference in 2019 to reflect the broader responsibilities under the new UK Corporate Governance Code in relation to wider workforce remuneration and the operation of incentive plans throughout the Company.

ANNUAL EVALUATION OF THE REMUNERATION COMMITTEE'S PERFORMANCE

As part of the internal Board evaluation this year, the performance of the Remuneration Committee was reviewed and no material concerns were identified.

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DIRECTORS' REMUNERATION REPORT AT A GLANCE

REMUNERATION IN RESPECT OF 2020

The following table sets out what our Executive Directors earned during the year:

Fixed components

Nic Budden, CEO	Richard Harris, CFO	Patrick Franco, COO
Salary[1]: £569,400	**Salary**[1]: £300,000	**Salary**[1]: £300,000
Pension: 10% of base salary	**Pension:** 3% of base salary	**Pension:** 3% of base salary
Benefits: Company car (or allowance), life assurance and private medical insurance	**Benefits:** Company car (or allowance), life assurance and private medical insurance	**Benefits:** Company car (or allowance), life assurance and private medical insurance

[1] Each Executive Director, along with the Non-Executive Directors, took a voluntary salary reduction of 20% in April 2020 and May 2020. The reduction in salary paid is reflected in the single figure of remuneration table set out on page 94.

Variable components

2020 annual bonus banking plan outcome

	Formulaic bonus outcome (% of maximum)	Discretionary adjustment (% of formulaic outcome)	Adjusted bonus outcome (% of maximum)	Maximum bonus (% of salary)	Salary[1] (£'000)	Bonus outcome (£'000)	Bonus outcome (% of salary)	Payable in cash (£'000)	Deferred in shares (£'000)
CEO	91.2%	(50.0)%	45.6%	150%	569.4	389.3	68%	272.5	116.8
CFO				125%	300.0	170.9	57%	119.7	51.3
COO				125%	300.0	170.9	57%	119.7	51.3

[1] The salary used in the bonus calculation is that approved for the year, excluding the voluntary reduction taken.

The maximum BBP opportunities for the CEO, CFO and COO in 2020 are 150%, 125% and 125% of salary respectively. More detail on the performance condition outcomes and the adjustments made to the formulaic outcomes as set out on page 96.

Long-term incentives	CEO actual (£'000)	CFO actual (£'000)	COO actual (£'000)
No share option awards were due to vest based on a performance period ending in the year	–	–	–
No RSP awards were due to vest during the year	–	–	–

Total single figure of remuneration	CEO actual (£'000)	CFO actual (£'000)	COO actual (£'000)
2020	1,605	721	702
2019[1]	1,257	298	105

[1] The CFO and COO were appointed to the Board on 24 June 2019 and 1 October 2019 respectively and as such amounts earned in 2019 are for the post-appointment period only. The 2020 number represents a full year of earnings.

The increase in the total single figure of remuneration for the CEO is as a result of the inclusion of the first award under the RSP in 2020. 2020 is the first year of the implementation of our new policy and includes the RSP award which, in line with the remuneration reporting regulations has been included in the year of grant. Whilst the RSP award is included in the single figure award in the year of grant, it does not actually vest until three years after grant and is then subject to a further two-year holding period. Only once it vests is the executive unconditionally entitled to the award. The required disclosure of the RSP on grant is different to how the previous share options were disclosed which was on vesting. No share options vested under the previous long-term incentive plan in 2019.

Excluding the RSP award the CEO's 2020 single figure would be £1,035,000, which is a decrease compared to 2019 primarily as a result of the lower annual bonus payment in 2020. In addition, the actual cash received in the year in 2020 was lower than 2019, mainly due to the lower annual bonus outcome, as well as this being the first year that 30% of the annual bonus outcome is deferred into shares under the BBP. The CFO and COO were both appointed to the Board in 2019 and as a result the 2019 numbers represent the post-appointment period only and are therefore not comparable to the 2020 single figure of remuneration which includes an RSP award and annual bonus (30% of which is deferred into shares).

SUMMARY OF DIRECTORS' REMUNERATION POLICY

EXECUTIVE DIRECTOR REMUNERATION UNDER THE 2020 REMUNERATION POLICY

This section sets out a summary of Foxtons' policy on remuneration for Executive and Non-Executive Directors which was approved by shareholders at the AGM on 13 May 2020 and is intended to apply for three years. The full policy report is set out on pages 82 to 91 of our 2019 Annual Report and Accounts which is available at www.foxtonsgroup.co.uk.

The Company applies the following remuneration principles throughout the organisation at all levels:

- the Company's policy is to target a remuneration package that is at around median, for median performance, and in the upper quartile for exceptional performance, and which is closely linked with the Company's strategic objectives;
- in setting all elements of remuneration, the Company seeks to benchmark itself against comparable companies; and
- the aim of the Company's policy is to attract, retain and continue to motivate talented employees whilst aligning remuneration with the achievement of the Company's strategic objectives.

The diagram below sets out the key components of Executive Director remuneration with each element colour coded and referred to throughout the Report.

Base Salary		**Benefits**		**Pension**		**Bonus Banking Plan**		**Restricted Share Plan**		
Competitive salary to attract the right calibre of executive	+	Competitive benefits to attract the right calibre of executive	+	CEO: 10% of salary* CFO, COO, new Executive Directors: In line with workforce at 3%	+	150% (CEO), 125% (CFO, COO) of salary maximum Key financial, operational and stakeholder key performance indicators 30% deferral in shares	+	100% (CEO), 75% (CFO, COO) of salary maximum 3-year vesting subject to underpin 2-year holding period	=	**Total remuneration**

Shareholding guidelines: 250% of salary for CEO, and 200% for CFO and COO, extending in full for two years post-cessation of employment

* The CEO's pension contribution as a percentage of salary will be aligned with the wider workforce by the end of 2022.

In line with this, our key objective for the Executive Director remuneration policy is to help promote the long-term sustainable success of the Company by providing fair and competitive remuneration packages that attract, retain and motivate Executive Directors and Senior Management of the right calibre to deliver the Company's strategy, whilst aligning remuneration with shareholder interests. This is achieved by a significant proportion of remuneration being in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals, as well as a significant proportion of remuneration delivered in long-term equity to encourage sustainable shareholder value creation.

The Committee aims to ensure that remuneration arrangements are clear, simple, not excessive and are aligned with the Company's purpose, culture and values, with mechanisms in place to ensure there are no rewards for failure. When setting the policy for Executive Director remuneration, the Committee takes into account remuneration across the organisation as a whole, where variable pay is a relatively high component throughout.

SUMMARY OF DIRECTORS' REMUNERATION POLICY *continued*

A summary of the policy and how it is intended to operate in 2021 is set out in the following table:

	Purpose and link to strategy	Operation/details	Implementation in 2021
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver the Group's strategy.	Salary increases will ordinarily be in line with those of the wider workforce. Increases may be made above this in certain circumstances, including (but not limited to): - an increase in scale, scope or responsibilities of the role; and - where individuals have been recruited or promoted with salaries below the targeted policy level initially and have become more established in their role.	Base salary from 1 January 2021: CEO: £579,600 (1.8% rise) CFO: £305,400 (1.8% rise) COO: £304,400 (1.8% rise) Average all employee rise 1.8%.
Benefits	To provide Executive Directors with market competitive benefits consistent with the role.	Benefits may vary by role and individual circumstance and are reviewed periodically and may include (but are not limited to) a company car or cash equivalent, life assurance, private medical insurance, health club membership and other benefits as appropriate. There is no overall maximum.	All Executive Directors: Company car (or allowance), life assurance and private medical insurance
Pension	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	For any new appointment, pension contributions will be in line with the majority employer contribution for the wider workforce.	CEO: 10% of base salary CFO: 3% of base salary COO: 3% of base salary The CEO's pension contribution as a % of salary will be aligned with that of the wider workforce by the end of 2022.
Bonus Banking Plan	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis to enable successful implementation of the Group's strategy. Aligns the interests of Executives with shareholders and contributes to the retention of key individuals by deferring part of the annual bonus in shares or share-linked units.	For threshold performance, 25% of the maximum will be payable. For target performance, 50% of the maximum will be payable. For maximum performance, 100% of the maximum will be payable. Upon annual assessment of performance by the Committee, a contribution will be made by the Company into the participant's plan account and up to 70% of the cumulative balance will be paid in cash for each of the first three years of the plan. Any remaining balance will be converted into shares or share-linked units. 100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant. The Committee may award dividend equivalents on shares or share-linked units held under the plan to participants to the extent that they vest. Malus and clawback provisions apply, see page 85 for more details.	Maximum opportunity for 2021: CEO: 150% of base salary CFO: 125% of base salary COO: 125% of base salary Performance measures for 2021: - 60% adjusted operating profit; - 10% sales market share growth; - 10% lettings market share growth; - 10% maintain high levels of customer service; and - 10% maintain high levels of employee engagement.

	Purpose and link to strategy	Operation/details	Implementation in 2021
Restricted Share Plan	To encourage and facilitate substantial long-term share ownership and reward the delivery of sustainable value over time in a cyclical business.	Maximum award of 100% of salary. Awards vest after three years, subject to continued employment and assessment of an underpin. Following vesting, an additional two-year holding period will apply, such that shares are not released until five years from grant. The Committee may award dividend equivalents on shares held under the Plan to participants to the extent that they vest. Malus and clawback provisions apply, see below for more details.	No performance measures are associated with the grant of awards; although the Committee will consider Company and individual performance before determining any grant. Vesting is subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted. This includes adjustments where the Committee has determined there are windfall gains.
Shareholding guidelines	The Committee believes that Directors should build a sizeable shareholding in the Company over time to ensure that they are as closely aligned as possible with the shareholder ownership experience.	The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors. On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Director's actual shareholding is required to be retained on the same terms and for the same periods.	

Malus and clawback policies

Malus is the adjustment of BBP contributions or the balance in a participant's plan account, or unvested RSP awards, because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the BBP or vested RSP awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's payment or award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- if the assessment of any performance condition or condition was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the plan contribution or RSP award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- a material failure of risk management;
- corporate failure; or
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority which has led to a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	Bonus Banking Plan	Restricted Share Plan
Malus	Up to the date of a payment under the plan	To the end of the 3-year vesting period
Clawback	2 years post the date of any payment under the plan	2 years post vesting

The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.

SUMMARY OF DIRECTORS' REMUNERATION POLICY *continued*

HOW OUR BBP PERFORMANCE MEASURES IN 2021 SUPPORT THE IMPLEMENTATION OF OUR STRATEGY

In executing our strategy, we aim to create sustainable value and positive outcomes for our shareholders and all other stakeholders. We have reviewed the performance measures we use for our incentives to ensure that they support the delivery of our strategy. The diagram below demonstrates how our incentive measures align to our strategy.

Our strategic priorities (set out on pages 14 and 15 of the Strategic Report)

CUSTOMER ACQUISITION, RETENTION AND GROWTH	TECHNOLOGY AND DATA EVOLUTION	BRAND AND SERVICE

Measuring performance

Financial performance	Operational performance	Employees and customers
Sales, lettings and mortgage broking volumes	Balance of business	Employee engagement
Adjusted operating profit	Average revenue per branch and employee	Customer satisfaction
Net free cash flow	Market share growth	

Bonus Banking Plan

Balances rewarding operational excellence, customer relationships and employee calibre, building deep market awareness and the foundations for future growth.

The following 2021 performance conditions support the implementation of our strategy:

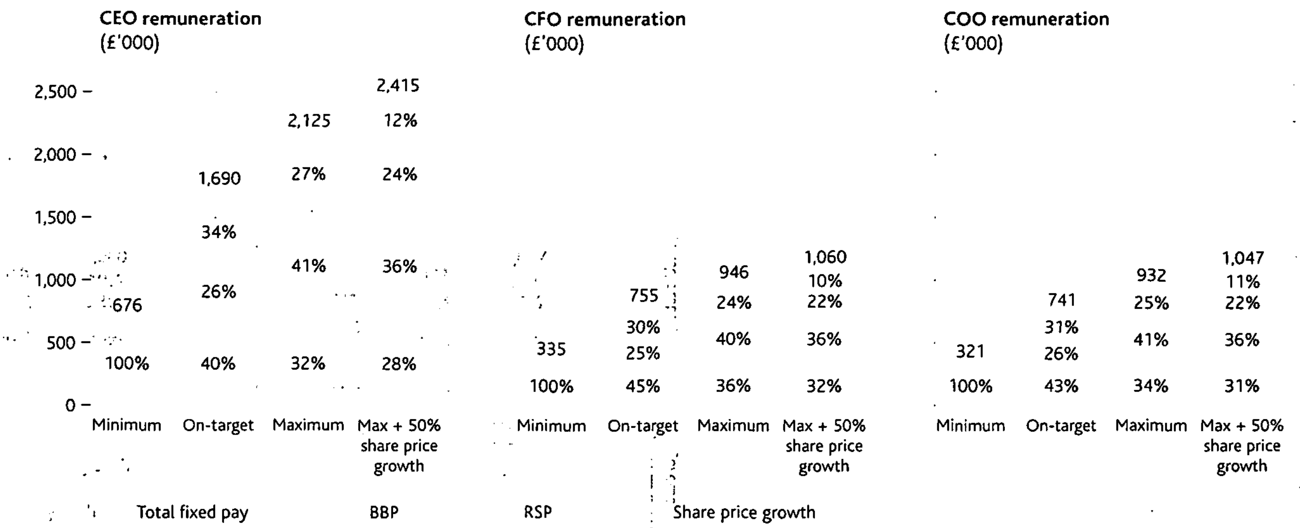
Adjusted operating profit	Market share growth	Maintain high levels of customer service	Maintain high levels of employee engagement

Restricted Share Plan

Supports the delivery of sustainable shareholder value through the build up of a material shareholding and provides a shared ownership experience with the Company's shareholders.

Illustrations of total remuneration opportunity

The charts below provide estimates of the potential future reward opportunities under the Policy for each of the Executive Directors and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On Target', *'Maximum'* and *'Maximum with share price growth of 50% over 3 years.* The *'Minimum'* scenario includes base salary, pension and benefits only (i.e. fixed remuneration).

