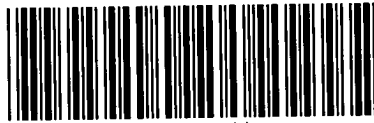


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# 2021

*Annual Report and Accounts*  
**Foxtons Group plc**

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## 2021 HIGHLIGHTS

### Revenue

from continuing operations

**£126.5 million**

2020: £93.5 million

### Adjusted operating profit<sup>1</sup>

from continuing operations

**£8.9 million**

2020: £1.9 million

### Profit/(loss) before tax

from continuing operations

**£5.6 million**

2020: £(1.4) million

### Net free cash flow<sup>1</sup>

from total Group (continuing and discontinued operations)

**£6.6 million**

2020: £4.3 million

### Productivity<sup>2</sup>

(year-on-year growth)

**+36%**

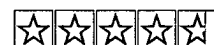
revenue per branch

**+26%**

revenue per employee

### Customer satisfaction<sup>2</sup>

(Trustpilot)



**4.7 out of 5**

2020: 4.8 out of 5

<sup>1</sup> Measures are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.

<sup>2</sup> Refer to page 23 for definitions of these measures.

# FOXTONS AT A GLANCE

Foxtons is proud to be London's leading estate agency, with over 1,000 highly motivated professionals working across more than 50 interconnected branches and a distinctive business model underpinned by our people, our reach, and our technology, enabling us to deliver exceptional service and consistently great results for our customers.

## 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 43.

## OUR MISSION

To deliver exceptional customer service through our network of more than 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 all of our stakeholders.

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

## OUR STRATEGY

To create significant shareholder value through profit growth and delivery against our strategic core objectives of organic revenue growth, lettings portfolio acquisitions and profit growth.

→ Read more about our strategic core objectives on pages 14 to 17.

**No. 1 estate agent for lettings:**  
market leader in London, supporting more than 25,000 tenancies across a network of more than 50 interconnected branches.

**Act for the sale of more than £1.5 billion of properties each year:**  
earning fees on a success basis.

**More than 1,000 highly trained employees:**  
a workforce whose diversity matches the diversity of London, delivering premium customer service.

**Utilise market-leading technology, digital marketing and data analysis**  
to successfully connect more tenants and buyers with properties across our network.

**#1 brand awareness in London property**  
and sector-leading service generates customer loyalty, with Foxtons receiving four times as many 5-star reviews on Trustpilot as any other London agent.

# CHAIRMAN'S STATEMENT

Nigel Rich Chairman

**“As a Board we are determined to put Foxtons back on the front foot.”**

I became Chairman of Foxtons on 1 October 2021 following the resignation of my predecessor Ian Barlow. Prior to agreeing to take on the role I spoke to a broad range of shareholders, including a number who were dissatisfied with our performance, to understand their views about the Company. This was a useful exercise and we have already made changes that respond to some of their concerns with concrete plans to deliver further improvement in profitability.

## The business

Foxtons has a strong brand name, a reputation for sales intensity and innovation and a distinctive business model. Growing market share is a priority and it is encouraging that we improved market share in both sales and lettings for a second consecutive year after a period of decline. There is more we can do here through the recruitment and training of ambitious young people and ensuring they are provided with high quality leads from our new digital marketing and IT platforms. It is therefore our intention to increase the number of sales negotiators in our branches in order to maximise the revenue and profit opportunity available to us.

Lettings has consistently performed well with organic growth complemented by the successful integration of several lettings portfolio acquisitions since 2020. We expect to invest £8 million on such acquisitions during the course of 2022. Lettings adjusted operating profit increased by 41% in 2021 compared to 2020, with the growth driven by the recently integrated Douglas & Gordon (D&G) lettings portfolio. With the constructive support of D&G's management team, the lettings staff have now transferred to Foxtons as property managers or salespeople in our branches, increasing our talent pool.

We continue to build a pipeline of prospective lettings portfolios to acquire.

Alexander Hall contributed £1.5 million to operating profit in 2021, a small improvement on the resilient prior year. Following a strategic review, we have decided to retain and invest in the business by growing our financial adviser base which will enable Alexander Hall to capture more of the financial services cross sell to our estate agency customers. As we build our adviser base, we will be investigating options to monetise the leads Alexander Hall does not yet have the capacity to process.

## Costs

While growing revenue is an essential part of Foxtons increased profitability, the management of cost also has a significant part to play. The three biggest costs are remuneration, including commissions and bonuses, property and vehicles. Over the past three years ten branches have been closed which were not making a sufficient contribution, with a consequent reduction of staff. The lease obligations which were provided for at the time of closure have largely been unwound as a result of management action to surrender or sub-let the leases. There is little scope for further reductions in property costs until leases expire, most significantly the head office where the lease runs until 2027.

Senior management staff costs will come down in 2022 as a result of the streamlining of senior management roles towards the end of 2021. New remuneration packages have been agreed with the executives and senior managers that will see a greater proportion of base salaries paid in restricted share awards. When I became Chairman, I accepted a reduced fee compared to my successor, one third of which is paid in shares. Future executive and senior management bonuses will be more directed at financial targets and a greater weighting will be paid in shares. These changes will significantly improve the alignment of senior management interests with those of our shareholders.

Over the course of 2021 action has been taken to reduce the cost base and the intention is to make further savings in 2022 to offset inflationary and other cost pressures such as increases in business rates and national insurance contributions. Some shareholders may believe we should be doing more to reduce costs, but in a people business, I believe it is vital to long term success to protect our core sales and service capabilities.

## Finance

Adjusted operating profit from continuing operations is £8.9 million (2020: £1.9 million). The cash balance at the end of the year was £19.4 million with net free cash flow of £6.6 million. The Directors have decided to pay a final dividend of 0.27p per share, making a total in respect of 2021 of 0.45p per share, under our policy of returning 35% to 40% of profit after tax (excluding one-off non-cash items) in ordinary dividends. The dividend will be paid, subject to shareholder approval at the AGM, on 24 June 2022 to shareholders on the register at 13 May 2022. We continue to monitor our use of capital and, in line with our capital allocation policy, will return excess cash to shareholders.

## Board

As I mentioned earlier, Ian Barlow stepped down as Chairman on 1 October 2021 after having been a Director for eight years. The Board is grateful for his contribution during a challenging period. Richard Harris will step down as Chief Financial Officer on 1 April 2022 and will become Chief Financial Officer of The Rank Group. He has been with Foxtons for three years and has played a significant part in beginning to turn around the business. Chris Hough, currently the Group's Director of Finance, will join the Board as Chief Financial Officer on 1 April 2022.

On 1 December 2021, Peter Rollings joined the Board. Peter was with Foxtons for 20 years and was Managing Director when he left in 2005. After leaving he joined Marsh & Parsons as Chief Executive Officer and having built up the business enabled its successful sale. Peter brings a lot of agency knowledge to the Board table.

In December 2021, we created the ESG Committee, chaired by Sheena Mackay, a Non-Executive Director.

## Future prospects

As a Board we are determined to put Foxtons back on the front foot. The brand name remains strong, even if the current share price does not reflect this.

So far this year the attractions of living in London, to both domestic as well as overseas buyers in the price range where we are strongest, continues to generate strong demand and we intend to capture this with a larger sales force. Similarly, lettings, including the recently integrated D&G lettings business, has made a good start to the year. We have a good pipeline of further lettings portfolio acquisitions in the wider London area and expect to invest £8 million in such acquisitions during 2022 to generate attractive returns for investors.