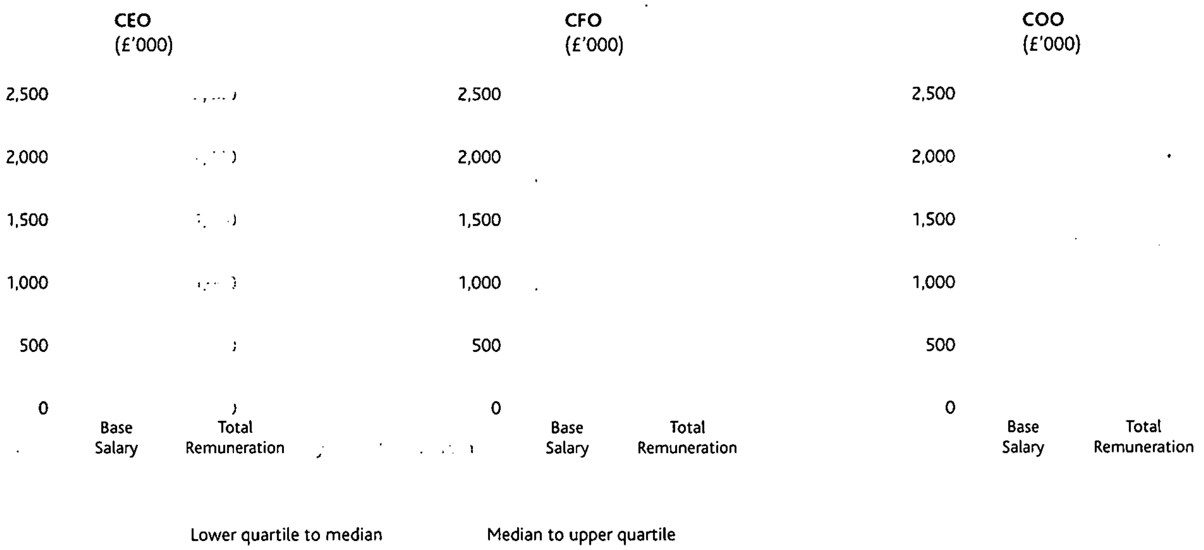


Element	Assumptions
Total fixed pay	Base salary: Effective 1 January 2021
	CEO £579,600
	CFO £305,400
	COO £305,400
	Pension: 10% of salary for the CEO, 3% of salary for the CFO and COO
	Benefits: As disclosed in single figure table on page 94
Bonus Banking Plan	Minimum: No payout
	On-target: 50% of maximum (75% of salary for the CEO, 62.5% of salary for the CFO and COO)
	Maximum: 100% of maximum (150% of salary for the CEO; 125% of salary for CFO and COO)
Restricted Share Plan	Minimum: No vesting due to operation of the underpin
	On-target: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO and COO)
	Maximum: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO and COO)
Share price growth	Impact of 50% share price appreciation on maximum remuneration over three years (on restricted shares)

SUMMARY OF DIRECTORS' REMUNERATION POLICY *continued*

External relativities

The followings charts show for the Executive Directors the position of their on-target base salary and total remuneration compared to the FTSE 250. Whilst the Company is not currently in the FTSE 250, it has been in the past and in the opinion of the Committee, the size and complexity of the Company and the roles make this an appropriate base for external comparison.



The charts demonstrate that the remuneration packages of the Executive Directors are set at an appropriate level, being positioned below median for salary and total remuneration.

Policy for Chairman and Non-Executive Directors

The Non-Executive Directors, including the Chairman, do not have service contracts. The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of up to three years, which is renewable, and is terminable by the Chairman/Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Non-Executive Directors do not receive benefits from the Company, and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plans. Where specific cash or share arrangements are delivered to the Chairman or Non-Executive Directors, these will not include share options or any other performance-related elements. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

Details of the policy on Non-Executive Director fees are set out in the table below:

Purpose and link to strategy	Operation	Implementation in 2021
To enable the Group to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	The Chairman is paid an annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a basic annual Board fee. Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a Committee, or the role of Senior Independent Director. The Chairman's fee is determined by the Committee, and fees to Non-Executive Directors are determined by the Board. Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data. Historically Non-Executive Director fees have been increased on an infrequent basis in circumstances where the fee is deemed out of line with the market. However, going forward, fee increases are typically expected to be in line with wider employee rises with adjustments only made in exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role) to ensure they remain market competitive and fair to the Director. The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Company's articles of association. Expenses incurred in the performance of non-executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.	Chairman and Non-Executive Director fees are as follows: - Chairman fee: £184,000 (2020: £184,000) - Non-Executive Director base fee: £63,000 (2020: £63,000) - Chair of Audit or Remuneration Committee fee: £10,000 (2020: £10,000)

Further information on the Policy

The full policy, approved by shareholders at the 2020 AGM, is set out on pages 82 to 91 of the 2019 Annual Report and Accounts and includes further information on:

- Considerations when determining remuneration policy
- Committee discretions
- Approach to remuneration on recruitment
- Executive Directors' service contracts and Non-Executive Directors' letters of appointment
- Policy on payment for loss of office
- Consistency with remuneration for the wider Group
- How the Committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in Provision 40 of the UK Corporate Governance Code

2020 ANNUAL REPORT ON REMUNERATION

OUR APPROACH TO FAIRNESS AND WIDER WORKFORCE CONSIDERATIONS

This section in the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to executive remuneration by explaining our employee policies and our approach to fairness, including the following:

- the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;
- general pay and conditions in the Group;
- gender and diversity; and
- comparison metrics on executive and employee remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives the Committee receives a report annually setting out key details of remuneration throughout the Company. A summary of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table below summarises the Group's approach to workforce remuneration across five employee groups.

Employee group	% of workforce	Average increase in base salaries[1]	Variable pay[2]: Commission schemes	Variable pay[2]: Annual bonus	Share plans[3]	Pension[4]	Benefits[5]
Executive Directors	<1%	1.2%	No	All	Yes	Yes	Yes
Senior Management	2%	1.6%	Revenue earners only	Majority	Some	Yes	Yes
Senior Sales Staff	20%	2.0%	Yes	Sales Directors only	Some	Yes	Yes
Sales and Sales Support Staff	63%	0.4%	Revenue earners only	No	No	Yes	Yes
Administrative Staff	14%	5.3%	No	Role dependent	No	Yes	Yes
Total	100%	1.8%					

1 Base salaries

- Base salaries are market competitive and determined with reference to role type, experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type. The base salaries of sales focused employees are subject to periodic market benchmarking rather than annual salary reviews due to the commission structures in place.
- Average increase in base salaries include increases for the same role, changes due to promotions/demotions and changes in fixed vs variable pay arrangements. Analysis excludes new joiners.

2 Variable pay

- In line with our approach to Executive Director remuneration, a significant proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
- 80% of the workforce benefit from variable pay which is linked to the Group's performance in the form of commission schemes or annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities (refer to pages 14 and 15 of the Strategic Report).
- For revenue earners among Sales and Sales Support Staff variable pay represents approximately 50% of base salary compared to approximately 40% for Senior Sales Staff. This is due to Senior Sales Staff having managerial responsibilities, whilst Sales and Sales Support Staff are primarily sales focused.

3 Share plans

- Historically equity participation has been limited since the Group's variable pay arrangements provide strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities. Certain members of Senior Management and Senior Sales Staff participate in the Share Option Plan and RSP. The Company will continue to review the use of share plans for the wider workforce.

4 Pension

- Employer contributions are consistent across the Group (3% employer contribution), with minor deviations appropriate for role type.

5 Benefits

- Consistent approach applied and determined with reference to role type, market practice and seniority.

Clearly the levels of remuneration and the types offered will vary across the Company depending on the employee's level of seniority and role. The Committee is not looking for a homogeneous approach; however, when conducting its review, it is paying particular attention to:

- whether the element of remuneration is consistent with the Company's remuneration principles (see page 83);
- if there are differences, whether they are objectively justifiable; and
- whether the approach is fair and equitable in the context of other employees.

The key findings of the Committee's review for 2020 are as follows:

- Average salary increases for employees across the Company are being applied on an equitable and objective basis.
- The majority of our employees have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance.
- Executive Directors are required to adhere to minimum shareholding guidelines.
- All employees are eligible for enrolment in a defined contribution pension arrangement. The CEO's pension will be aligned with the wider workforce by the end of 2022. The pension contributions for the other Executive Directors already align to the wider workforce.
- Benefits are offered according to the level of seniority of the role in line with market practice.

The Committee is satisfied that the approach to remuneration across the Company is consistent with the Company's principles of remuneration. Further, that in the Committee's opinion the approach to executive remuneration aligns with the wider Company pay policy and that there are no anomalies specific to the Executive Directors.

Communication and engagement with employees

The Board is committed to ensuring there is an open dialogue with our employees over various decisions and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities. Pages 62 and 63 explains the key approaches used by the Board to engage with employees during 2020.

Engagement approaches include the EEC, which facilitates effective engagement between the Board and the workforce, with each meeting attended by a Non-Executive Director. The Committee Chairman discussed the remuneration policy and practice for Executive Directors with the EEC in September 2020. The Chairman provided employees with an overview of the Company's approach to Executive Remuneration, the key elements of the policy and key considerations in the context of Covid-19. During the discussion there was a good level of employee engagement with a range of topics debated. The session further informed the Chairman of the views of the workforce on the Company's approach to pay.

Alongside the EEC, the Board commissions an employee engagement survey, which is independently administered by Willis Towers Watson, as a platform for employee voice and feedback. The output from each employee engagement survey is reviewed by the Board and appropriate actions taken in response to any findings. Its importance is reflected by the inclusion of employee engagement as a performance measure in the BBP.

Once the Committee has conducted its review of the wider workforce remuneration and incentives it considers the approach applied to the remuneration of the Executive Directors and Senior Management. In particular, the Committee is focused on whether, within the framework set out above, the approach to the remuneration of the Executive Directors and Senior Management is consistent with that applied to the wider workforce.

Living wage, equal opportunities and diversity initiatives

A summary of the Company's general policies in relation to living wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living wage employer	The National Living Wage is the amount of money all employees aged over 25 are legally entitled to. Our policy is to ensure that all employees, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Company is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Company is responsive to the needs of its employees, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Company ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details are provided in the Strategic Report on pages 40 to 42.

Gender Pay Gap

Having a diverse workforce which reflects the city we serve in is important to us and means we can better serve our customers. As set out on pages 40 to 42, we hire from diverse backgrounds, and our recruitment policies, salary and bonus structures are designed to be gender neutral. Our gender balance across the Company is split 53% men and 47% women.

The Group recognises that the key driver behind both our hourly and bonus gap is a higher proportion of male employees in senior roles, and so we continue to remain focused on initiatives to increase female representation at Senior Management and leadership level. More information can be found in our Gender Pay Gap report which is available at www.foxtonsgroup.co.uk/about/gender-pay.

2020 ANNUAL REPORT ON REMUNERATION *continued*

CEO pay ratio

We have set out the ratio of CEO pay (based on the single total figure of remuneration) to that of employees for 2020 and 2019, in the table below. The calculation has been performed in line with 'Option A' under the regulations in line with best practice and is based on the total single figure of remuneration methodology.

Financial year	Method used	CEO pay ratio: 25th percentile pay ratio	CEO pay ratio: 50th percentile pay ratio	CEO pay ratio: 75th percentile pay ratio	CEO total pay (£000)
2020	Option A	61:1	44:1	28:1	1,605
2019	Option A	48:1	37:1	22:1	1,257

Total remuneration for each employee was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile employees for the financial year to 31 December 2020. The hourly rates were annualised using the same number of contractual hours as the CEO. Employee total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus, commissions earned and benefits. The total remuneration for the relevant employees was compared to that of the CEO.

In 2020, the employee total pay and benefits at the 25th, 50th and 75th percentile was £26,400, £36,700 and £58,100 respectively, and the basic salary for the same employees, excluding variable pay, was £26,400, £34,200 and £22,300 respectively.

In assessing our pay ratio versus likely ratios from industry peers, we believe that we are towards the lower end of the range but note that annual and long-term incentive payments have varied considerably amongst this group. We also recognise that ratios will be influenced by levels of employee pay, and in the real estate sector, employee pay will be lower than in many other sectors of the economy.

The 2019 CEO single figure comprised fixed pay, taxable benefits, pension benefits and bonus only, given that no long-term incentive vested in respect of performance in 2019. 2020 is the first year of the implementation of our new policy and, in line with the remuneration reporting regulation, the RSP award has been included in the year of grant (rather than in the year of vest as our previous share option scheme would be reported). Therefore, the CEO single figure includes a long-term incentive in 2020, which it did not in 2019.

Overall, the median pay ratio has increased from 2019 to 2020. This is due to the inclusion of the CEO's long-term incentive award in 2020, which was not included in the 2019 calculation. Given the reduction in the annual bonus outcome for the CEO, and the increase in median all employee total pay and benefits, the Committee is satisfied that the underlying movements in pay support the pay, reward and progression policies for the Company's employees.

Over time, we expect that there may be significant volatility in this ratio. We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees (for example, the inclusion of a higher proportion of variable incentive pay), as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. Where the structure of remuneration is similar, as for Senior Management and the CEO, the ratio is likely to be much more stable over time.

CEO and average employee pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to September 2013 (date of listing). We have also included our TSR performance over this period against the FTSE 250 and FTSE All Share indices, based on £100 invested at listing. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate base for comparison, and the FTSE All Share was chosen as the Company is a constituent of that index.

Pay performance: TSR chart (£'000)

	2013	2014	2015	2016	2017	2018	2019	2020
Incumbent[1]	M. Brown	M. Brown / N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden
CEO single figure of remuneration (£'000)	624	257 / 327	856	982	914	910	1,257	1,605
Annual bonus / BBP earning (% of maximum)	n/a	n/a / 20%	51.5%	36.5%	26.4%	30%	70%	45.6%
Long-term incentives[2] (% of maximum)	n/a	n/a / n/a[2]	n/a[2]	0%[2]	0%[2]	0%[2]	0%[2]	100%[3]

1 Michael Brown stepped down as CEO on 30 June 2014 and was replaced by Nic Budden on 1 July 2014.

2 The 2016 to 2019 long-term incentive value of 0% relates to the historic LTIP and Share Option Plan awards which did not vest in those years due to performance conditions not being achieved. The first award under the LTIP was granted in 2014 and had a three year performance period and therefore no awards were scheduled to vest in 2014 and 2015.

3 From this year onwards the long-term incentive will be delivered in the form of an RSP award which will vest in three years' time subject to the achievement of the underpin. Due to the nature of the RSP it is included in the single figure table on grant at 100% of the award level.

The CEO's remuneration has increased overall over the period whilst the Company's TSR has decreased. The reduction in Company's TSR has been significantly influenced by the prolonged sector downturn over the last 6 years which is due to external factors largely outside of management's control. This does not reflect the strong performance and success of the CEO in maintaining the Company in a strong position throughout the downturn and progress with the Group' strategy. As explained earlier the 2020 single figure is significantly higher than earlier years because of the inclusion upon grant of the RSP awards whereas previous long-term incentives would only have been included upon vesting.

The new incentive structure developed as part of the 2020 Policy has been designed to ensure that the Executive Directors are able to build a material shareholding, which we expect to improve alignment with the shareholder experience over time. The chart shows that our average employee pay has similarly trended upwards over the period. The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our employees, which introduces a higher degree of variability in his pay each year.

Percentage change in Directors' remuneration

The Committee monitors the changes year-on-year between our Directors' pay and average employee pay. As per our policy, salary increases applied to Executive Directors will typically be in line with those of the wider workforce. The table below shows the percentage change in Executive Director and Non-Executive Director total remuneration compared to the change for the average of employees within the Company. The comparator group is based on all employees of the Group.

	Salary / fees paid		Taxable benefits		Short-term variable pay[1]	
	2019	2020	2019	2020	2019	2020
Nic Budden (CEO)	1%	(1%)	17%	12%	135%	(33%)
Richard Harris (CFO)[2]	n/a	(3%)	n/a	88%	n/a	(39%)
Patrick Franco (COO)[2]	n/a	(3%)	n/a	(34%)	n/a	68%
Ian Barlow	0%	150%	n/a	n/a	n/a	n/a
Sheena Mackay	0%	(3%)	n/a	n/a	n/a	n/a
Alan Giles[2]	n/a	12%	n/a	n/a	n/a	n/a
Rosie Shapland	n/a	n/a	n/a	n/a	n/a	n/a
All other employees	7%	2%	14%	1%	23%	(1%)

1 Short-term variable pay includes annual bonus and/or BBP and commission payments.

2 Where an individual has not been an Executive or Non-Executive Director for a full financial year, the figures have been annualised in order to allow for year-on year comparison.

The net reduction in salaries for the CEO, CFO and COO is as a result of the 20% voluntary reduction that the Executive Directors took in April 2020 and May 2020. The increase in the bonus for the COO is as a result of the change in his bonus entitlement effective 1 January 2020. Patrick Franco's 2019 Annual bonus entitlement remained in line with his arrangements prior to his appointment to the Board (40% of base salary) and moved to 125% of base salary, in line with the policy from 1 January 2020. The net increases for Ian Barlow and Alan Giles are as a result of their respective appointments as Chairman of the Board (1 March 2020) and Chairman of the Remuneration Committee (13 November 2019) and the corresponding increase in fee, after incorporating the 20% voluntary reduction that all Non-Executive Directors took in April 2020 and May 2020.

2020 ANNUAL REPORT ON REMUNERATION *continued*

HOW WE IMPLEMENTED THE POLICY IN 2020

This section provides details of how our remuneration policy was implemented during the financial year ended 31 December 2020.

Single figure of the Executive and Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Director for the year ended 31 December 2020 and the prior year. 2020 is the first year of the implementation of our new policy and therefore there are notable differences in the single figure outcomes. In particular the RSP award which, in line with the remuneration reporting regulations has been included in the year of grant and not in the year of vest as our previous share option scheme would be reported:

		Salary / fees paid[10]	Taxable benefits[1]	BBP/Annual bonus[2]	Long-term incentives[3]	Pension[4]	Total[11]	Total fixed remuneration	Total variable remuneration
Executive Directors									
Nic Budden	**2020**	**550**	**38**	**389**	**569**	**58**	**1,605**	**647**	**959**
	2019	556	34	583	–	84	1,257	674	583
Richard Harris[5]	**2020**	**290**	**20**	**171**	**225**	**9**	**715**	**319**	**396**
	2019	149	5	140	–	4	298	158	140
Patrick Franco[6]	**2020**	**290**	**7**	**171**	**225**	**9**	**702**	**306**	**396**
	2019	75	2	26	–	2	105	79	26
Non-Executive Directors									
Garry Watts[7]	**2020**	**46**	**–**	**–**	**–**	**–**	**46**	**46**	**–**
	2019	184	–	–	–	–	184	184	–
Ian Barlow[7]	**2020**	**158**	**–**	**–**	**–**	**–**	**158**	**158**	**–**
	2019	63	–	–	–	–	63	63	–
Sheena Mackay	**2020**	**61**	**–**	**–**	**–**	**–**	**61**	**61**	**–**
	2019	63	–	–	–	–	63	63	–
Alan Giles[8]	**2020**	**71**	**–**	**–**	**–**	**–**	**71**	**71**	**–**
	2019	37	–	–	–	–	37	37	–
Rosie Shapland[9]	**2020**	**63**	**–**	**–**	**–**	**–**	**63**	**63**	**–**
	2019	–	–	–	–	–	–	–	–

1 Benefits received in 2020 include a car or car allowance, medical and life assurance.

2 This is the BBP/annual bonus earned in respect of performance during the relevant year. In 2019 the full amount earned was paid in cash. In 2020, amounts earned under the BBP are paid into the participant's plan account, with 70% paid as cash and the remaining 30% held in shares or share-linked units in the participants plan account. Further details of the performance criteria, achievement and resulting awards for the 2020 BBP are set out on page 96.

3 The amount included in the long-term incentives column represents the RSP award granted in May 2020. The award is included at face value at grant (refer to page 97). No legacy long-term incentive awards were due to vest based on a performance period ending during 2020.

4 During 2019 and 2020, the Executive Directors received a pension contribution or cash allowances in lieu of a pension contribution. For 2020, this was 10% of salary for Nic Budden, and 3% of salary for Richard Harris and Patrick Franco.

5 Richard Harris joined the Board as CFO on 24 June 2019.

6 Patrick Franco joined the Board as COO with effect from 1 October 2019.

7 Garry Watts retired as Chairman and stepped down from the Board on 1 March 2020. Ian Barlow assumed the role of Chairman from 1 March 2020.

8 Alan Giles joined the Board as a Non-Executive Director with effect from 1 June 2019.

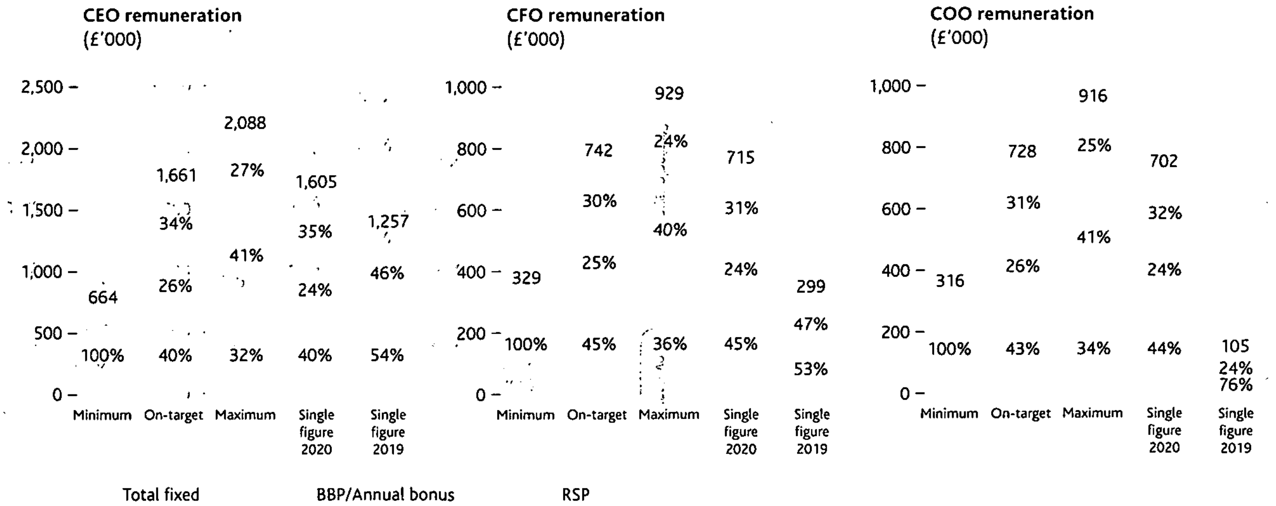
9 Rosie Shapland joined the Board as a Non-Executive Director with effect from 5 February 2020.

10 All Directors took a voluntary salary reduction of 20% in April 2020 and May 2020 and is reflected in the 2020 salary/fees paid.

11 No share price appreciation (or estimate of) is included in the values included in the single figure table. The RSP is included in the single figure table based on the value at grant.

The increase in the total single figure of remuneration for the CEO is as a result of the inclusion of the first award under the RSP in 2020. As mentioned above the table, 2020 is the first year of the implementation of our new policy and includes the RSP award which, in line with the remuneration reporting regulations has been included in the year of grant. Excluding the RSP award the CEO's 2020 single figure would be £1,035,000, which is a decrease compared to 2019 as a result of the lower annual bonus payment in 2020. In addition, the actual cash received in the year in 2020 was lower than 2019, due to the lower annual bonus outcome, as well as this being the first year that 30% of the annual bonus outcome is deferred into shares under the BBP. The CFO and COO were both appointed to the Board in 2019 and as a result the 2019 numbers represent the post-appointment period only and are therefore not comparable to the 2020 single figure of remuneration.

The following charts show the total single figure of remuneration for the CEO, CFO and COO compared to the remuneration policy scenarios under the 2020 remuneration policy which applied during the year.



Annual bonus banking plan outcome in respect of 2020 (audited)

Executive Directors' financial and stakeholder objectives continue to be linked to the delivery of the Group's strategic priorities. In determining the outcome of some objectives, the Committee sought input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision-making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed.

As discussed in the letter from the Chairman of the Remuneration Committee, 2020 annual bonus targets were originally set in February 2020 before Covid-19 emerged. Following the spring lockdown, that required the closure of our branches, these original targets were largely rendered irrelevant as a means of incentivising management and therefore in June 2020 new financial targets for adjusted operating profit and costs were set. The targets for the other four performance measures were unchanged. In the view of the Committee the revised targets were as challenging in the new circumstances as those set in February 2020.

In the interests of full transparency, we set out below both the June 2020 targets and February 2020 targets. As part of their in depth discussions, the Committee reviewed performance against both the June 2020 and February 2020 targets. Under both sets of targets a bonus would have been payable based on performance. Taking the overall business performance and the criteria arising from the broader context as set out in the letter from the Chairman of the Remuneration Committee into consideration, and acknowledging the performance of the Executive Directors during the year, the Committee decided to award a bonus based on the June 2020 targets but adjusted to reduce the formulaic outcome by 50%.

2020 ANNUAL REPORT ON REMUNERATION *continued*

The table below sets out the June 2020 targets, performance against these targets and the resulting annual bonus outcome following the application of the 50% reduction to the formulaic outcome:

2020 annual bonus outcome versus June 2020 targets

	Weighting	Threshold (25% payable)	Target (50% payable)	Maximum (100% payable)	Actual	Outcome (% of element)	Outcome (% of maximum)
Adjusted operating profit	50%	(£4.6m)	(£2.1m)	£0.4m	£1.9m[1]	Above maximum achieved	50.0%
Cost reduction	10%	£15m	£16m	£17m	£16.2m[2]	60%	6.0%
Lettings market share growth	10%	4%	6%	12%	Commercially sensitive	Between target and maximum achieved	7.2%
Sales market share growth	10%	4%	6%	12%	Commercially sensitive	Above maximum achieved	10.0%
Maintain strong customer service levels (Trustpilot score out of 5)	10%	4.6	4.7	4.8	4.8	100%	10.0%
Maintain strong employee engagement (employee engagement score)	10%	80%	82.5%	85%	84%	80%	8.0%
Formulaic bonus outcome (% of maximum)							**91.2%**
Discretionary adjustment (% of formulaic outcome)							**(50.0)%**
Adjusted bonus outcome							**45.6%**

1 This is the 2020 adjusted operating profit, excluding the profit contribution from H2 acquisitions which were excluded from the targets.

2 This is the reduction in the cost base from 2020 to 2019, excluding the impact of operating costs and other costs directly attributable to H2 2020 acquisitions which were excluded from the targets.

For information, the table below sets out the February 2020 targets, performance against these targets and the resulting formulaic annual bonus:

2020 annual bonus outcome versus February 2020 targets

	Weighting	Threshold (25% payable)	Target (50% payable)	Maximum (100% payable)	Actual	Outcome (% of element)	Outcome (% of maximum)
Adjusted operating profit	50%	£1.1m	£2.1m	£3.1m	£1.5m[1]	35%	17.3%
Cost reduction	10%	£0.8m	£1.0m	£3.0m	£17m[2]	100%	10.0%
Lettings market share growth	10%	4%	6%	12%	Commercially sensitive	Between target and maximum achieved	7.2%
Sales market share growth	10%	4%	6%	12%	Commercially sensitive	Above maximum achieved	10.0%
Maintain strong customer service levels (Trustpilot score out of 5)	10%	4.6	4.7	4.8	4.8	100%	10.0%
Maintain strong employee engagement (employee engagement score)	10%	80%	82.5%	85%	84%	80%	8.0%
Formulaic bonus outcome (% of maximum)							**62.4%**

1 The February 2020 targets excluded all acquisitions and this methodology has been replicated in the actual outcome reported in the table above. This differs to the methodology used for the June 2020 targets which only excluded a sub-set of acquisitions.

2 The February 2020 targets adjusted for all acquisition operating and transaction costs and this methodology has been replicated in the actual outcome reported in the table above. This differs to the methodology used for the June 2020 targets which only adjusted for a sub-set of acquisitions.

Scheme interests granted during 2020 (audited)

Following the approval of the RSP at the 2020 AGM, Executive Directors were granted the following awards over the Company's ordinary shares under The Foxtons Group plc 2020 Restricted Share Plan.

No consideration was paid for the grant of the RSP Awards which are structured as nil cost options. The number of ordinary shares granted under each RSP Award has been calculated using an ordinary share price of 40.53 pence per share being the average of the closing share prices over the three dealing days preceding the date of grant.

The normal vesting date of the RSP Awards will be 13 May 2023, being the third anniversary of the award date. Once vested, the RSP Awards will normally be exercisable until the day before the tenth anniversary of the award date. The RSP Awards are subject to a two-year holding period commencing on vesting.

Executive	Number of Ordinary Shares under RSP Award	Face value	Option price	Performance conditions
Nic Budden	1,404,885	£569,400	£Nil	Awards will ordinarily vest after three years subject to the grantee's continued service and a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.
Richard Harris	555,144	£225,000	£Nil	
Patrick Franco	555,144	£225,000	£Nil	

Statement of Directors' shareholding and share interests (audited)

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested) as at 31 December 2020. There have been no changes in Directors' interests in the period between 31 December 2020 and 9 March 2021.

		Outstanding scheme interests						
	Shares owned outright	Unvested shares not subject to performance[1]	Unvested shares subject to performance	Unvested share options subject to performance[2]	Total scheme interests	Shareholding guideline (% of salary)	Current shareholding (% of salary)[3]	Guideline met
Nic Budden	454,660	1,404,885	–	6,500,000	7,904,885	250%	44%	No
Richard Harris	276,106	555,144	–	300,000	855,144	200%	51%	No
Patrick Franco	20,000	555,144	–	1,000,000	1,555,144	200%	4%	No
Garry Watts	43,477	–	–	–	–	–	–	–
Ian Barlow	380,487	–	–	–	–	–	–	–
Sheena Mackay	30,000	–	–	–	–	–	–	–
Alan Giles	100,000	–	–	–	–	–	–	–
Rosie Shapland	20,000	–	–	–	–	–	–	–

1 Unvested shares not subject to performance are shares granted under the RSP.
2 Market value options include awards under the 2017 Share Option Plan.
3 Based on the share price on 31 December 2020 of 55p. Only shares owned outright have been included.

External appointments

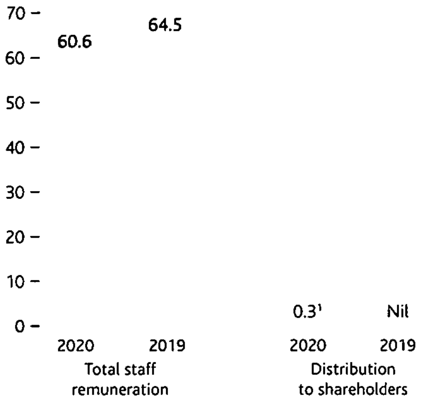
The only Executive Director to hold any external appointments is Patrick Franco, COO. Patrick serves as a trustee of the charity, Global Heritage Fund, and does not receive a fee for this position.