The initiatives we are taking to gain a bigger market share in sales, to acquire lettings portfolios and to develop the mortgage broking business by investing in our adviser base, coupled with a tight focus on costs as we enter a period of increasing cost pressures, should enable further improvement in profitability.



Nigel Rich CBE  
Chairman

1 March 2022

# CHIEF EXECUTIVE'S REVIEW

**Nic Budden** Chief Executive Officer

**"An encouraging year of improved performance and strategic progress."**

2021 was a good year of progress for the Group. We delivered growth in all key areas of the business, with revenue, operating profit and cash flow ahead of pre-pandemic levels reported for 2019 and 2020. We increased market share, generated good returns from lettings portfolio acquisitions and rolled out digital marketing programmes.

Revenue from continuing operations was £126.5 million (2020: £93.5 million) comprising: lettings £74.3 million (2020: £57.3 million, 2019: £65.7 million); sales £42.7 million (2020: £28.2 million, 2019: £32.6 million) and mortgage broking £9.5 million (2020: £8.1 million, 2019: £8.5 million). Adjusted operating profit from continuing operations grew to £8.9 million (2020: £1.9 million) demonstrating the operating leverage of the business. In lettings, D&G contributed £10 million of revenue and £3.7 million of operating profit since acquisition in March 2021. In February 2022 we completed the integration of the D&G lettings business, and as previously announced, simultaneously disposed of the loss-making D&G sales business, including the cost of all branches and its head office.

We generated £6.6 million of net free cash flow during the year and continue to maintain a strong balance sheet with no external borrowings and net cash of £19.4 million.

## Creating shareholder returns

This performance in 2021 enabled us to reinstate dividends and expand our share buyback programme, having paid an interim dividend of 0.18p per share and returned £5.7 million to shareholders via share buybacks during the year. Today, we propose a final dividend of 0.27p per share, taking the full year dividend to 0.45p per share.

## Delivering our strategy

In June, we set out an action plan designed to realise the potential of the business and deliver significant shareholder value.

We made strong progress against our core objectives in 2021, with market share growth driving organic revenue and operating leverage resulting in a significant improvement in profits. We also grew our recurring revenues and improved our cross-sell performance with over 50% of our sales deals using cross sell services, which include mortgage broking and conveyancing.

Our strong customer proposition, powerful brand and leading-edge technology enables us to deliver a level of customer service which is reflected in our excellent Trustpilot rating where we have received four times as many 5-star reviews as any other London agent. These differentiators enable us to substantiate our premium fees and to grow market share in both lettings and sales.

We are well positioned to further grow profitability in both lettings and sales during 2022.

In lettings, we have a good track record of making selective acquisitions and successfully integrating them onto our highly scalable platform. We have grown our lettings portfolio by over 25% in the last two years, making us London's largest lettings agent now serving over 25,000 tenancies. We continue to benefit from good levels of landlord loyalty, with property management revenues growing organically by 11% in the year.

## Much improved profitability as we deliver against our core objectives

### Progress in 2021

#### Organic revenue growth

- **Delivered market share growth across all business areas** leveraging data science to improve conversion.
- **Built on high levels of landlord loyalty** to deliver 4% organic growth in our lettings portfolio and 11% organic growth in property management revenues compared to 2020.
- **Developed new revenue channels and enhanced cross-sell capabilities.** Accessed international markets through our Asia Pacific channel, which delivered £2.7 million of revenue in its first full year of operation, and grew Build to Rent revenues to £2.7 million, 69% up against 2020 and 90% up against 2019, as we build on our London market leadership position.

→ See page 15 for more detail.

#### Lettings portfolio acquisitions

- **Acquired 2,900 new tenancies through the acquisition of D&G**, with 4% growth in the lettings portfolio during the first 10 months of ownership over 3,000 tenancies, delivering £10.0 million of revenue and £3.7 million of operating profit to continuing operations.
- **D&G lettings portfolio recently integrated into the Foxtons infrastructure and expected to deliver around £4.0 million of operating profit in 2022** through the delivery of further synergies, and a total return on invested capital in excess of 20%.

→ See page 16 for more detail.

#### Profit growth

- **36% increase in branch productivity (average revenue per branch) and 26% increase in employee productivity (average revenue per employee) against the prior year**, reflective of our ongoing people programmes, centralised infrastructure efficiencies and branch network reach.
- **Action taken in 2021 to simplify management structures and introduce new remuneration schemes** in order to drive revenue growth and improved profitability.
- **Embedded our customer data platform** to improve customer conversion and cost per acquisition.

→ See page 17 for more detail.

We saw the continued development of new sales channels in 2021 as we grew our offering for more specialised customers. Our Asia Pacific Desk leveraged the reach generated by our bespoke technology and digital marketing capabilities to transact with customers in the Asia Pacific region, despite the travel restrictions imposed by Hong Kong and China, and delivered £2.7 million of revenue in its first full year of operation. We continued to drive our leadership position in the London Build to Rent sector, growing revenues by 69% to £2.7 million in 2021 from new and existing clients, and by extending our service offering into consulting and professional services. We also created our Foxtons Private Office sub-brand, a highly bespoke service for customers buying and selling high value London properties contributing £3.3 million of revenue in the year.

Alexander Hall, our mortgage broking business, has continued to perform in line with expectations. In Q3 2021 we announced we were reviewing strategic options for the business. We looked at a range of options and have decided to retain the business. We plan to invest to drive further growth by increasing our financial adviser base to fully realise the financial services cross sell opportunity to our estate agency customers.

Estate agency remains a people driven business and our talented employees are key to delivering against our strategy. We have realised productivity improvements with revenue per employee increasing by 26% compared to 2020 and 16% compared to 2019, which is reflective of our geared operating model and ongoing focus on sales intensity. I am also pleased to report an increase in our diversity and inclusivity score as employees feel we genuinely offer opportunities to people from all backgrounds and experiences. Our people truly mirror the communities we serve and are able to provide the highest levels of customer service.

To help our teams do more of what they do best – giving expert advice – we continued to invest in our IT infrastructure, customer data platform, and data science capabilities. We have also partnered with DataRobot, a leading artificial intelligence platform to build, deploy, and monitor artificial intelligence and machine learning models at scale to optimise customer acquisition. In addition, last year we were an early adopter and investor in the next generation property portal, Boomin, which will be used to drive greater cross-sell within the Group. We believe Foxtons is already the most advanced estate agent in the UK when it comes to how we use technology and data, and these investments further cement our competitive advantage, and improve how we serve our customers.

## Our markets

Despite an extended downturn in sales during the last five years, we have continued to invest in our differentiators resulting in a stronger business performance in a buoyant sales market. The stamp duty holiday and changing consumer requirements helped drive 2021 performance, and although our healthy under offer pipeline provides some confidence, rising interest rates and geopolitical risk creates some market uncertainty which our strategy is well placed to respond to.

The lettings market was also extremely active as tenants took advantage of lower rents in the early part of 2021 but by year end, rent levels were higher than pre-pandemic as a consequence of strong demand and for a constrained level of supply.

The mortgage broking market benefited from the strong sales market and favourable interest rates.