2020 ANNUAL REPORT ON REMUNERATION *continued*

Relative importance of spend on pay

The chart below shows the Company's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2019 and 31 December 2020.

Relative importance of spend on pay (£m)



[1] £0.3 million distributed to shareholders through the share buyback programme announced in December 2020. As at 9 March 2021 a total of £1.8 million of shares have been bought back.

ADDITIONAL INFORMATION

The following table sets out the other elements of the Annual Report on Remuneration and where in the Directors' remuneration report they can be found (where relevant).

Element	Page
No long-term incentive plan award vested for performance ending in the 2020 financial year (audited)	82
How we will apply the policy in 2021	84
No payments for loss of office (audited)	n/a
No payments to former Directors during the 2020 financial year (audited)	n/a

Service contracts

The Executive Directors are employed under contracts of employment with Foxtons Group plc. The principal terms of the Executive Directors' service contracts are as follows.

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Nic Budden	CEO	1 July 2014	12 months	12 months
Richard Harris	CFO	24 June 2019	12 months	12 months
Patrick Franco	COO	1 October 2019	12 months	12 months

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment	Date of appointment/ last reappointment at AGM	Notice period
Ian Barlow	23 August 2013	13 May 2020	3 months
Sheena Mackay	14 September 2017	13 May 2020	3 months
Alan Giles	1 June 2019	13 May 2020	3 months
Rosie Shapland	5 February 2020	13 May 2020	3 months

Who are the Committee's advisers?

The Remuneration Committee received advice on executive remuneration from PwC, following appointment by the Remuneration Committee as independent adviser in 2019. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. PwC's fees charged for the provision of independent advice to the Committee during the year were £40,500. Other than in relation to advice on remuneration, PwC provides support to management in relation to tax compliance, internal audit and ad-hoc tax and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

Shareholder voting at the Company's AGMs

The table below sets out the results of the most recent shareholder votes on the Policy report (2020 AGM) and the advisory vote on the 2020 Annual Report on Remuneration at the 2020 AGM on 13 May 2020.

	Percentage of votes cast		Number of votes cast		
Resolution	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Policy report	78.41%	21.59%	217,451,038	59,873,876	8,986
Annual Report on Remuneration	99.27%	0.73%	275,286,935	2,038,238	8,728

[1] A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

At the 2020 AGM, the Directors' Remuneration Policy received a 78.41% 'for' vote. Whilst the Board is satisfied with the level of support achieved for the resolution, it is acknowledged that a number of shareholders voted against the proposal. In preparing the 2020 Directors' Remuneration Policy, the Remuneration Committee carried out an extensive shareholder consultation exercise with its largest shareholders and their representative bodies, the results of which are explained fully in the 2019 Annual Report.

The Director's Remuneration Report was approved by the Board and signed on its behalf by:

Alan Giles
Chairman of the Remuneration Committee

9 March 2021

DIRECTORS' REPORT

This Directors' Report sets out the information required to be disclosed by the Company in compliance with the Companies Act 2006 and the Financial Conduct Authority's Listing Rules and Disclosure Guidance and Transparency Rules (DTR). It forms part of the management report as required under the DTR, along with the Strategic Report (pages 1 to 47) and other sections of this Annual Report and Accounts including the Corporate Governance Report (pages 53 to 61) all of which are incorporated by reference.

CORPORATE STRUCTURE

Foxtons Group plc is the holding company of the Foxtons group of companies. It is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the Main Market of the London Stock Exchange. The Company has no branches outside the UK.

CORPORATE GOVERNANCE

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on pages 53 to 61 and forms part of this report by reference.

EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

As set out in the Audit Committee's report on page 75, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems. No significant control failings or weaknesses were identified during the period under review.

THE BOARD OF DIRECTORS

The members of the Board of Directors and their biographical details are shown on pages 50 and 51 and are incorporated into this report by reference. Rosie Shapland was appointed as a Director on 5 February 2020 and Chair of the Audit Committee on 1 March 2020. Garry Watts retired from the Board on 1 March 2020.

APPOINTMENT AND REPLACEMENT OF DIRECTORS

The appointment and replacement of Directors is governed by the Company's Articles of Association (the 'Articles'), the Companies Act 2006 and related legislation. The Articles provide that the Directors may be appointed by ordinary resolution of the shareholders or by the Board. The Company must have not less than two, or more than 12 Directors. Where Directors are appointed by the Board, they may only hold office until the next AGM of the Company where they will be eligible for election. Each Director must then retire from office at the third AGM after the AGM at which he was last elected. However, the Board has decided that all Directors will seek re-election at each AGM in accordance with the Code. The Company may remove a Director by special resolution or by ordinary resolution where special notice has been given and the necessary statutory procedures are complied with.

POWERS OF DIRECTORS

Subject to the Articles, the Companies Act 2006 and related legislation, and any directions given by special resolution of the shareholders, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

ARTICLES OF ASSOCIATION

The Company may alter its Articles by special resolution at a general meeting of the Company. The Company's Articles are available on the Company's website www.foxtonsgroup.co.uk.

DIRECTORS' INDEMNITY

The Company has granted a third party indemnity to each of its Directors against any liability that attaches to them in defending proceedings brought against them, to the extent permitted by English law, in connection with the discharge of their duties as a Director of the Company and its subsidiaries. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against the Directors.

COMPENSATION FOR LOSS OF OFFICE

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on page 89.

DIVIDENDS

In line with the Group's policy, the Directors are not recommending the payment of any dividend on its ordinary shares for the year ended 31 December 2020 (2019: nil) but will consider future dividend policy in the light of results from the business going forward.

POST BALANCE SHEET EVENTS

On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies for £14.25 million, on a cash and debt free basis. The consideration was fully satisfied in cash, except for a deferred cash consideration of £0.5 million. Douglas & Gordon's reported revenue and EBITDA (pre-IFRS 16) for the year to March 2020 was £16.5 million and £0.6 million, respectively. Reported gross assets at 31 March 2020 were £6.1 million.

FUTURE DEVELOPMENTS IN THE BUSINESS OF THE COMPANY

Details of the Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 47 and form part of this report by reference.

STREAMLINED ENERGY AND CARBON REPORTING

Information on the Group's streamlined energy and carbon reporting is set out in the Strategic Report on page 45 and forms part of this report by reference.

RESEARCH AND DEVELOPMENT

The Group does not undertake any material activities in the field of research and development.

POLITICAL DONATIONS

No political donations were made in 2020 (2019: nil).

EMPLOYEE ENGAGEMENT AND POLICY REGARDING DISABLED PERSONS

The Group provides employees with information on the Group's performance and on matters concerning them on a regular basis. Considerable value is placed on the involvement of employees, which is reflected in the principles of Foxtons' corporate practices and related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

Foxtons operates an equal opportunities policy that aims to ensure that all employees are treated fairly and without favour or prejudice throughout selection, recruitment, training, development and promotion. The Company's policies and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Further information on the Company's approach to diversity, inclusion and career progression are contained in the Strategic Report on pages 40 to 42. Refer to page 62 for details of how the Board engages with employees.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS, THE COMMUNITY AND OTHERS

The long-term success of the Group is dependent on its relationships with its key stakeholders. In accordance with Section 172 of the Companies Act 2006, the Company's statement on engagement with its suppliers, customers, the community and others can be found on pages 61 to 65.

DIRECTORS' INTERESTS

The beneficial interests of the Directors of the Company and their closely associated persons in the issued ordinary shares of the Company at 31 December 2020 are provided on page 97, within the Directors' Remuneration Report. There have been no changes to the interests shown on page 97 since 31 December 2020.

SHARE CAPITAL

At 31 December 2020, there were 330,097,758 ordinary shares of £0.01 each in issue. 663,798 ordinary shares were held in Treasury. Each ordinary share carries one vote; therefore, the total voting rights in issue at 31 December 2020 were 329,433,960. As at the date of this report, the Company held 3,292,745 shares in Treasury and the total voting rights in issue were 326,805,013.

Details of the Company's issued share capital and shares issued during the year can be found in Note 19 of the financial statements.

RIGHTS AND OBLIGATIONS ATTACHING TO SHARES

The Company has a single class of ordinary shares in issue. Holders of the ordinary shares are entitled to receive dividends (when declared) and a copy of the Company's Annual Report and Accounts, attend and speak at general meetings of the Company and appoint proxies and exercise voting rights or the transfer of voting rights.

At any general meeting, on a show of hands, every shareholder present in person or by proxy shall have one vote and, on a poll, every shareholder present in person or by proxy, shall have one vote for every share of which they are the holder. Subject to certain thresholds being met, holders of ordinary shares may requisition the Board to convene a general meeting or propose resolutions at AGMs. On liquidation, holders of ordinary shares may share in the assets of the Company.

None of the ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights or the transfer of voting rights. Major shareholders have the same voting rights per share as all other shareholders. The Company is not aware of any arrangements under which financial rights are held by a person other than the holder of the shares.

The Foxtons Group Employee Benefit Trust is an Employee Benefit Trust which holds ordinary shares in the Company in trust for employees within the Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the ordinary shares subject to the Trust in such manner as the Trustee in its absolute discretion thinks fit. The Trustee of the Employee Benefit Trust has waived its rights to dividends on ordinary shares held by the Trust as these have not yet vested unconditionally in employees. Details of the ordinary shares held by the Trust can be found in Note 21 of the financial statements.

RESTRICTIONS ON TRANSFERS OF SECURITIES

There are no restrictions on the transfer of securities in the Company and no requirement for any person to obtain the approval of the Company, or other holders of the Company's securities, in order to transfer securities. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

AUTHORITY TO ALLOT SHARES

The Company was granted a general authority by its shareholders at the 2020 AGM to allot shares up to 33.33% of the Company's issued share capital as at 14 April 2020. The Company also received authority to allot shares for cash on a non-pre-emptive basis up to 5% of the Company's issued share capital as at 14 April 2020. These authorities will expire at the conclusion of the 2021 AGM. Resolutions will be proposed at the 2021 AGM to renew these authorities. In addition, this year, a separate special resolution will be proposed, in line with institutional shareholder guidelines, to authorise the Directors to make non-pre-emptive issues for cash in connection with acquisitions/specified capital investments up to a further 5% of the Company's issued share capital.

For information, on 17 April 2020, the Company announced the successful completion of the non-pre-emptive placing (the 'Placing') of 54,993,367 new ordinary shares at a price of 40.0 pence per ordinary share (Placing Price). The Directors participated in the Placing and subscribed to a total of 387,112 ordinary shares at the Placing Price. The 54,993,367 new ordinary shares issued under the Placing represented approximately 19.9% of the existing issued ordinary share capital of the Company prior to the Placing. The Placing Price represented a premium of 4.2% to the closing mid-market share price of 38.4 pence on 16 April 2020, being the day before the proposed Placing was announced.

The Placing raised £21.1 million of net proceeds which have been used to strengthen the Company's balance sheet, working capital and liquidity position during this period of unprecedented disruption resulting from the Covid-19 pandemic, and to put the Company in a strong position to pursue its strategic objectives. The Placing was conducted on a soft pre-emptive basis, with consultation between the Company and its major institutional shareholders ahead of the announcement of the Placing.

The Board concluded that the Placing was in the best interests of shareholders and wider stakeholders and would promote the success of the Company, a conclusion which was endorsed by the consultation with major institutional shareholders. Over the three-year period preceding the Placing, the Company had not issued any shares. Further details of the Placing can be found in the Chief Executive's Review on page 5 and in the Financial Review on page 29.

MAJOR INTERESTS IN SHARES

Information on major interests in shares provided to the Company under the DTR is published via a Regulatory Information Service and on the Company's website www.foxtonsgroup.co.uk.

The table below shows notifications received by the Company in accordance with DTR 5. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Institution	Voting rights at 31 December 2020	% of capital at 31 December 2020	Nature of holding
Platinum Investment Management Limited	30,338,866	9.21%	Direct: 9.14% Indirect: 0.07%
Hosking Partners LLP	22,758,082	6.91%	Indirect
Russell Investment Group Limited	17,723,934	5.38%	Indirect
SFM UK Management LLP	16,706,000	5.07%	Indirect
3G Capital Management LLC	16,515,000	5.01%	Indirect
Lombard Odier Asset Management (Europe) Limited	16,306,172	4.95%	Indirect
Michael Brown	16,282,935	4.94%	Direct
Franklin Templeton Institutional, LLC	16,161,700	4.91%	Indirect
Invesco Ltd	15,281,396	4.64%	Indirect
Highclere International Investors	13,906,308	4.22%	Indirect

As at 9 March 2021, the date of this report, the Company had received the following additional notifications:

Institution	*Voting Rights as at 9 March 2021*	*% of capital as at 9 March 2021*	*Nature of holding*
Hosking Partners LLP	35,998,027	11.02%	Indirect
Platinum Investment Management Limited	32,923,055	10.07%	Direct: 10% Indirect: 0.07%
Highclere International Investors	16,155,803	4.94%	Indirect
Lombard Odier Asset Management (Europe) Limited	14,827,273	4.54%	Indirect
Michael Brown	13,091,572	4.01%	Direct

There have been no further changes to the above since 31 December 2020.

AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES

The Company was granted authority by its shareholders at the 2020 AGM to purchase up to 27,510,439 of its ordinary shares, being 10% of the issued share capital as at 14 April 2020. This authority will expire at the conclusion of the 2021 AGM. During the year, the Company announced a share buyback programme and purchased 663,798 of its ordinary shares, having an aggregate nominal value of £6,637.98, for a total consideration of £317,723.31. The number of shares purchased represented 0.2% of the Company's issued share capital as at 31 December 2020. These shares were purchased through Numis Securities Limited at an average price of 48.61p.

All the shares purchased under the share buyback programme are held in treasury. As at 9 March 2021, the date of this report, the Company has purchased a total of 3,292,745 of its ordinary shares, having an aggregate nominal value of £32,927.45, for a total consideration of £1,813,329.30. The number of shares purchased represented 1.01% of the Company's issued share capital as at 9 March 2021.

In order to retain flexibility, the Company will propose a resolution at the 2021 AGM to renew the Company's authority to purchase up to 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority, which will lapse at the conclusion of the AGM on 22 April 2021.

SIGNIFICANT AGREEMENTS

With the exception of the revolving credit facility agreement with Barclays Bank plc, which may be terminated by Barclays and all outstanding loans declared immediately due and payable following a change of control, the Company is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Company.

PRINCIPAL RISKS, EMERGING RISKS AND UNCERTAINTIES

The Board has carried out a robust assessment of the Group's principal risks, emerging risks and uncertainties as summarised on pages 32 to 35 of the Strategic Report.

FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in Note 22 of the Group's consolidated financial statements.

INFORMATION PRESENTED IN OTHER SECTIONS

Certain information is required to be included in the Annual Report and Accounts by Listing Rule 9.8.4. The following table provides references to where this information can be found. If a requirement is not shown, it is not applicable to the Company.

Section	Listing Rule Requirement	Location	Page
12 and 13	Shareholder waivers of dividends and future dividends	Directors' Report	101

GOING CONCERN

The financial position of the Group, its cash flows and liquidity position are set out in the consolidated financial statements. Furthermore, Note 22 of the financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Directors believe the Group has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements due to its existing, and forecast, availability of cash resources. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions and in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the FRC in September 2014.