## 2022 trading update and outlook

In sales, 2022 began with our under-offer sales pipeline marginally ahead of 2021, and significantly up on the pre-pandemic levels. Over the course of the first two months of the year the under-offer pipeline has continued to build with homes going under offer despite lower levels of supply in the market.

In lettings, demand continues to outweigh supply, a dynamic which we expect to underpin strong rents over the course of the year. Build to Rent continues to grow and our market leadership position in London will see us continue to capture this growth in 2022. We have a number of lettings portfolios that we are currently evaluating and anticipate spending £8 million on acquisitions during the course of 2022.

In mortgage broking, we expect there to be continuing good levels of activity in line with the sales market, although interest rate changes may impact the level of growth. Over the course of the year we will build our team of advisers, although it typically takes up to a year for them to become fully productive. This bodes well for building scale in the business in the medium term.

Finally, whilst we expect the trading environment to remain positive, and although our revenue growth plans will drive profitability, we are entering a period of increasing costs, for example business rates and national insurance contributions, and so remain very focused on our ongoing efficiency plans to manage these pressures. Overall, we have a clear plan for growth and expect to build on the strong progress made in 2021.



**Nic Budden**  
 Chief Executive Officer

1 March 2022



STRATEGIC REPORT

GOVERNANCE

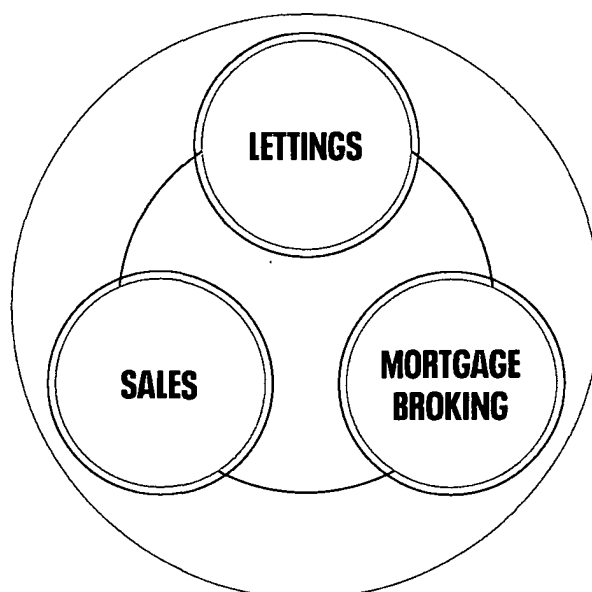
FINANCIAL STATEMENTS

Customers receive a warm welcome  
at Chiswick High Road office

# MARKET REVIEW

## Overview

The London market is a disproportionately valuable residential property market, accounting for 12% of UK sales transactions by volume but 21% of total value, while its private rental sector houses 27% of residents versus 19% in the rest of the UK. Historically, the sales market has displayed cyclical characteristics while the lettings market is more stable through the cycle. The Group has a clear strategy for growth which it believes will deliver value in the short term.



## 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 past few years despite political and economic uncertainty. This trend was disturbed by Covid-19 and its related restrictions, which reduced demand from overseas business and students and increased supply through the return of properties to rental from the short-term holiday market. Over the course of 2021, the market has recalibrated as levels of supply and demand have normalised as restrictions have been relaxed.

### 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. However, this is changing, with growth in the Build to Rent sector over the past five years backed by significant institutional investment and Government support. While this is currently a relatively small proportion of the private rental sector, there is a strong pipeline of new developments in London.

## from continuing operations

## Lettings revenue

**£74.3 million** **+30%**  
 2020: £57.3 million year-on-year growth

## Sales revenue

**£42.7 million** **+51%**  
 2020: £28.2 million year-on-year growth

## Mortgage broking revenue

**£9.5 million** **+17%**  
 2020: £8.1 million year-on-year growth

## Foxtons exposure to the lettings market

At 31 December 2021 we held more than 25,000 live tenancies, representing 25% growth in the past two years driven by recent lettings portfolio acquisitions. We hold more tenancies than any other 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 benefiting from the renewal of tenancies. Our longstanding and trusted relationships with both private and institutional landlords, and the strength of our lettings platform, enables our lettings business to deliver resilient results throughout the cycle.

Foxtons is well-placed to benefit from the shift towards greater professionalisation of the sector as our knowledge and expertise helps both landlords, to 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 while our people, reach and technology allows us to let large-scale developments at speed, while providing the highest levels of service to tenants.

## Lettings market performance in 2021

## Demand

Demand levels were strong in 2021 as Covid-19 restrictions were lifted through the year. The first half saw high levels of London-based demand as existing tenants looked to move to properties that met changing requirements in light of Covid-19, with private gardens and additional internal space to accommodate flexible working patterns key drivers.

The second half saw high levels of demand from the rest of the UK and internationally, as the opening up of workspaces and resumption of in-person university teaching supported the return of office workers, graduates and local and international students.

## Supply

While the supply of lettings stock began to normalise during the first three quarters of 2021, with high levels of tenant demand absorbing the higher levels of available stock, towards the end of the year stock levels reduced indicative of the strong demand experienced during the third quarter and an increased frequency of tenants renewing rather than moving property.

## Rental prices

2020 rental prices were significantly impacted by Covid-19, with supply exceeding demand during the Covid-19 lockdowns driving rental deflation. Pricing has therefore been compared to 2019 which is a more normalised year. On average, rents in 2021 were 4% lower than 2019. In the first half, higher levels of stock continued to weigh on average rents, which were 9% lower than 2019. During the second half, higher levels of tenant demand and lower stock levels helped average rents to stabilise at 2%, and in the last quarter at 7%, above 2019 levels.

**Market review (continued)****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 13 times. This ratio compares to eight times for 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 have 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.

**Sales market performance in 2021**

2021 marked a turning point for the sales market as the stamp duty relief, changing property requirements and resolution of Brexit led to increased consumer confidence.

The first half of the year was particularly strong as buyers reappraised their housing needs due to prolonged periods spent at home and to accommodate more flexible working patterns post Covid-19. The stamp duty relief also provided an additional catalyst as buyers and sellers looked to complete before the deadline. Together this led market sales volumes being at their highest levels since 2017.

**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. While 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.

The second half of the year saw more subdued volume levels reflecting the pull forward of some transactions to the first half to benefit from the stamp duty relief. However, buyer activity remained strong, with the Foxtons sales commission pipeline, based on the value of properties under offer, consistently above the same period in 2019. This provides confidence that the increase in sales market transactions in London is not just a function of temporary stamp duty relief.

Pricing was resilient in the year, driven by high levels of demand for houses and properties with outside space.

### Mortgage broking market performance in 2021

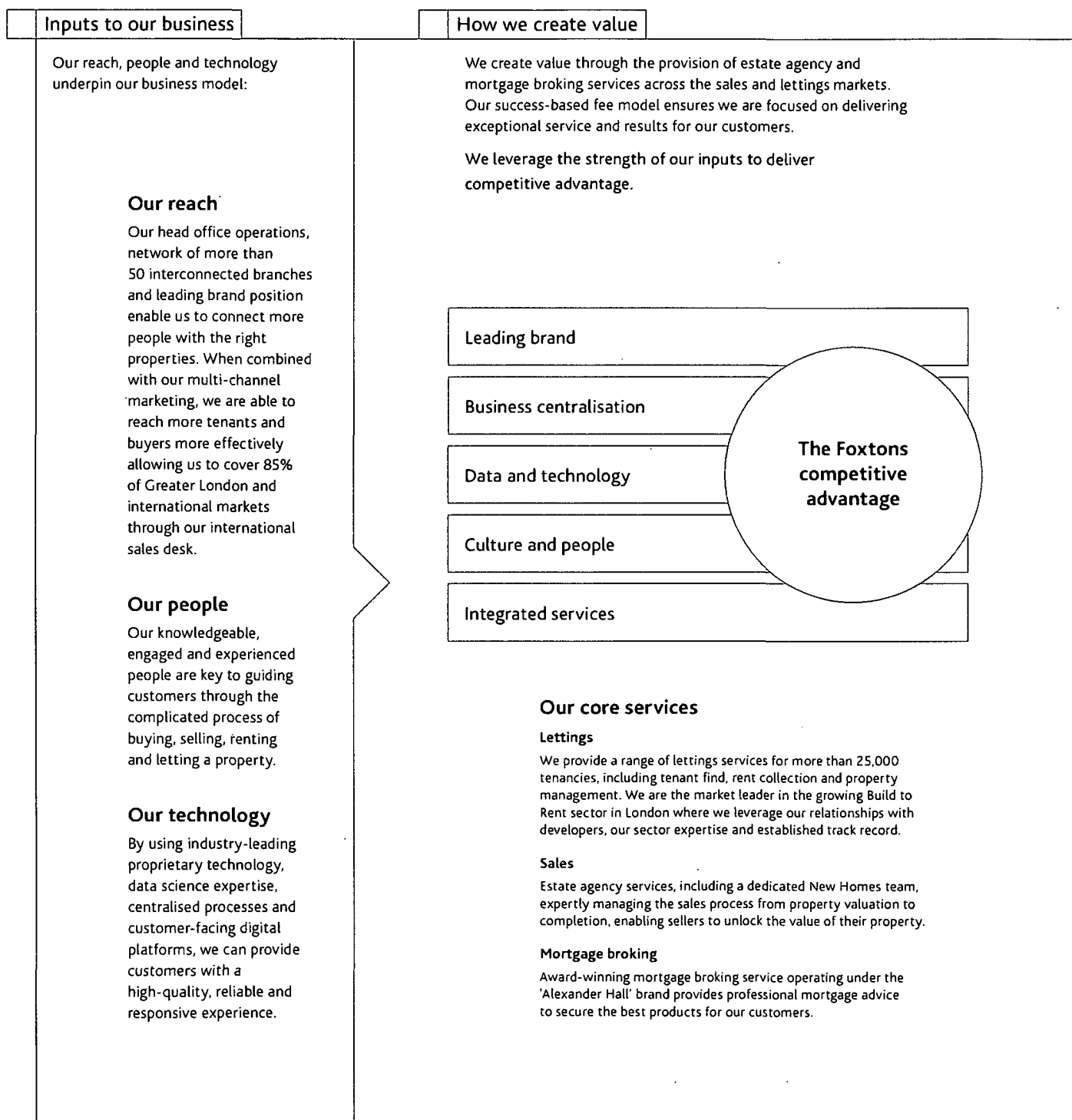
In 2021, new mortgage lending activity was significantly above levels seen in 2020 reflecting the growth in the wider sales market.

Throughout 2021, mortgage interest rates continued to be at an all-time low and this has spurred high levels of new and remortgage activity to benefit from lower rates.

Product availability grew during the year, with many lenders reintroducing mortgages with a loan-to-value ratio of above 80%, which had initially been withdrawn following Covid-19, disproportionately affecting first-time buyers.

# 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.



## Creating value for our stakeholders

Highly motivated people that deliver exceptional service and investing for future growth.

### Our shareholders

Investing for growth

**£6.3 million**

of shareholder returns through dividends paid and share buyback programmes

### Our customers and suppliers

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

**4.7 out of 5**

(2020: 4.8 out of 5) on Trustpilot

### Our people

Being known as an employer of choice, developing and retaining high performance talent

**87%**

2021 employee engagement survey score<sup>1</sup>

### Our communities

Engaging with and contributing to communities through our Career Ready partnership

**Supporting talented young people**

through internships, virtual masterclasses & panel discussions

#### Leading brand

Built up over 40 years, the Foxtons brand has the highest unprompted awareness of all London's estate agents. Our brand, interconnected branch network and technology, form a powerful network and provide 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.

#### 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, while our customer data platform uses data science and artificial intelligence to help predict customer behaviour much more precisely and improve agent productivity.

#### 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.

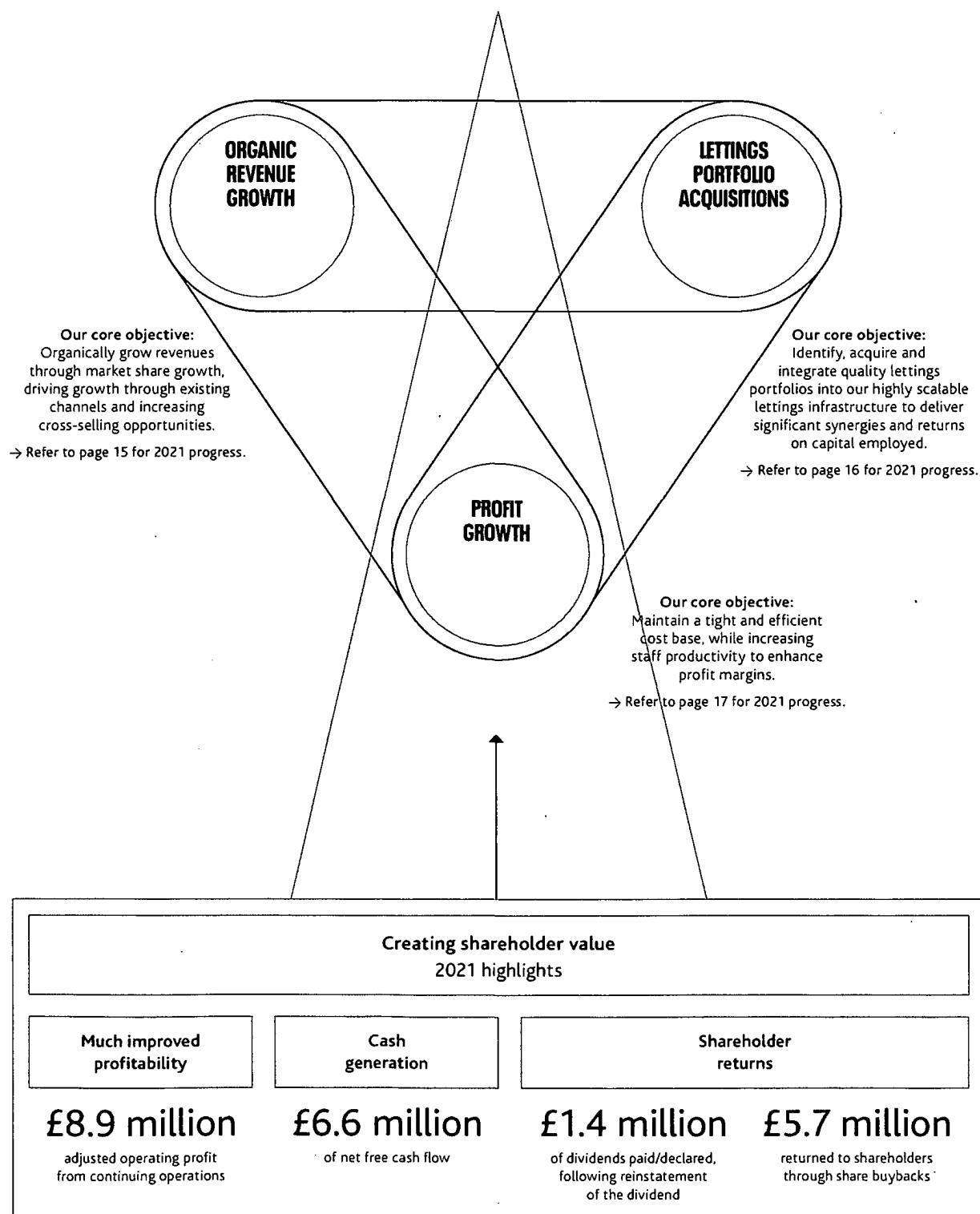
#### Integrated service

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.