AUDITOR

BDO, the external auditor of the Group, has advised of its willingness to continue in office and a resolution to re-appoint them as auditor and the authority for their remuneration to be determined by the Audit Committee will be proposed at the 2021 AGM. Further details on how the objectivity and independence of the auditor is safeguarded and assessed can be found in the report of the Audit Committee on page 76.

STATEMENT ON DISCLOSURE TO THE AUDITOR

Each of the persons who is a Director at the date of approval of the Annual Report and Accounts confirms that:

a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

b) 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.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AGM

The Company's AGM will take place at 10am on 22 April 2021 at the Company's registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The Notice of Meeting, which sets out the resolutions to be proposed at the forthcoming AGM and attendance arrangements, accompanies the Annual Report and Accounts and can also be found on the Company's website at www.foxtonsgroup.co.uk.

On behalf of the Board

Nic Budden
Chief Executive Officer

Richard Harris
Chief Financial Officer

9 March 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and Accounts 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 are required to prepare the Group financial statements in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts 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 the Parent Company 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 Financial Reporting Standard 101 'Reduced Disclosure Framework' has 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.

In preparing the Group's financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

The Directors are responsible for preparing the Directors' Report, the Strategic Report, the Directors' Remuneration Report and the Corporate Governance Report in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and was signed on its behalf by:

Nic Budden
Chief Executive Officer

Richard Harris
Chief Financial Officer

9 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC

OPINION ON THE FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Foxtons Group Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity, and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors on 13 May 2020 to audit the financial statements for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 31 December 2020. We remain independent of the Group and the Parent 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 as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included the following procedures.

The going concern assessment period used by the Directors was at least 12 months from the date of the approval of the financial statements. We assessed the appropriateness of the approach and model used by management when performing their going concern assessment.

We evaluated the Directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment. Additionally, we reviewed and challenged the results of management's stress testing, to assess the reasonableness of economic assumptions in light of the impact of Covid-19 on the Group's solvency and liquidity position.

Further details of the Directors' assessment of going concern is provided in Note 1.

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 Group and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the Group and Parent Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or actions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OVERVIEW

COVERAGE[1]	94% of Group loss before tax 99% of Group revenue 99% of Group total assets
KEY AUDIT MATTERS	The key audit matters that we identified in the current year were: - Valuation of the indefinite life brand asset - Impairment review of branch assets - Inaccurate calculation of IFRS 15 contract liabilities
MATERIALITY	The materiality that we used for the Group financial statements was £0.93 million which was determined by calculating approximately 1% of Group revenue for the year ended 31 December 2020

[1] These are areas which have been subject to a full scope audit.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope covers 99% of Group revenues, all of which are UK legal entities, with the full scope audits performed entirely by the Group audit team. At the Group level, we also tested the consolidation process. All work was performed by the Group audit team.

For the remaining components which represent 1% of Group revenues, we performed other procedures, including analytical reviews, testing of consolidation journals and intercompany elimination to respond to any potential risks of material misstatement to the Group financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER		HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of the indefinite life brand asset *Refer to Notes 1 and 9 in the Group financial statements.*	The Group has a historical brand asset of £99 million (2019: £99 million) which has an indefinite useful economic life and is therefore subject to a mandatory annual impairment review. The valuation of the indefinite life brand asset is considered to be a significant risk as it requires consideration of value in use of the business as a whole and due to the high level of estimation uncertainty in: - Management's assessment of future cash flows from the estate agency business; - The discount rate applied to the future cash flows (derived from the Weighted Average Cost of Capital); and - The long-term growth rate in the cash flows into perpetuity. The level of audit work required on the model and challenge over Management's judgements on future growth make this a key audit matter.	Our audit work included the following procedures on the annual impairment review of the indefinite life brand asset: - Audited Management's consideration that the assessment of the brand asset under IAS 36 is attributable to the estate agency business as a whole; - Reconciled the carrying value of net assets to the year-end audited statement of financial position and corroborated adjustments made by Management to the carrying value of the net assets by assessing the reasonableness of any adjustments in line with IAS 36; - Reconciled the cash flows from the impairment review model to internal plans approved by the Board of the Group; - Subjected the impairment review model to detailed checks of mechanical robustness being formula consistency and accuracy, and accurate operating functionality of sensitivity parameters; - Audited the accuracy of the discount rate assumption derived by Management and the accuracy with which the models were prepared under the requirements of IAS 36 with the assistance of BDO's Valuations Specialists; and - Challenged the key assumptions within the model to supporting evidence, including pipelines, impact of Covid-19, external market support and assumptions around future costs. **Key observations:** Based on our audit work performed, we did not identify any instances which implies that Management's judgements made around the value in use and their estimates used are unreasonable. Consequently, we concur with Management's judgment that no impairment charge should be recorded for the indefinite life brand asset.

KEY AUDIT MATTER		HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Impairment review of branch assets *Refer to Notes 1 and 4 in the Group financial statements.*	The Group has performed an impairment review under IAS 36 having identified impairment indicators during the year. The Group has recognised an impairment charge of £1.7 million (2019: £4.3 million), against property, plant and equipment and right-of-use assets in the year in respect of vacant, closed and underperforming branches, following a value in use exercise performed over each branch. The preparation of this model is broadly subject to the same judgements and uncertainties as the annual impairment review performed over the brand asset (see above) but subject to additional considerations around the growth rates inherent in tailored plans for specific branches. As such, this is considered to be a key audit matter. Key judgements made by Management in determining the value in use of the branch assets are as follows: - Management's assessment of the future cash flows of the branches; - Discount rate applied to the future cash flows (derived from the weighted average cost of capital); and - The long-term growth rate of the branch's business into the remaining years of the branch lease.	Our audit work included the following procedures on the branch assets impairment review under IAS 36: - Challenged the appropriateness of allocating independently generated cash flows and carrying value of branch-specific net assets to the branch impairment model by auditing the method of allocation back to the requirements of IAS 36; - Reconciled the carrying value of the branch assets to registers of IFRS 16 right-of-use assets and Property, Plant and Equipment; - Subjected the model to detailed mechanical checks, formula consistency and accuracy; - Audited accuracy of the cash flow model and consistency of preparation under IAS 36 (including the accuracy of the discount rate assumption derived) with the assistance of our Valuations Specialists; - Reconciled the cash flows from the impairment review model to the Group's model prepared under IAS 36 for the goodwill and brand asset impairment considerations; - Challenged Management where branches were identified with low value in use sensitivity thresholds and tested statements made to supporting evidence; and - Challenged the assumptions made by Management in formulation of tailored branch plans for specific branches where specific circumstances need to be considered. **Key observations:** Based on our audit work performed, we concur with the impairment charge recorded by Management. We concur with Management's judgment that no further material branch impairment charges have occurred beyond the £1.7 million recorded in the year.

KEY AUDIT MATTER		HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Inaccurate calculation of IFRS 15 contract liabilities *Refer to Notes 1 and 17 in the Group financial statements.*	Our audit strategy assessed revenue recognition, in particular contract liabilities on lettings revenue, to be a significant risk of material misstatement. Our audit focused on the completeness and accuracy of contract liabilities recognised at the year end, in accordance with IFRS 15's cancellable contracts guidance, which are calculated based on the existence of break clauses included within the Group's lettings contracts. Given the Group's bespoke operating systems used to calculate the Group's lettings revenue and contract liabilities, and the time and focus that the Audit Team placed on the Group's bespoke operating system given this has been a first-year audit, it was considered to be a key audit matter.	We have performed the following procedures in connection with the calculation of contract liabilities derived under IFRS 15: - Reviewed the Group's accounting policies for cancellable contracts and considered these policies against compliance with IFRS 15; - Considered the controls in place specific to the on-boarding and approval of tenancy deals, and subsequent generation of an invoice from the tenancy approval process to test the existence of key controls; - Tested a sample of tenancies to the controls around approval processes and performed substantive testing over invoices raised to cash receipt; - Use of our IT experts to test the automated controls around invoicing and generation of revenue based on cancellable contract dates within the Group's bespoke operating system; and - Audited the mathematical integrity and accuracy of the contract liability worksheet to the statement of financial position date positions. A sample of tenancy deals within the contract liability worksheet were tested back to supporting tenancy documents to confirm the correct revenue recognition and accurate accrual and/or deferral of revenue at the statement of financial position date as appropriate. **Key observations:** Our audit work did not identify any instance which implies that the lettings revenue recognised or the contract liability assessment were not materially accurate or complete.

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OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	GROUP FINANCIAL STATEMENTS	PARENT COMPANY FINANCIAL STATEMENTS
	2020	2020
Materiality	£0.93 million	£0.5 million
Basis for determining materiality	1% of revenue	3% of net assets, restricted to £0.5 million to ensure satisfactory mitigation of Group aggregation risk under ISA 600.
Rationale for the benchmark applied	We consider revenue to be the most appropriate benchmark as it provides a more stable measure year-on-year of performance and is a key performance indicator of the Group.	The Parent Company does not trade and, as a result, a profitability metric is not key to understanding the performance of the business. The Parent Company holds material investments in subsidiaries and intercompany receivables. As a result, in our professional judgement, the net assets of the Parent Company are the key metric of the Parent Company and of particular interest to the users of the annual report.
Performance materiality	£0.6 million	£0.3 million
Basis for performance materiality	65% of Group materiality	65% of Parent Company materiality

In reaching our conclusion on the level of performance materiality to be applied, the main factor considered was our assessment of the Group's internal controls and the impact of these on our proposed audit strategy.

Component materiality

We set materiality for each significant component of the Group based on a percentage of between 8% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £0.08 million to £0.84 million. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £32,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report 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.

CORPORATE GOVERNANCE STATEMENT

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

GOING CONCERN AND LONGER-TERM VIABILITY	- The Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 103; and - The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate is set out on page 36.
OTHER CODE PROVISIONS	- Directors' statement on fair, balanced and understandable set out on page 104; - Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 103; - The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 100; and - The section describing the work of the Audit Committee set out on page 77.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

STRATEGIC REPORT AND DIRECTORS' REPORT	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 Group and Parent 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.
DIRECTORS' REMUNERATION	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION	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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or - the Parent Company financial statements and the part of the Directors' Remuneration report to be audited 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 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, 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 Group's and the Parent 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 Group or the Parent 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 Group 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 and UK Corporate Governance Code, the Listing Rules of the FCA and the relevant tax compliance regulations.
- We considered provisions of other laws and regulations that do not have direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate. These include compliance with FCA regulations, Estate Agents Act 1979, Money Laundering Regulations 2007 and Proceeds of Crime Act, and the Data Protection Act.
- We understood how the Group is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group 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 (inaccurate calculation of IFRS 15 contract liabilities has been assessed as a key audit matter above). We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that 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; enquiries with Alexander Hall's Risk Compliance and Technology Director, the Legal and Compliance Director, and Group Management; and focussed testing as referred to in the key audit matters section above. Third party confirmations were obtained directly from the Group'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 FRC's website at: 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 Parent 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 Parent 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 Parent 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

9 March 2021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

Continuing operations	Notes	2020 £'000	2019 £'000
Revenue	2	**93,550**	106,894
Direct operating costs		**(35,449)**	(39,829)
Other operating costs		**(57,254)**	(73,406)
Operating profit/(loss)		**847**	(6,341)
Other losses		**(37)**	(82)
Finance income	5	**111**	149
Finance costs	5	**(2,277)**	(2,546)
Loss before tax		**(1,356)**	(8,820)
Tax (charge)/credit	6	**(1,835)**	1,045
Loss and total comprehensive loss for the year		**(3,191)**	(7,775)
Loss per share			
Basic and diluted (pence per share)	8	**(1.0)**	(2.8)

Adjusted results from continuing operations

Adjusted operating profit/(loss)[1]	2	**1,904**	(683)
Adjusted basic and diluted loss per share (pence per share)[2]	8	**(0.7)**	(1.1)

1 Adjusted operating profit/(loss) is an APM and is reconciled to statutory loss before tax in Note 2. The adjusted operating profit/(loss) measure is presented before charging £1.1 million of adjusted items (2019: £5.7 million) as set out in Note 4.

2 Adjusted basic and diluted loss per share is an APM and is reconciled to statutory loss per share in Note 8. The measure is calculated using an adjusted loss after tax of £2.3 million (2019: £3.1 million) before charging £1.1 million of adjusted items (2019: £5.7 million) and an associated tax credit of £0.2 million (2019: £0.9 million).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Goodwill	9	**11,420**	9,349
Other intangible assets	9	**103,542**	100,995
Property, plant and equipment	10	**10,548**	13,020
Right-of-use assets	11	**44,444**	51,404
Contract assets	17	**350**	564
Interest in associate and investments	13	**1,237**	1,274
Deferred tax assets	6	**1,904**	2,056
		173,445	178,662
Current assets			
Trade and other receivables	15	**13,866**	13,424
Contract assets	17	**1,653**	969
Current tax assets		**76**	342
Cash and cash equivalents		**36,984**	15,482
		52,579	30,217
Total assets		**226,024**	208,879
Current liabilities			
Trade and other payables	16	**(10,309)**	(10,479)
Current tax liabilities		**–**	–
Lease liabilities	11	**(10,849)**	(9,690)
Contract liabilities	17	**(7,659)**	(6,255)
Provisions	18	**(367)**	(1,426)
		(29,184)	(27,850)
Net current assets		**23,395**	2,367
Non-current liabilities			
Lease liabilities	11	**(40,709)**	(46,174)
Contract liabilities	17	**(1,080)**	(1,295)
Provisions	18	**(1,216)**	(949)
Deferred tax liabilities	6	**(19,379)**	(16,830)
		(62,384)	(65,248)
Total liabilities		**(91,568)**	(93,098)
Net assets		**134,456**	115,781
Equity			
Share capital	19	**3,301**	2,751
Merger reserve	20	**20,568**	–
Other reserves	20	**2,653**	2,653
Own shares reserve	21	**(374)**	(56)
Retained earnings		**108,308**	110,433
Total equity		**134,456**	115,781

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

Signed on behalf of the Board of Directors

Richard Harris
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		2,751	–	2,653	(56)	110,433	115,781
Loss and total comprehensive loss for the year		–	–	–	–	(3,191)	(3,191)
Dividends	7	–	–	–	–	–	–
Share issuance	19, 20	550	20,568	–	–	–	21,118
Own shares acquired in the period	21	–	–	–	(318)	–	(318)
Credit to equity for share-based payments	25	–	–	–	–	1,066	1,066
Balance at 31 December 2020		**3,301**	**20,568**	**2,653**	**(374)**	**108,308**	**134,456**

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2,751	–	2,653	(720)	118,640	123,324
Loss and total comprehensive loss for the year		–	–	–	–	(7,775)	(7,775)
Dividends	7	–	–	–	–	–	–
Own shares acquired in the period	21	–	–	–	(54)	–	(54)
Credit to equity for share-based payments	25	–	–	–	–	735	735
Settlement of share incentive plan	25	–	–	–	718	(1,167)	(449)
Balance at 31 December 2019		2,751	–	2,653	(56)	110,433	115,781

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Operating profit/(loss)		**847**	(6,341)
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	10, 11	**11,945**	12,954
Branch asset impairment	4	**1,661**	4,300
Gain on disposal of property, plant and equipment and right-of-use assets		**(460)**	(350)
Amortisation of intangible assets	9	**847**	563
(Decrease)/increase in provisions		**(792)**	838
Share-based payment charges		**1,046**	685
Cash settlement of share incentive plan		**–**	(449)
Operating cash flows before movements in working capital		**15,094**	12,200
Increase in receivables		**(620)**	(2,902)
Increase in payables		**6**	274
Cash generated by operations		**14,480**	9,572
Income taxes received		**192**	204
Net cash from operating activities		**14,672**	9,776
Investing activities			
Interest received		**68**	87
Proceeds on disposal of property, plant and equipment	10	**220**	134
Proceeds on disposal of investments		**57**	–
Purchases of property, plant and equipment	10	**(630)**	(426)
Purchases of intangibles	9	**(88)**	(103)
Purchases of investments		**–**	(67)
Acquisition of subsidiaries (net of cash acquired)	12	**(3,768)**	–
Net cash used in investing activities		**(4,141)**	(375)
Financing activities[1]			
Dividends paid	7	**–**	–
Interest paid		**(61)**	(77)
Repayment of lease liabilities	11	**(10,015)**	(11,972)
Sub-lease receipts		**299**	258
Purchase of own shares		**(318)**	(54)
Net proceeds from issue of ordinary share capital	19	**21,117**	–
Proceeds from external borrowings		**5,000**	–
Repayment of external borrowings		**(5,050)**	–
Net cash generated/(used) in financing activities		**10,972**	(11,845)
Net increase/(decrease) in cash and cash equivalents		**21,502**	(2,444)
Cash and cash equivalents at beginning of year		**15,482**	17,926
Cash and cash equivalents at end of year		**36,984**	15,482

[1] All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities. Refer to Note 11 for a reconciliation of lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 GENERAL INFORMATION

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

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

1.2 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and in accordance with International Financial Reporting Standards (IFRS) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. IFRS includes the standards and interpretations approved by the International Accounting Standards Board (IASB) including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2019 and 2020.