<sup>1</sup> Results from the 2021 employee engagement survey independently administered by Willis Towers Watson

# OUR STRATEGIC CORE OBJECTIVES

The Group has a clear strategy to create shareholder value through delivery against our strategic core objectives: Organic revenue growth, lettings portfolio acquisitions and profit growth.





## ORGANIC REVENUE GROWTH

### How we deliver our core objective

- Increase market share through improved sales funnel conversion and senior management accountability reinforced through variable pay plans.
- Drive growth in our lettings proposition by retaining and attracting new landlords and growing Build to Rent revenues from new and existing clients.
- Create new revenue channels and increase cross-selling opportunities to serve key international markets, strengthen our position in the London prime market and increase cross sell, including financial services cross sell.

### 2021 progress

- Delivered market share growth across all business areas
  - Launched new data science platform to predict customers likely to transact and improve sales funnel conversion.
  - Launched new senior management share plans that target market share growth and improve alignment with shareholders, effective from 1 April 2022.
- Delivered organic growth in our lettings portfolio
  - Organic portfolio growth of 4% growth, complemented by lettings portfolio acquisitions (refer to page 16 for further details).
  - Continued to grow penetration of higher value lettings property management services, with 11% year-on-year organic revenue growth.
  - Build to Rent delivered 69% revenue growth against 2020, and by 90% against 2019, to £2.7 million and cemented our position as the leading Build to Rent agent in London.
- Developed new revenue channels and enhanced cross-sell capabilities
  - Delivered record revenues of £2.7 million through our Asia Pacific Desk and refreshed our prime property proposition, Foxtons Private Office, which provides a bespoke service for London's most exclusive properties.
  - Delivered record growth in cross-sell of services across sales, lettings and mortgage broking. In 2021, over 50% of our sales deals used cross-sell services.

### Driving market share through data science and technology

On average, people in the UK move house every 14 years, making it difficult for agents to target likely buyers and sellers – potentially lowering productivity and transaction levels.

In 2021, we implemented a new data science programme which applies machine learning to more than three million property records we hold in our CRM system and external data sets. This helps us to predict customer behaviour more precisely and identify our most likely to transact customers. We can then match these customers with our best agents and ensure we are able to provide our service to those who need it most, which has already enabled us to grow market share, and we anticipate further benefits in 2022.

## Our strategic drivers (continued)

# LETTINGS PORTFOLIO ACQUISITIONS

## How we deliver our core objective

- Identify and acquire high quality lettings portfolios that fit well with our existing portfolio, provide access to recurring revenue streams and have attractive financial returns.
- Rapidly integrate acquired lettings portfolios into our highly scalable lettings infrastructure to realise significant synergies.
- Provide a high quality and continuity of service to customers post acquisition to maximise financial returns.

## 2021 progress

- Acquired 2,900 new tenancies through the acquisition of D&G
  - 4% growth in the lettings portfolio during the first 10 months of ownership to more than 3,000 tenancies, delivering £10.0 million of revenue and £3.7 million of operating profit to continuing operations.
  - Detailed integration planning to integrate D&G tenancies into our infrastructure ahead of the simultaneous disposal of the D&G sales business, which successfully completed on 11 February 2022.
  - Total return on invested capital is expected to be in excess of 20% in 2022.

## Delivering value from lettings portfolio acquisitions

The acquisition of D&G in March 2021 was a significant strategic development with its acquired portfolio providing a huge opportunity for profit growth. Since acquisition, the D&G lettings business has performed well, with the lettings portfolio growing by 4% and generating £10.0 million of lettings revenue and £3.7 million operating profit in the first 10 months of our ownership.

Our highly scalable technology platform means acquired lettings portfolios can be quickly and easily integrated into our infrastructure, enabling landlords and tenants to benefit from all elements of the Foxtons service model.

On 11 February 2022, following shareholder approval, the Group simultaneously disposed of the D&G sales business and completed the integration of the D&G lettings business. With the integration complete, and the loss-making sales business disposed of, the synergies identified at the time of the original acquisition can be realised, with the D&G lettings portfolio expected to deliver operating profit of around £4 million in 2022.

## PROFIT GROWTH

### How we deliver our core objective

- **Streamline our centralised infrastructure** through investments in technology, maintaining a lean management function and outsourcing elements of operations.
- **Improve customer conversion and cost per acquisition** by delivering highly tailored digital marketing content.
- **Increase branch and staff productivity** through the continued investment in technology, our people programmes and remuneration structures that attract, retain and incentivise the best talent.

### 2021 progress

- **Operating profit growth and productivity growth delivered in the year**
  - Adjusted operating profit of £8.9 million from continuing operations, £7.0 million growth versus 2020.
  - 36% growth in revenue per branch and 26% growth in revenue per employee compared to 2020, reflecting progress with our people programmes, centralised infrastructure and branch network reach.
- **Continued investment in technology and digital marketing capabilities**
  - Embedded our customer data platform to deliver effective digital marketing content to improve customer conversion and cost per acquisition.
- **Delayed our management structures and introduced new remuneration structures for our revenue earners**
  - Launched new revenue earner remuneration schemes that increase the proportion of variable pay to incentivise and reward the highest levels of sales intensity and to improve alignment with shareholders.

### Delivering productivity growth through investments in technology

The Foxtons operating model is unique within the sector. Our estate agents concentrate solely on delivering for customers, helped by specialist centralised teams who support all non-direct selling processes. The model delivers high levels of productivity, workforce expertise and customer service.

*In recent years, Foxtons has focused on investments in its technology system and digital marketing capabilities to drive efficiency savings across centralised functions, our branch network and management structure to better maximise the operating leverage inherent within our business and support profit growth.*

Investments in our digital portal allow all customer segments to transact entirely online, if they wish, while investments in digital marketing capabilities mean we can reach more Londoners from fewer locations. Since 2018, this has allowed us to reduce our branch footprint by 15% while continuing to provide customers with the same levels of service and results.

Continued investments in business process engineering, process automation and increased customer self-service allowed us to deliver significantly higher volumes of business in 2021 without substantially increasing our centralised headcount or cost.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

# STAKEHOLDER ENGAGEMENT

Engaging with stakeholders delivers better outcomes for society and is critical to our long-term success and in turn supports our purpose, our business model and the delivery of our strategy.