1.3 BASIS OF PREPARATION

These financial statements have been prepared on the historical cost basis as modified by items held at fair value through other comprehensive income. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

1.4 BASIS OF CONSOLIDATION

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

1.5 BUSINESS COMBINATIONS

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

1.6 GOING CONCERN

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

Actions taken during the year

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

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

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

Going concern assessment

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

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

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

The Group expects the RCF to be available throughout the going concern review period with ongoing compliance with the RCF's covenants (refer to Note 22 for details of the covenants). The going concern assumption is not dependent on the availability of the RCF. The Group expects to renew the RCF, or have access a similar facility, following expiry to manage liquidity risk.

1.7 ADOPTION OF NEW AND REVISED STANDARDS

Several 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 standards, 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 Group's financial statements.

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES *continued*

1.7 ADOPTION OF NEW AND REVISED STANDARDS *continued*

AMENDMENT TO IFRS 16 '*LEASES*'

During the period the Group 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 £0.2 million and a decrease in lease liabilities of £0.2 million at 31 December 2020.

1.8 REVENUE RECOGNITION

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, when performance obligations are met net of discounts (if any) and VAT. Revenue is generated from the Group's operations which are wholly based in the UK.

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 Group generates revenue from customers, the majority of which are based in the UK, from three main revenue streams: lettings; sales; and mortgage broking. The point at 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.

Lettings revenue streams

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

(i) Commission for securing a letting for the landlord

The Group 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 Group 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 Group refunds any initial commissions paid by the landlord on a pro-rata basis.

(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.

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 Group'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 Group 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 Group's control and the length of time between point of exchange of contracts and completion of the sale.

Mortgage broking revenue streams

Commission earned on financial services is recognised at a point in time, when either insurance policies go on risk or when mortgage contracts complete. Income from other services is recognised in the period or periods when the services are provided. Commission is recognised at fair value which takes account of expected future cancellations.

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.

1.9 TAXATION

The tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the period and any adjustments in respect to prior periods. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

DEFERRED TAX

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and amended to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES *continued*

1.10 GOODWILL AND GOODWILL IMPAIRMENT

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.11 OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill that are acquired by the Group (the acquired Foxtons brand, software and customer contracts), are stated at cost less accumulated amortisation and impairment losses. The brand is considered to have an indefinite economic life because of the institutional nature of the brand, its proven ability to maintain market leadership and profitable operations over long periods of time, and the Group's commitment to develop and enhance its value. The carrying value of the brand is subject to an annual impairment review, and adjusted to its recoverable amount if required. Amortisation of customer contracts and software is included within other operating costs in the consolidated statement of comprehensive income, and is recognised on a straight line basis on the following basis:

Customer contacts	Estimated life of the contracts
Software	20% straight-line

1.12 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Over the term of the lease (lease terms remaining 0-12 years)
Fixtures, fittings and equipment	Between 20% and 25% straight-line
Motor vehicles	25% straight-line

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.

1.13 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS (REFER TO SECTION 1.10 FOR GOODWILL IMPAIRMENT)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

1.14 LEASES

THE GROUP AS LESSEE

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group 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 for low value assets. For these leases, the Group 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.

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 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 rate 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. A re-measurement has been made in the period in respect to the Covid-19-Related Rent Concessions amendment to IFRS 16 '*Leases*'. Refer to Note 1.7.

b) **Right-of-use assets:** 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 presented within property, plant and equipment.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group'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 other operating costs in the statement of comprehensive income.

THE GROUP AS LESSOR

The Group acts as an intermediate sub-lessor for certain properties. The Group 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 Group'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 Group's net investment outstanding in respect of the leases.

1.15 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is equal to their fair value. Cash and cash equivalents excludes client monies since these funds belong to tenants (refer to Note 24 for details of the client monies held by the Group).

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES *continued*

1.16 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

a) Financial assets

The financial assets held by the Group are classified, at initial recognition, and subsequently measured at amortised cost or fair value through other comprehensive income (OCI). All financial assets are recognised and derecognised on a trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component;.the Group initially measures a financial asset at its fair value plus transaction costs.

For purposes of subsequent measurement, the financial assets held by the Group are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

All financial assets, other than cash and cash equivalents and investments classified as fair value through OCI, are measured at amortised cost using the effective interest rate (EIR) method, except for short-term receivables when the recognition of interest would be immaterial, and are subject to impairment.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established an ECL model that is based on its historical credit loss experience, adjusted for forward-looking market factors specific to the debtors and the economic environment.

Investments in unlisted shares

On initial recognition, the Group makes an irrevocable election to designate investments in equity instruments as fair value through OCI (unless held for trading). The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are recognised through OCI.

Dividends on these investments are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group recognises its non-listed equity investments as fair value through OCI.

b) Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the EIR method, with interest expense recognised on an effective yield basis.

The EIR method is used in calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

1.17 SHARE-BASED PAYMENTS

Equity-settled share-based payments 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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 25.

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 Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group 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.

1.18 ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for factors which affect IFRS measures, to aid users in understanding the Group's performance.

Within the period the Group has introduced three new APMs: adjusted operating profit/(loss), adjusted operating profit/(loss) margin and net cash/(debt). These new APMs, and existing APMs, have been defined, explained and reconciled to the nearest statutory measure within Notes 2 and 26.

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

ADJUSTED ITEMS

Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and adjusted loss per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 4 for further information of the adjusted items recognised in the period.

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES *continued*

1.19 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 to be 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.

CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below.

- Useful economic life of the brand intangible asset
  The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings Limited on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. This judgement continues to be appropriate noting the Group's intention and the ability to maintain the brand intangible asset so that there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows. Refer to Note 9 for further consideration of the carrying value of the brand intangible asset.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

- Impairment of intangibles with an indefinite life
  Determining whether intangibles with an indefinite life are impaired requires an estimation of the value in use of the group of CGUs to which intangible assets with an indefinite life (i.e. the Foxtons brand) have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU's and a suitable discount rate in order to calculate present value. The carrying amount of the Foxtons brand is £99.0 million. The key source of estimation uncertainty relates to the forecast cash flows used to determine the value in use. Sensitivity analysis is provided in Note 9.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

PRODUCTS AND SERVICES FROM WHICH REPORTABLE SEGMENTS DERIVE THEIR REVENUES

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

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

(i) Lettings earns commission from the letting and management of residential properties and income from interest earned on tenants' deposits.

(ii) Sales generates commission on sales of residential property.

(iii) Mortgage broking receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

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

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

Segment assets and liabilities and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 9.

ADJUSTED OPERATING PROFIT/(LOSS) AND ADJUSTED OPERATING PROFIT/(LOSS) MARGIN

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before adjusted items (defined in Note 1), finance income, finance cost and other gains/losses. As explained in Note 26, this measure replaces adjusted EBITDA and is used by the Directors for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit/(loss) margin is used to measure the delivery of the Group's strategic priorities.

SEGMENT REVENUES AND RESULTS

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

2020	Notes	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue		57,291	28,180	8,079	93,550
Contribution	26	40,241	14,079	3,781	58,101
Contribution margin	26	70.2%	50.0%	46.8%	62.1%
Adjusted operating profit/(loss)	26	**6,335**	**(5,849)**	**1,418**	**1,904**
Adjusted operating profit/(loss) margin	26	11.1%	(20.8%)	17.6%	2.0%
Adjusted items	4				(1,057)
Operating profit					**847**
Finance income	5				111
Finance cost	5				(2,277)
Other losses					(37)
Loss before tax					**(1,356)**

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

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

2019	Notes	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue		65,741	32,621	8,532	106,894
Contribution	26	46,614	16,427	4,024	67,065
Contribution margin	26	70.9%	50.4%	47.2%	62.7%
Adjusted operating profit/(loss)	26	**4,213**	**(6,262)**	**1,366**	**(683)**
Adjusted operating profit/(loss) margin	26	6.4%	(19.2%)	16.0%	(0.6%)
Adjusted items	4				(5,658)
Operating loss					**(6,341)**
Finance income	5				149
Finance cost	5				(2,546)
Other losses					(82)
Loss before tax					**(8,820)**

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

3. INCOME AND EXPENSES

Loss for the year is stated after charging/(crediting):

	2020 £'000	2019 £'000
Short term leases	**915**	804
Depreciation of property, plant and equipment	**2,582**	3,191
Depreciation of right-of-use assets	**9,363**	9,763
Amortisation of intangible assets	**847**	563
Adjusted items (refer to Note 4)	**1,057**	5,658
Gain on disposal of property, plant and equipment and right-of-use assets	**(460)**	(350)
Impairment loss on trade receivables	**28**	520
Employee costs	**61,599**	65,155
Covid-19 related Government support	**(4,782)**	–

As noted above, £4.8 million of Covid-19 related Government support has been received in the period in the form of £4.4 million of wages claimed under the CJRS passed through to furloughed employees and £0.4 million of business interruption grants. There are no unfulfilled conditions or other contingencies attached to this support. £2.5 million of the support has been recognised against direct operating costs and £2.3 million recognised against other operating costs. Additionally, the Group benefitted from £2.1 million of business rates relief in the period as part of the Covid-19 support package to businesses.

AUDITOR'S REMUNERATION

The remuneration of the auditor is split as follows:

	2020 £'000	2019 £'000
The audit of the Company	**142**	146
The audit of the Company's subsidiaries	**80**	84
Total audit fees	**222**	230
Audit-related assurance services	**30**	22
Other assurance services	**5**	4
Total non-audit fees	**35**	26

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 76. No services were provided pursuant to contingent fee arrangements.

EMPLOYEE NUMBERS AND COSTS

The average monthly number of employees (including Executive Directors) was:

	2020 Number of employees	2019 Number of employees
Sales Staff	**679**	707
Administrative Staff	**399**	432
	1,078	1,139

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	**53,330**	57,353
Social security costs	**6,357**	6,357
Share-based payments	**1,046**	685
Defined contribution pension costs	**866**	760
	61,599	65,155

The following table details the aggregate amount of emoluments paid to or receivable by the Executive Directors and Non-Executive Directors.

	2020 £'000	2019 £'000
Wages and salaries	**2,270**	2,058
Short term non-monetary benefits	**55**	39
Share-based payments	**739**	612
Pension benefits	**76**	117
	3,140	2,826

4. ADJUSTED ITEMS

Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and adjusted loss per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 26. The following items have been classified as adjusted items in the period.

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

[1] The property restructure income relates to a net release of the adjusted item provision of £831k (2019: £42k) 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 10 and 11.

Cash outflow from adjusted items during the year totalled £0.8 million (2019: £1.1 million). Future cash outflows from adjusted items charged between 2018 and 2020 are expected to total £1.5 million.

5. FINANCE INCOME AND COSTS

	2020 £'000	2019 £'000
Finance income		
Interest income on bank deposits	**68**	87
Interest income on leasing arrangements	**43**	62
Total finance income	**111**	149
Finance costs		
Other interest payable	**(61)**	(77)
Interest on lease liabilities (see Note 11)	**(2,216)**	(2,469)
Total finance costs	**(2,277)**	(2,546)
Net finance cost	**(2,166)**	(2,397)

6. TAXATION

RECOGNISED IN THE GROUP INCOME STATEMENT

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

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

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

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

RECONCILIATION OF EFFECTIVE TAX CHARGE

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

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

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

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

DEFERRED TAX

Deferred tax assets and liabilities are only offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £'000	2019 £'000
Deferred tax assets	**1,904**	2,056
Deferred tax liabilities	**(19,379)**	(16,830)
Net deferred tax	**(17,475)**	(14,774)

Deferred tax liabilities relate to the intangible assets of the Foxtons brand and purchased customer contracts, which have an indefinite life and a range of definite lives respectively. This deferred tax liability relating to the Foxtons brand will not reverse unless the Foxtons brand is impaired or sold by the Group, and the deferred tax liability relating to purchased contracts will unwind over the range of amortisation periods of the respective assets.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 31 December 2018	91	180	1,070	(16,830)	(15,489)
(Charge)/credit to profit or loss	108	(143)	747	–	712
Charge to equity	–	3	–	–	3
At 31 December 2019	**199**	**40**	**1,817**	**(16,830)**	**(14,774)**
Adjustment in respect of previous periods	**–**	**(29)**	**(181)**	**–**	**(210)**
(Charge)/credit to profit or loss	**59**	**56**	**(73)**	**(1,927)**	**(1,885)**
Credit to equity	**–**	**20**	**–**	**–**	**20**
Additions through business combinations	**(4)**	**–**	**–**	**(622)**	**(626)**
At 31 December 2020	**254**	**87**	**1,563**	**(19,379)**	**(17,475)**

6. TAXATION *continued*

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that it is probable that these assets will be recovered through future taxable profits.

A deferred tax asset totalling £1.6 million (2019: £1.8 million) has been recognised in relation to tax losses brought forward. This relates to £1.1 million (2019: £1.9 million) of unused tax losses in Foxtons Intermediate Holdings Limited at 31 December 2020 and to £7.1 million (2019: £9.8 million) of unused tax losses generated during 2020 in Foxtons Limited and Foxtons Group plc.