## How we promote the success of Foxtons for the benefit of all

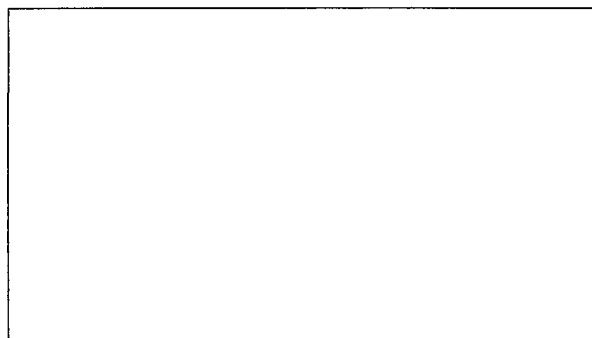
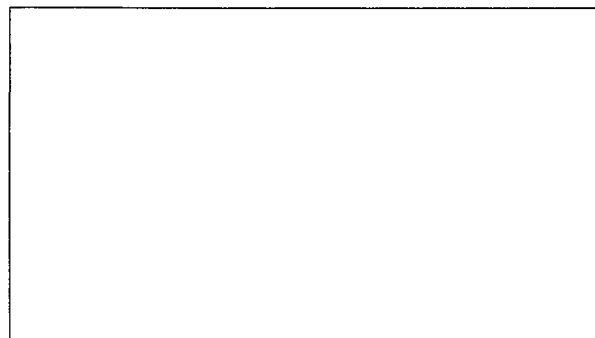
The Board recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision-making.

## SECTION 172 STATEMENT

Section 172(1) of the Companies Act 2006 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 matters set out below:

Section 172 matter	Where to find out more
- the likely consequences of any decision in the long term;	→ Foxtons at a glance (page 1). → Our business model (pages 12 and 13). → Our strategic core objectives (pages 14 to 17). → Stakeholder engagement (pages 18 to 21).
- the interests of the Group's employees;	→ Stakeholder engagement (pages 19 and 20). → Responsible business – Our people and skills (pages 44 to 46).
- the need to foster the Group's business relationships with suppliers, customers and others;	→ Stakeholder engagement (pages 19 and 20). → Responsible business – Our other responsibilities (pages 47 and 48).
- the impact of the Group's operations on the community and the environment;	→ Task Force on Climate-related Financial Disclosures (pages 36 and 37). → Responsible business – Environment (pages 39 to 42). → Responsible business – Our community (page 43).
- the desirability of the Group maintaining a reputation for high standards of business conduct; and	→ Responsible business – Our community (page 43). → Responsible business – Our other responsibilities (pages 47 and 48).
- the need to act fairly as between stakeholders of the Group.	→ Stakeholder engagement (pages 19 and 20).

The Directors believe that, individually and together as a Board, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group 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 2021.



## OUR STAKEHOLDERS

Our stakeholders are **our shareholders, our customers and suppliers, our people 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 shareholders

#### Why we engage

Shareholders provide funds that support investment in the business and generate long-term and sustainable returns.

Engagement enables the Board to make well-informed decisions which take into account shareholder views.

#### How we engage

The Board regularly interacts with shareholders, including via one-to-one meetings, investor roadshows and through trading updates. Interactions are supported by regular communication with external financial analysts.

Additionally, in June 2021, the Board held a Capital Markets Day for institutional investors and analysts to provide an update on the Group's growth strategy.

#### Key interests

- Financial performance and position
- Strategic direction and execution
- ESG
- Capital allocation
- Executive remuneration
- Board composition

### Our customers and suppliers

#### Why we engage

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 and enable us to maintain high standards of business conduct.

#### How we engage

We engage with our customers throughout a property transaction, as well as through other channels such as consumer review platforms and social media. Service levels are reviewed regularly, as well as monitoring the integrity of the way we do business.

We engage with our supplier partners through regular service reviews and supplier payment practices are reviewed on a regular basis by the Audit Committee.

#### Key interests

- Customer service delivery
- Marketing strategy and technology
- Customer experience
- Navigating legislation and compliance changes

### Our people

#### Why we engage

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.

#### How we engage

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, Foxtons-wide communications, diversity network events and reviewing the annual employee engagement survey.

#### Key interests

- Business performance and Covid-19 operating procedures
- Employee communication, working practices, and health and safety
- Workforce remuneration
- Diversity & inclusion

### Our communities

#### Why we engage

Supporting our communities is an integral part of the Group's purpose. A key focus is advancing social mobility and through engagement we seek to create stronger communities.

#### How we engage

We engage with our communities primarily through our social mobility partnership and through wider community initiatives. Engagement includes hosting community events and workshops and allowing our employees to take paid time off to support a charity or cause of their choice. The Board's ESG Committee will receive updates from management on the Group's contributions to our community partnerships.

#### Key interests

- Informing ongoing community engagement programmes and areas of focus
- Maximising value from support offered

## Stakeholder engagement (continued)

### KEY OUTCOMES FROM OUR ENGAGEMENT

<p><b>Our shareholders</b></p> <p>↓</p> <p><b>Key outcomes from engagement</b></p> <ul style="list-style-type: none"> <li>- Acquisition of D&amp;G and subsequent disposal of the D&amp;G sales business.</li> <li>→ Refer to page 21 for details of the acquisition of D&amp;G and subsequent disposal of the D&amp;G sales business.</li> <li>- Share buyback programme and reinstating the dividend.</li> <li>→ Refer to page 21 for details of our share buyback programme and reinstating the dividend.</li> <li>- Chairman appointment and additional Non-Executive Director to supplement existing Board skills and experience informed by engagement with major shareholders.</li> <li>→ Refer to page 66 of the Nomination Committee Report for details of 2021 Board changes.</li> </ul>	<p><b>Our customers and suppliers</b></p> <p>↓</p> <p><b>Key outcomes from engagement</b></p> <ul style="list-style-type: none"> <li>- Maintaining Covid-19 safe working practices for customers through ongoing engagement with our customers informed by Government and industry guidance.</li> <li>→ Refer to page 48 for details of our health and safety initiatives.</li> <li>- Developed technology solutions to drive more effective property marketing for our customers informed through regular and ongoing customer engagement.</li> <li>→ Refer to page 15 for details of how we are driving better results for our customers, as well as driving revenue growth through data science and technology.</li> <li>- Improving supplier relationships within our Property Management with an increased focus on our suppliers' approach to the environment, social and governance.</li> <li>→ Refer to page 47 for details of our supplier relationships and responsibilities.</li> </ul>
<p><b>Our people</b></p> <p>↓</p> <p><b>Key outcomes from engagement</b></p> <ul style="list-style-type: none"> <li>- Maintaining Covid-19 safe working practices through employee engagement within the Covid-19 Health &amp; Safety Committee.</li> <li>- Improving our office waste recycling processes following discussion through the EEC.</li> <li>- Continued development of our diversity networks and related programmes through feedback at the EEC.</li> <li>→ Refer to pages 39 to 48 for details of our responsible business practices, including details of our approach to health and safety, the environment and diversity programmes.</li> <li>- Workforce and Director remuneration strategy explained to our people through the EEC by the Remuneration Committee Chair.</li> <li>→ Refer to page 92 of the Directors' Remuneration Report for details of our approach to workforce remuneration.</li> </ul>	<p><b>Our communities</b></p> <p>↓</p> <p><b>Key outcomes from engagement</b></p> <p>New partnership with Career Ready, a social mobility charity. Career Ready seeks to improve social mobility among young people. The partnership enables the Group to work directly with school age students, primarily 16 to 18 year olds, who face the most barriers in education and employment and whose talents are often overlooked.</p> <p>Through ongoing engagement with Career Ready the partnership has been shaped to enable the Group to provide maximum benefit to our communities.</p> <p>We are a signatory of the Social Mobility Pledge, as well as having sponsored the 2021 UK Social Mobility Awards.</p> <p>→ Refer to page 43 for more details of our community programmes and Career Ready partnership.</p>

## Examples of how the Board considered Section 172 matters and engaged with shareholders during 2021 are set out below.

For each example, relevant stakeholder groups have been indicated along with the key matters taken into consideration.