Foxtons Intermediate Holdings Limited has £38.5 million of unused losses (2019: £37.1 million) for which a deferred tax asset has not been recognised on the basis that it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

7. DIVIDENDS

The Group made a statutory loss after tax and therefore no dividend for the year will be paid in line with the Group's dividend policy. Refer to page 29 for further consideration of the Group's capital allocation policy.

8. LOSS PER SHARE

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

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

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

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

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

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

9. GOODWILL AND OTHER INTANGIBLE ASSETS

2020	Goodwill £'000	Brand £'000	Software £'000	Customer contracts £'000	Total £'000
Cost					
At 1 January 2020	**19,168**	**99,000**	**2,489**	**494**	**121,151**
Additions	**–**	**–**	**88**	**–**	**88**
Transfer	**–**	**–**	**30**	**–**	**30**
Acquired through business combinations (refer to Note 12)	**2,071**	**–**	**–**	**3,276**	**5,347**
At 31 December 2020	**21,239**	**99,000**	**2,607**	**3,770**	**126,616**
Accumulated amortisation and impairment losses					
At 1 January 2020	**9,819**	**–**	**567**	**421**	**10,807**
Amortisation	**–**	**–**	**500**	**347**	**847**
At 31 December 2020	**9,819**	**–**	**1,067**	**768**	**11,654**
Net carrying value					
At 31 December 2020	**11,420**	**99,000**	**1,540**	**3,002**	**114,962**
At 1 January 2020	**9,349**	**99,000**	**1,922**	**73**	**110,344**

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

9. GOODWILL AND OTHER INTANGIBLE ASSETS *continued*

Annual impairment review

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

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

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

- Lettings goodwill is allocated to the lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the value in use relating to the sales and lettings segments. This grouping of CGUs represents the lowest level at which management monitors the brand internally, and reflects the way in which the brand asset is viewed as relating to the sales and lettings segments as a whole, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

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

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

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

c) Impairment review assumptions

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

- Cash flow assumptions
  The key assumptions in determining the cash flows are expected changes in sales and lettings volumes throughout the forecast period, together with likely changes to associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of observable trends and expectations of future changes in the market, including the ongoing impact of Covid-19.
- Long-term growth rates
  To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2019: 2%) into perpetuity.

  The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates, external industry forecasts of long-term growth in the housing market and inflation rates and with reference to historical and macro-economic trading performance in the UK.
- Discount rates
  In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's weighted average cost of capital (WACC), and is calculated using a capital asset pricing model. The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

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

d) Sensitivity analysis

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

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

The impairment model indicates brand asset headroom of £57.5 million (2019: £66.3 million) or 35% (2019: 38%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan whilst also complying with the requirements of the relevant accounting standard. Sales revenue is to recover to between the levels experienced in 2016 and 2017, which equates to an average increase of 11.1% over the forecast period. Lettings revenue is assumed to grow at an average rate of 4.6% over the forecast period, excluding future lettings book acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

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

10. PROPERTY, PLANT AND EQUIPMENT

2020	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2020	34,565	14,835	694	51	50,145
Additions	332	298	–	–	630
Acquired through business combination	–	9	–	–	9
Disposals	–	–	(529)	(21)	(550)
Transfer	–	–	–	(30)	(30)
Fully depreciated assets/other[1]	(101)	(4,821)	22	–	(4,900)
At 31 December 2020	34,796	10,321	187	–	45,304
Accumulated depreciation and impairment losses					
At 1 January 2020	22,870	13,673	582	–	37,125
Depreciation	1,828	677	77	–	2,582
Disposals	–	–	(517)	–	(517)
Impairment charge	477	23	–	–	500
Fully depreciated assets/other[1]	(122)	(4,852)	40	–	(4,934)
At 31 December 2020	25,053	9,521	182	–	34,756
Net carrying value					
At 31 December 2020	9,743	800	5	–	10,548
At 1 January 2020	11,695	1,162	112	51	13,020

[1] During the period, the Group performed a review of fully-depreciated assets held in the Group's fixed asset register and removed £5.1 million of cost and accumulated depreciation relating to those fully-depreciated assets which are no longer in use by the Group. Additionally, adjustments were made to cost and accumulated depreciation 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.

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 £0.9 million and net book value was £0.5 million and represents impairment loss which has been classified as an adjusted item (refer to Note 4).

10. PROPERTY, PLANT AND EQUIPMENT *continued*

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.

2019	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2019	34,347	14,627	1,019	52	50,045
Additions	218	208	–	–	426
Disposals	–	–	(325)	(1)	(326)
At 31 December 2019	34,565	14,835	694	51	50,145
Accumulated depreciation and impairment losses					
At 1 January 2019	19,607	12,648	619	–	32,874
Depreciation	1,975	964	252	–	3,191
Disposals	–	–	(289)	–	(289)
Impairment charge	1,288	61	–	–	1,349
At 31 December 2019	22,870	13,673	582	–	37,125
Net carrying value					
At 31 December 2019	11,695	1,162	112	51	13,020
At 1 January 2019	14,740	1,979	400	52	17,171

11. LEASES

GROUP AS A LESSEE

The Group has lease contracts for its head office, branches and for motor vehicles used in its operations. With the exception of short-term leases, each lease is recognised on the balance sheet with a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 10).

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

RIGHT-OF-USE ASSETS

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

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

The right-of-use assets associated with closed branches and a small number of other underperforming branches were fully/partially impaired during the year. The cost of these assets was £1.3 million, accumulated depreciation was £0.1 million and net book value was £1.2 million. The impairment loss of £1.2 million has been classified as an adjusted item (refer to Note 4).

LEASE LIABILITIES

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

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

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

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

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

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

11. LEASES *continued*

AMOUNTS RECOGNISED IN THE PROFIT OR LOSS

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

	2020 £'000	2019 £'000
Depreciation of right-of-use assets	**9,363**	9,763
Impairment of right-of-use assets	**1,161**	2,951
Interest expense on lease liabilities	**2,216**	2,469
Expenses relating to short-term leases	**915**	804
Total amount recognised in profit or loss	**13,655**	15,987

THE GROUP AS AN INTERMEDIATE LESSOR

FINANCE LEASE RECEIVABLES

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

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

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

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

12. BUSINESS COMBINATIONS

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

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

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

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

ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

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

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

12. BUSINESS COMBINATIONS *continued*

PURCHASE CONSIDERATION

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

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

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

ANALYSIS OF CASH FLOWS ON ACQUISITION

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

13. INTEREST IN ASSOCIATE AND INVESTMENTS

As at 31 December 2020, the closing balance of 'Interest in associate and investments' totalled £1,237k (2019: £1,274k), made up of an interest in associate of £920k (2019: £957k) and an equity investment through fair value through other comprehensive income of £317k (2019: £317k).

INTEREST IN ASSOCIATE

The Company has a minority holding in Propoly Online Limited, an online integrated lettings platform business, which was acquired during 2018 for a cash consideration of £1.0 million. Propoly Online Limited is a private entity that is not listed on any public exchange.

Name	Country of incorporation and operation	2020 £'000	2019 £'000
Propoly Online Limited	United Kingdom	**920**	957

	2020 £'000	2019 £'000
Opening balance	**957**	1,039
Additions	**–**	–
Share of results	**(37)**	(82)
Closing balance	**920**	957

The Company has a seat on the Board of Directors of the associate and can exercise significant influence over the business, and as such accounts for its interest in Propoly Online Limited using the equity method. The share of the results of the associate recognised during the year are until 30 September 2020, due to the availability of financial reporting information of the associate.

EQUITY INVESTMENT THROUGH FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

The Group has a minority holding in Global Property Ventures Limited, an unlisted entity.

	2020 £'000	2019 £'000
Opening balance	**317**	–
Additions	**–**	317
Closing balance	**317**	317

The investment is made up of unlisted equity instruments and is carried at fair value, with any fair value movements taken to OCI. Refer to Note 22 for information about methods and assumptions used in determining fair value.

14. SUBSIDIARIES

Investments in subsidiaries are summarised below:

Name	Place of incorporation and operation	Principal activity	Proportion of ownership interest held in ordinary shares %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited[1]	United Kingdom	Holding company	100%	100%
Foxtons Operational Holdings Limited	United Kingdom	Holding company	100%	100%
Foxtons Limited	United Kingdom	Estate agency	100%	100%
Alexander Hall Associates Limited	United Kingdom	Mortgage broker	100%	100%
Alexander Hall Direct Limited	United Kingdom	Dormant	100%	100%
London Stone Properties Limited	United Kingdom	Estate agency	100%	100%
London Stone Properties Sales Limited	United Kingdom	Estate agency	100%	100%
Pillars Estates Limited	United Kingdom	Estate agency	100%	100%
Aston Rowe Holdings Limited	United Kingdom	Holding company	100%	100%
Aston Rowe Limited	United Kingdom	Estate agency	100%	100%

[1] Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.

All subsidiaries, with the exception of Alexander Hall Associates Limited, have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Alexander Hall Associates Limited's have their registered office at 137-144 High Holborn, London WC1V 6PL.

SUBSIDIARY AUDIT EXEMPTIONS

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company number
London Stone Properties Limited	06431946
London Stone Properties Sales Limited	09653811
Pillars Estates Limited	09181847
Aston Rowe Holdings Limited	13016901
Aston Rowe Limited	07734524

Foxtons Group plc will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 December 2020 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, Foxtons Group plc will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

The following UK subsidiary undertaking is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 480 of the Act.

Name	Company number
Alexander Hall Direct Limited	03790471

15. TRADE AND OTHER RECEIVABLES

	2020 £'000	2019 £'000
Trade receivables	**11,728**	10,585
Less: Expected credit loss allowance	**(2,015)**	(2,060)
Net trade receivables	**9,713**	8,525
Prepayments	**1,722**	3,101
Other receivables	**2,431**	1,798
	13,866	13,424

Trade receivables without a significant financing component are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any associated expected credit loss allowance. Credit losses are measured at the present value of all cash shortfalls.

Trade receivables are considered past due once they have passed their contracted due date. Amounts invoiced to customers on exchange of sales contracts or signing of lettings contracts are due immediately.

IMPAIRMENT OF TRADE RECEIVABLES

For sales, the vast majority of our receivables are received directly from the conveyancing solicitor working on behalf of the seller from completion monies. These processes facilitate the prompt collection of receivables. For lettings, the vast majority of receivables are collected through rental payments from tenants, which are generally used to recover commission receivables prior to being paid away to landlords.

The Group applies the simplified IFRS 9 approach in measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer type with shared credit risk characteristics. The expected credit loss rates are based on the corresponding historical credit losses over an appropriate period, taking in to account the different grouping of customers, and are adjusted to reflect current and forward looking macro-economic factors affecting the customer's ability to settle the amount outstanding. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. The Group does not hold any collateral or other credit enhancements over any of its trade receivables, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

There were no significant changes made in the gross carrying amount of trade receivables during the period that contributed to changes in the loss allowance recognised.

A summary of the Group's trade receivables and credit loss allowances is set out below.

31 December 2020	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Gross carrying amount (£'000)	6,171	1,216	543	614	3,184	11,728
Expected credit loss rate	2%	5%	9%	18%	53%	17%
Expected credit loss allowance (£'000)	(110)	(65)	(51)	(112)	(1,677)	(2,015)

15. TRADE AND OTHER RECEIVABLES *continued*

The movements in the expected credit loss allowance is set out below.

	Expected credit loss allowance £'000
At 31 December 2018	(1,904)
Amounts provided for during the period	(596)
Amounts utilised during the period	440
At 31 December 2019	**(2,060)**
Amounts provided for during the period	**(25)**
Amounts utilised during the period	**70**
At 31 December 2020	**(2,015)**

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade debtor days at the year end were 35 days (2019: 27 days).

16. TRADE AND OTHER PAYABLES

	2020 £'000	2019 £'000
Trade creditors	**1,385**	1,947
Social security and other taxes	**2,335**	2,880
VAT	**1,373**	693
Contingent and deferred consideration	**399**	–
Accruals	**4,415**	4,295
Other creditors	**402**	664
	10,309	10,479

The Directors consider that the carrying amount of trade payables approximates fair value. The average trade creditor days as at 31 December 2020 were 34 days (31 December 2019: 30 days).

17. CONTRACT ASSETS AND LIABILITIES

CONTRACT ASSETS

At 31 December 2020, *the Group recognised contract assets of £2.0 million* (31 December 2019: £1.5 *million). The contract assets* consist 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 Group for the non-cancellable contract period.

The table below summarises the movement in the contract assets in the period.

	2020 £'000	2019 £'000
At 1 January	**1,533**	754
Contract assets recognised in revenue	**1,221**	1,278
Contract assets invoiced	**(1,058)**	(499)
Acquired through business combination	**307**	–
At 31 December	**2,003**	1,533

CONTRACT LIABILITIES

At 31 December 2020, the Group recognised contract liabilities of £8.7 million (31 December 2019: £7.6 million) as summarised and explained below.

	2020 £'000	2019 £'000
Lettings: Securing a letting for the landlord	**6,614**	5,265
Lettings: Rent collection service	**1,235**	1,555
Other amounts deferred	**890**	730
	8,739	7,550

- Lettings: Securing a letting for the landlord

  As explained in Note 1, the contracts the Group 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 Group 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.

- 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 liabilities

  'Other amounts deferred' relate to the Group'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 or where the Group has a constructive obligation to a 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	**1,653**	969
Non-current contract assets	**350**	564
Total contract assets	**2,003**	1,533
Current contract liabilities	**7,659**	6,255
Non-current contract liabilities	**1,080**	1,295
Total contract liabilities	**8,739**	7,550

18. PROVISIONS

	Provision for adjusted items £'000	Legal and other provisions £'000	Total £'000
At 1 January 2020	**2,276**	**99**	**2,375**
Increase in provision	**201**	**–**	**201**
Reversal of provision	**(1,032)**	**(42)**	**(1,074)**
Utilisation of provision	**(357)**	**(5)**	**(362)**
Reclassification[1]	**443**	**–**	**443**
At 31 December 2020	**1,531**	**52**	**1,583**

[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	**367**	1,426
Non-current	**1,216**	949
	1,583	2,375

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).

During the period a net provision release of £0.8 million has been recognised as adjusted items. Refer to Note 4 for further details.

LEGAL AND OTHER PROVISIONS

These provisions relate to legal and other costs that are incurred in the ordinary course of business.

19. SHARE CAPITAL

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

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

During the period, the authorised share capital was increased by £549,934 following the issue of 54,993,367 £0.01 ordinary shares.

On 17 April 2020, a total of 54,993,367 new ordinary shares were issued in a placing transaction at a price of £0.40 per share, raising gross proceeds of £22.0 million (before expenses). Net of expenses the proceeds were £21.1 million. The shares represented approximately 19.9% of the Company's issued ordinary share capital (excluding treasury shares) prior to the placing.

20. MERGER RESERVE AND OTHER RESERVES

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

The Group issued 54,993,367 of ordinary shares at a total premium to nominal value of £21.5 million and incurred £0.9 million of incremental transaction costs, resulting in a net total premium of £20.6 million. The share issue was effected by way of a cash box placing. The Group has applied merger relief under the Companies Act 2006 and recognised a merger reserve of £20.6 million which represents the net premium realised. During the period, there were no movements in either the capital redemption or other capital reserve. Refer to Note 33 for further details of the other capital reserve.