### Acquisition of D&G and subsequent disposal of the D&G sales business

The Board approved the acquisition of D&G to progress the Group's strategy of acquiring high quality businesses with strong lettings portfolios. After considering the long-term benefits from the D&G lettings business, the Board concluded that the greatest long-term value would be realised through the integration of the D&G lettings business into the Foxtons infrastructure followed by the subsequent disposal of the loss-making D&G sales business.

The Board reviewed a number of options for addressing the profitability of the sales business, including continuing to run D&G as a separate brand, closing down the D&G sales business and disposing of the D&G sales business. After consideration, the Board concluded that disposing of the sales business to D&G management and integrating the lettings business into the Foxtons network was the most attractive option. This is primarily because Foxtons has an established branch network which overlaps significantly with D&G's branches. The simultaneous disposal and integration of the D&G lettings business into the Foxtons network will deliver synergies, drive profit and create shareholder value.

In reaching this decision the Board considered the importance of maintaining high service levels to customers following the integration and considered the impact on employees and the necessity to run a smooth transition. On 10 February 2022, shareholder support for the disposal was obtained following the passing of an ordinary resolution at a General Meeting. The integration, which completed on 11 February 2022, relocated D&G's talented lettings employees to Foxtons, providing landlords and tenants with continuity and consistency of service as well as providing the employees with enhanced career opportunities.

#### Key relevant stakeholders considered:

- Our shareholders
- Our customers and suppliers
- Our people

### Reinstating the dividend and share buyback programme

With momentum in the business, and in line with our dividend policy, a payment of 0.18p per share was made with respect to the half year period and a further 0.27p per share final dividend is proposed.

The Board also made the decision to continue to return excess cash to shareholders by way of a share buyback programme after taking into consideration the views of several major shareholders. A total of £5.7 million of shares were bought back in the period.

#### Key relevant stakeholders considered:

- Our shareholders

# KEY PERFORMANCE INDICATORS

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

## Financial performance

From continuing operations	2021	2020	2019
<b>Revenue (£ million)</b>	<b>126.5</b>	<b>93.5</b>	<b>106.9</b>

Description	Performance for 2021	Linked core objectives
Total revenue generated in line with the Group's accounting policies.	Revenue increased by 35% to £126.5 million driven by increased volumes, with lettings revenue up 30%, sales revenue up 51%, and mortgage broking revenue up 17%, compared to 2020. Lettings revenue growth achieved both through organic growth and inorganic growth, with D&G lettings contributing £10 million of revenue in the first ten months of ownership.	

From continuing operations	2021	2020	2019
Lettings volumes (units)	22,091	18,595	19,844
Sales volumes (units)	3,122	2,034	2,423
Mortgage broking volumes (units)	4,991	4,361	4,442

Description	Performance for 2021	Linked core objectives
Total number of sales transactions, lettings transactions agreed (including renewals) and mortgage broking products arranged during the relevant period.	All volumes increased in the year due to increased market activity and increases in market share. The lettings business benefited from additional volumes contributed by D&G lettings.	

From continuing operations	2021	2020	2019
<b>Adjusted operating profit/(loss) (£ million)</b>	<b>8.9</b>	<b>1.9</b>	<b>(0.7)</b>

Description	Performance for 2021	Linked core objectives
Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains/losses and adjusted items (defined in Note 1).	Group adjusted operating profit was £8.9 million, compared to a £1.9 million profit in 2020, reflective of increased revenue in the year, including a £10.0 million revenue contribution from D&G, and continued focus on cost control.	

From continuing and discontinued operations	2021	2020	2019
<b>Net free cash flow (£ million)</b>	<b>6.6</b>	<b>4.3</b>	<b>(2.5)</b>

Description	Performance for 2021	Linked core objectives
Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired) and purchase of investments.	Net free cash flow of £6.6 million, driven by increased profitability, partly offset by £15.9 million of lease liability payments and £1.9 million of net capital expenditure driven by IT and branch investments.	Refer to Note 27 of the financial statements for a reconciliation to net cash from operating activities.
		<b>Linked core objectives</b>



## Our strategic core objectives (as set out on page 14)

Organic revenue growth

Lettings portfolio acquisitions

Profit growth

## Balance of business and productivity

	2021	2020	2019
From continuing operations			
Lettings revenue contribution (%)	59	61	62
Sales revenue contribution (%)	34	30	30
Mortgage broking revenue contribution (%)	7	9	8

## 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 2021

Balance of business broadly consistent with 2020. The sales business contributed a higher proportion of total revenue which is reflective of increased sales volumes, while the lettings business continued to contribute a similar proportion of revenues, a high proportion of which are recurring in nature, providing stability through the property cycle.

	2021	2020	2019
From continuing operations			
Average revenue per branch (£'000)	2,219	1,613	1,762
Average revenue per employee (£'000)	109	87	94

## 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 2021

Average revenue per branch and per employee has increased by 36% and 26% respectively, which is reflective of our leveraged operating model and significant progress with branch and employee productivity.

## Linked core objectives

## Employee engagement and customer satisfaction

	2021	2020	2019
Employee engagement			
Engagement score	87%	84%	83%

## Description

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

## Performance for 2021

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 46 for further details of the 2021 employee engagement survey.

## Linked core objectives

	2021	2020	2019
Customer satisfaction			
Trustpilot score (out of 5)	4.7	4.8	4.7

## Description

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

## Performance for 2021

We continue to maintain an excellent Trustpilot rating which is reflective of our continued investment in customer service, employee training and technology. Our customer satisfaction score continues to exceed that of our competitors having received four times as many 5-star reviews as any other London agent.

## Linked core objectives

# FINANCIAL REVIEW

Richard Harris Chief Financial Officer

## FINANCIAL OVERVIEW – HIGHLIGHTS

	2021 £m	2020 £m	2019 £m	Change vs 2020	Change vs 2019
<b>Continuing operations</b>					
Revenue	126.5	93.5	106.9	35%	18%
Contribution*	78.5	58.1	67.1	35%	11%
Contribution margin*	62.1%	62.1%	62.7%	–	(60 bps)
Adjusted operating profit/(loss)*	8.9	1.9	(0.7)	£7.0m	£9.6m
Adjusted operating profit/(loss) margin*	7.1%	2.0%	(0.6%)	510 bps	770 bps
Profit/(loss) before tax	5.6	(1.4)	(8.8)	£7.0m	£14.4m
Loss after tax	(1.3)	(3.2)	(7.8)	£1.9m	£6.5m
<b>Net free cash flow and cash position</b>					
Net free cash flow (total group)*	6.6	4.3	(2.5)	£2.3m	£9.1m
Net cash (continuing operations)*	19.4	37.0	15.5	(£17.6m)	(£3.9m)
<b>Dividends</b>					
Interim dividend per share (paid)	0.18p	–	–	n/a	n/a
Final dividend per share (proposed)	0.27p	–	–	n/a	n/a

Revenue from continuing operations increased by 35% to £126.5 million (2020: £93.5 million), with revenue from lettings up 30%, revenue from sales up 51%, and revenue from mortgage broking up 17% compared to 2020.