21. OWN SHARES RESERVE

	2020 £'000	2019 £'000
Balance at 1 January	**56**	720
Acquired during the year	**318**	54
Utilised during the year	**–**	(718)
Balance at 31 December	**374**	56

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's share long-term incentive schemes (see Note 25). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2020 was 24,314 (2019: 58,594).

During the year 663,798 (2019: nil) shares with a total value of £318,525 have been repurchased by the Company through a share buyback programme and are held in treasury at 31 December 2020.

22. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

The categories of financial instruments, including contact assets and liabilities, held by the Group are as follows:

	2020 £'000	2019 £'000
Financial assets		
FVOCI financial assets	**317**	317
Cash and bank balances	**36,984**	15,482
Financial assets recorded at amortised cost	**14,147**	11,856
Financial liabilities		
Financial liabilities recorded at amortised cost	**(14,105)**	(12,901)
Lease liabilities	**(51,558)**	(55,864)

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

22. FINANCIAL INSTRUMENTS *continued*

FAIR VALUE HIERARCHY

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

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

The Group does not hold any financial instruments categorised as Level 1 or 2 by IFRS 13 '*Fair Value Measurement*'. The Group held £317k of Level 3 financial instruments relating solely to unlisted shares in Global Property Ventures Limited at 31 December 2020. The Group determines that using cost is an appropriate estimate of fair value of the unlisted equity securities.

There we no changes in Level 3 financial assets for the year ended 31 December 2020:

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns whilst maximising the return to shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, undertake share buybacks, return capital to shareholders, issue new shares or negotiate debt facilities.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2020, the threshold was £195k (2019: £207k), for which the entity is in compliance.

GEARING RATIO

The Group's gearing ratio, calculated as net cash/(debt) dividend by equity, at each period end is as follows:

	2020 £'000	2019 £'000
Cash and cash equivalents	**36,984**	15,482
Net cash[1]	**36,984**	15,482
Equity	**134,456**	115,781
Gearing ratio	**(28%)**	(13%)

[1] Net cash is defined as cash and cash equivalents less external borrowings.

Equity includes all capital and reserves of the Group that are managed as capital.

FINANCIAL RISK MANAGEMENT

The Group closely monitors cash requirements to ensure sufficient funds are held for the operations of the Group. As noted within Note 1, on 17 April 2020 the Group announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0 million, and throughout the period held a significant net cash balance.

INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see Note 24).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole period.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit before tax and total equity for the 12 months ended 31 December 2020 would increase/decrease by £1.2 million/£0.5 million (year ended 31 December 2019: increase/decrease by £1.0 million/£0.8 million).

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables and contract assets consist of a large number of customers and are monitored on an ongoing basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 1% of gross monetary assets at any time during the period.

The credit risk on liquid funds is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Client monies (see Note 24) are held with three financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the government guarantees amounts of up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Directors, which have established an appropriate liquidity risk management framework for the management of the Group's short-term, medium-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Additionally, the Group has access to a £5 million RCF due to expire in June 2022 with there being no drawdown on the facility at 31 December 2020 (31 December 2019: nil). The Group expects to renew the facility, or access a similar facility, following expiry to manage liquidity risk. The RCF was fully drawn in March 2020 as a precautionary measure in response to the uncertain financial conditions that prevailed at the time due to Covid-19. The Group repaid the RCF in full in July 2020 and retains access to the facility subject to compliance with the RCF's covenants.

The availability of the RCF is subject to an interest cover ratio covenant and a leverage ratio covenant, both of which are measured on a pre-IFRS 16 basis and tested at 30 June and 31 December. The interest cover ratio (ratio of consolidated EBITDA to finance costs) must be no less than 4 times and the leverage covenant ratio (ratio of consolidated total net debt to consolidated EBITDA) must be no more than 1.75 times. The Group has been in compliance with covenants throughout the period.

The Group's non-derivative financial liabilities consist of trade and other payables, contract liabilities and lease liabilities. The tables below has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be unwound on those liabilities.

31 December 2020	Carrying amounts £'000	Contractual cash flows £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	After 4 years £'000
Trade and other payables	(6,601)	(6,601)	(6,601)	–	–	–	–
Contract liabilities[1]	(7,504)	(7,504)	(6,424)	(951)	(125)	(4)	–
Lease liabilities	(51,558)	(58,747)	(12,735)	(9,612)	(7,837)	(6,848)	(21,715)
	(65,663)	(72,852)	(25,760)	(10,563)	(7,962)	(6,852)	(21,715)

31 December 2019	Carrying amounts £'000	Contractual cash flows £'000	Within 1 year £'000	1-2 years £'000	2-3 years £'000	3-4 years £'000	After 4 years £'000
Trade and other payables	(6,906)	(6,906)	(6,906)	–	–	–	–
Contract liabilities[1]	(5,995)	(5,995)	(4,923)	(943)	(122)	(7)	–
Lease liabilities	(55,864)	(65,115)	(11,763)	(10,068)	(8,616)	(7,277)	(27,391)
	(68,765)	(78,016)	(23,592)	(11,011)	(8,738)	(7,284)	(27,391)

[1] This amount excludes £1.2 million (2019: £1.6 million) of non-contractual contract liabilities.

23. RELATED PARTY TRANSACTIONS

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

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

24. CLIENT MONIES

At 31 December 2020, client monies held within the Group in approved bank accounts amounted to £85.2 million (31 December 2019: £87.0 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

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

25. SHARE-BASED PAYMENTS

An income statement charge of £1.0 million (2019: £0.7 million) has been incurred in relation to the Group's equity-settled share option schemes and the equity element of the Bonus Banking Plan. National Insurance contributions payable in connection with the schemes granted is treated as a cash-settled transaction.

EQUITY-SETTLED SHARE OPTION SCHEMES

The Group had two share option schemes in operation during the period: the Restricted Share Plan (RSP) and the 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 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 shares with a fair value of £1.3 million were awarded.

b) Share Option Plan (SOP)

The Company introduced a SOP in 2017 for Executive Directors and Senior Management. The 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.

The inputs into the Monte Carlo models used in determining the fair value of the SOP awards were as follows:

	2019 tranche	2017 tranches
Weighted average share price	52.00p	103.00p
Weighted average exercise price	52.38p	105.67p
Expected volatility	43%	45%
Expected life	7.5 years	6.5 years
Risk-free rate	0.39%	0.63%
Expected dividend yield	1.84%	1.95%

Expected volatility was determined by calculating the historical volatility of the share price of comparable listed companies over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

OUTSTANDING SHARE OPTIONS

Details of the share options in relation to the SOP, the RSP and the legacy RSIP scheme outstanding during the year are as follows.

	2020		2019	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of period	**11,712,474**	**102.75p**	16,881,940	82.00p
Granted during the period	**3,515,174**	**nil**	300,000	52.38p
Forfeited during the period	**–**	**–**	(2,093,937)	(93.86p)
Lapsed during the period	**–**	**–**	(2,260,969)	–
Exercised during the period	**–**	**–**	(1,114,560)	–
Outstanding at the end of the period	**15,227,648**	**79.03p**	11,712,474	102.75p
Exercisable at the end of the period	**172,354**	**nil**	172,354	nil

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.

Employer's National Insurance contributions are accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised.

25. SHARE-BASED PAYMENTS *continued*

EQUITY-SETTLED SHARE BONUS PAYMENT SCHEMES

Bonus Banking Plan (BBP)

In 2020 the Company introduced a performance-related bonus scheme, BBP, for Executive Directors whereby the bonus amount paid is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded in cash annually depending on the achievement of performance measures, that are also determined annually with a minimum of 50% of the bonus based on financial measures and the remaining based on non-financial measures aligned to the strategic priorities of the Group and may also contain individual performance objectives.

The BBP scheme runs in three year performance cycles, with each cycle vesting over a four-year period in shares. A contribution will be made by the Company into the participant's plan account following the end of each plan year. The scheme pays out 70% of the value of the award annually for three years, with the 100% of the residual value paid out at the end of the four-year period. Refer to the Directors' Remuneration Report on page 84 for further information.

The fair value of shares awarded under these schemes is their market value on the date of grant.

	2020 Number of awards	2019 Number of awards
Outstanding at beginning of period	**–**	–
Granted during the period	**449,935**	–
Forfeited during the period	**–**	–
Exercised during the period	**–**	–
Outstanding at the end of the period	**449,935**	–

At 31 December 2020 the awards had an average remaining life of three years (2019: n/a). There is no exercise price for these awards. The fair value of the awards at 31 December 2020 was £0.48 per share (2019: n/a) based on the Group's 30-day average share price in the period up to the end of the financial year. Of the awards outstanding at the end of the period, nil were exercisable.

26. ALTERNATIVE PERFORMANCE MEASURES

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

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

As set out in Note 1, within the period the Group has introduced three new APMs: Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and net cash/(debt). The definition, purpose and how the measures are reconciled to statutory measures are set out below.

The Group reports the following APMs:

a) Adjusted operating profit/(loss)

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

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

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

b) Adjusted operating profit/(loss) margin

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

c) Contribution and contribution margin

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

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

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

31 December 2019	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	65,741	32,621	8,532	106,894
Less: Directly attributable salary costs	(18,846)	(15,963)	(4,500)	(39,309)
Less: Bad debt (charges)/credits	(281)	(231)	(8)	(520)
Contribution	46,614	16,427	4,024	67,065
Contribution margin	70.9%	50.4%	47.2%	62.7%

d) Adjusted earnings/(loss) per share

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

The closest equivalent IFRS measure is earnings/(loss) per share. Refer to Note 8 for a reconciliation between earnings/(loss) per share and adjusted earnings/(loss) per share.

26. ALTERNATIVE PERFORMANCE MEASURES *continued*

e) Net free cash flow

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

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

f) Net cash/(debt)

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

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

27. EVENTS AFTER THE REPORTING PERIOD

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

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 £16.5 million and £0.6 million respectively. Reported gross assets at 31 March 2020 were £6.1 million.

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Non-current assets			
Investment in subsidiaries	30	**36,998**	36,051
Deferred tax asset		**293**	246
		37,291	36,297
Current assets			
Trade and other receivables	31	**23,303**	22,964
Cash and cash equivalents		**20,962**	32
		44,265	22,996
Current liabilities			
Trade and other payables	32	**(6,449)**	(4,534)
		(6,449)	(4,534)
Net current assets		**37,816**	18,462
Net Assets		**75,107**	54,759
Equity			
Share capital	19	**3,301**	2,751
Merger reserve	20	**20,568**	–
Other reserves	20	**2,653**	2,653
Own shares reserve	21	**(374)**	(56)
Retained earnings		**48,959**	49,411
Equity attributable to owners of the Company		**75,107**	54,759

The Company reported a loss for the financial year ended 31 December 2020 of £1.5 million (2019: £2.1 million).

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

Signed on behalf of the Board of Directors

Richard Harris
Chief Financial Officer

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PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		**2,751**	**(56)**	**–**	**2,653**	**49,411**	**54,759**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(1,498)**	**(1,498)**
Dividends	7	**–**	**–**	**–**	**–**	**–**	**–**
Share issuance	19	**550**	**–**	**20,568**	**–**	**–**	**21,118**
Own shares acquired in the period	20, 21	**–**	**(318)**	**–**	**–**	**–**	**(318)**
Credit to equity for share-based payments		**–**	**–**	**–**	**–**	**99**	**99**
Capital contribution given relating to share-based payments	27	**–**	**–**	**–**	**–**	**947**	**947**
Balance at 31 December 2020		**3,301**	**(374)**	**20,568**	**2,653**	**48,959**	**75,107**

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2,751	(720)	–	2,653	51,977	56,661
Loss and total comprehensive loss for the year		–	–	–	–	(2,130)	(2,130)
Dividends	7	–	–	–	–	–	–
Capital contribution given relating to share-based payments	27	–		–	–	731	731
Settlement of share incentive plan		–	718	–	–	(1,167)	(449)
Own shares acquired in the period			(54)	–	–	–	(54)
Balance at 31 December 2019		2,751	(56)	–	2,653	49,411	54,759

At 31 December 2020, retained earnings were fully distributable.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

28. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2019 and 2020. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

BASIS OF PREPARATION

The Company's financial statements are prepared in accordance with the Companies Act 2006 and FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council. 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 assets.

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

INVESTMENTS IN SUBSIDIARY COMPANIES

Investments in subsidiaries are recognised at cost less provisions for impairment.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. The assessment has taken into consideration the Company's financial position, liquidity requirements and reasonably possible changes in performance and outlook, including the impact of Covid-19. Accordingly, they have adopted the going concern basis in preparing the financial statements. Refer to Note 1 for a full description of the Directors' considerations made in respect to the Company's going concern assessment.

29. LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the financial year. The Company's loss for the year was £1.5 million (2019: £2.1 million).

The Company has five employees at 31 December 2020 (2019: five).

The auditor's remuneration for audit and other services is disclosed in Note 3 to the consolidated financial statements.

30. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings were as follows:

	£'000
At 31 December 2018	35,320
Capital contribution arising from share-based payments	731
At 31 December 2019	36,051
Capital contribution arising from share-based payments	947
At 31 December 2020	**36,998**

Investments in subsidiaries are stated at cost, less any provision for impairment.

The subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in Note 14 of the consolidated financial statements.

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31. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:	2020 £'000	2019 £'000
Amounts owed by subsidiary undertakings	**23,238**	22,898
Prepayments and accrued income	**65**	66
	23,303	22,964

'Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

32. TRADE AND OTHER PAYABLES

Amounts falling due within one year:	2020 £'000	2019 £'000
Amounts owed to subsidiary undertakings	**(5,695)**	(3,286)
Accruals	**(754)**	(1,248)
	(6,449)	(4,534)

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

33. OTHER RESERVES

Balance at 1 January and 31 December:	2020 £'000	2019 £'000
Other capital reserve	**2,582**	2,582
Capital redemption reserve	**71**	71
	2,653	2,653

Prior to the Company's initial public offering, a ratchet mechanism reduced the number of shares in issue resulting in a reduction in share capital and transfer to the other capital reserve.

INFORMATION FOR SHAREHOLDERS

COMPANY REGISTRATION NUMBER

07108742

REGISTERED AND HEAD OFFICE

Foxtons Group plc, Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE

2021 FINANCIAL CALENDAR

2020 financial year end	31 December 2020
Preliminary announcement	10 March 2021
Publish Annual Report and Accounts	March 2021
Annual General Meeting and first quarter trading update	22 April 2021
Interim period end	30 June 2021
Announcement of interim results	July 2021
Third quarter trading update	October 2021

CORPORATE WEBSITE

You can access the corporate website at www.foxtonsgroup.co.uk. The Foxtons Group plc website provides useful information including annual and half year reports, results announcements and presentations, share price data and financial news.

SHAREHOLDER ENQUIRIES

For shareholder enquiries please contact our Registrars, Link Group. For general enquiries please call Link Group's Customer Support Centre on: 0371 664 0300 (lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales), or alternatively email: shareholderenquiries@linkgroup.co.uk.

ELECTRONIC COMMUNICATIONS

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email. To register for electronic communications, visit www.foxtonsshares.co.uk. Please note, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

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