Adjusted operating profit from continuing operations increased by £7.0 million to £8.9 million (2020: £1.9 million), driven by strong revenue growth across all segments. In the ten months since acquisition, D&G lettings contributed £10.0 million of revenue and £3.7 million of operating profit. Profit before tax from continuing operations was £5.6 million (2020: £1.4 million loss) and loss after tax was £1.3 million (2020: £3.2 million) mainly due to a £6.1 million non-cash deferred tax accounting remeasurement required due to the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

On a total Group basis, which includes both continuing and discontinued operations, £6.6 million of net free cash flow was generated. The Group continues to have access to a £5.0 million revolving credit facility (RCF) which has been extended in the (June 2024 expiry) and remained undrawn throughout the year. At year end the facility remains undrawn. Net cash relating to the continuing business was £19.4 million (2020: £37.0 million), which excludes £3.7 million of cash classified within assets held for sale.

\* Measures marked with this symbol are APMs. APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.

Note: Throughout this review, amounts in tables may have been rounded and accordingly may not precisely sum to the total amounts expressed in such tables.

"Profit growth achieved through organic revenue growth, lettings portfolio acquisitions and ongoing cost control."

<b>Revenue</b> from continuing operations <b>£126.5 million</b> (2020: £93.5 million)
<b>Adjusted operating profit</b> from continuing operations <b>£8.9 million</b> (2020: £1.9 million)
<b>Net free cash flow</b> from continuing & discontinued operations <b>£6.6 million</b> (2020: £4.3 million)

## REVENUE

(from continuing operations)

The Group consists of three operating segments: Lettings, sales and mortgage broking. Narrative explaining segmental revenue performance against 2020 follows.

From continuing operations	2021 £m	2020 £m	2019 £m	Change vs 2020	Change vs 2019
Lettings	74.3	57.3	65.7	30%	13%
Sales	42.7	28.2	32.6	51%	31%
Mortgage broking	9.5	8.1	8.5	17%	11%
Total	126.5	93.5	106.9	35%	18%

### Lettings revenue

Lettings revenues increased by 30% to £74.3 million (2020: £57.3 million) and average revenue per lettings transaction was up 9% to £3,365 (2020: £3,081), with D&G lettings contributing £10.0 million of revenue since acquisition in March 2021. Excluding D&G, lettings revenue was 12% up which is reflective of a 3% increase in average rentals, increased volumes driven by increased market activity and market share gains, growth in our property management revenues and Build to Rent business.

### Sales revenue

Sales revenue increased by 51% to £42.7 million (2020: £28.2 million) driven by 53% higher volumes in 2021 compared to 2020 reflective of market share gains in a buoyant sales market, that benefited from stamp duty relief. The average revenue per transaction was £13,668 or 1% lower (2020: £13,854) and the average price of properties sold increased marginally to £577k (2020: £574k).

### Mortgage broking revenue

Mortgage broking revenue increased by 17% to £9.5 million (2020: £8.1 million), the increase primarily reflecting growth in new mortgages driven by increased sales volumes noted above.

## Financial review (continued)

## CONTRIBUTION AND CONTRIBUTION MARGIN

(from continuing operations)

Contribution is defined as revenue less direct salary costs of front office staff and bad debt charges. Group contribution increased to £78.5 million (2020: £58.1 million) compared to 2020 as a result of increased revenue with a consistent contribution margin.

	2021		2020		2019	
	£m	margin	£m	£m	margin	£m
From continuing operations						
Lettings	51.7	69.5%	40.2	70.2%	46.6	70.9%
Sales	22.8	53.4%	14.1	50.0%	16.4	50.4%
Mortgage broking	4.1	42.9%	3.8	46.8%	4.0	47.2%
<b>Total</b>	<b>78.5</b>	<b>62.1%</b>	<b>58.1</b>	<b>62.1%</b>	<b>67.1</b>	<b>62.7%</b>

## ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN

(from continuing operations)

Adjusted operating profit for the period was £8.9 million (2020: £1.9 million), reflective of increased revenue in the year, including a £10.0 million revenue contribution from D&G, and continued focus on cost control. For the purposes of segmental reporting, shared costs are allocated between the lettings business and the sales business with reference to relative headcount.

	2021		2020		2019	
	£m	margin	£m	margin	£m	margin
From continuing operations						
Lettings	8.9	12.0%	6.3	11.1%	4.2	6.4%
Sales	(1.5)	(3.5%)	(5.8)	(20.8%)	(6.3)	(19.2%)
Mortgage broking	1.5	16.3%	1.4	17.6%	1.4	16.0%
<b>Total</b>	<b>8.9</b>	<b>7.1%</b>	<b>1.9</b>	<b>2.0%</b>	<b>(0.7)</b>	<b>(0.6%)</b>

Adjusted operating profit is after charging direct operating costs of £47.9 million (2020: £35.4 million) and other operating costs of £71.0 million (2020: £57.3 million), including a £1.5 million voluntary repayment of business rates. Other operating costs include the following non-cash charges:

- Depreciation of £12.2 million (2020: £11.9 million);
- Amortisation of £1.4 million (2020: £0.8 million), including £0.9 million (2020: £0.3 million) relating to acquired intangibles; and
- Share-based payment charges of £1.6 million (2020: £1.0 million).

## PROFIT/(LOSS) BEFORE TAX

(from continuing operations)

	2021 £m	2020 £m	2019 £m
From continuing operations			
<b>Adjusted operating profit/(loss)</b>	<b>8.9</b>	<b>1.9</b>	<b>(0.7)</b>
Less: adjusted items	(1.4)	(1.1)	(5.7)
<b>Operating profit</b>	<b>7.6</b>	<b>0.8</b>	<b>(6.3)</b>
Less: Net finance costs and other losses	(2.0)	(2.2)	(2.5)
<b>Profit/(loss) before tax</b>	<b>5.6</b>	<b>(1.4)</b>	<b>(8.8)</b>

Adjusted operating profit excludes net adjusted item charges of £1.4 million (2020: £1.1 million) classified in line with the Group's accounting policy. The net charges comprises: £0.6 million of acquisition related costs; £0.5 million of reorganisation costs; £0.7 million impairment of an associate and £0.4 million of net property related credits primarily relating to provision/lease liability remeasurement. Net finance costs of £2.0 million (2020: £2.2 million) relate to interest charges on lease liabilities.

**LOSS AFTER TAX****(from continuing operations)**

From continuing operations	2021 £m	2020 £m	2019 £m
<b>Profit/(loss) before tax</b>	<b>5.6</b>	<b>(1.4)</b>	<b>(8.8)</b>
Less: current tax (charge)/credit	<b>(0.5)</b>	0.3	0.3
Less: deferred tax charge (due to UK corporation tax rate change)	<b>(6.1)</b>	(1.8)	–
Less: deferred tax (charge)/credit (other)	<b>0.3</b>	(0.3)	0.7
<b>Loss after tax</b>	<b>(1.3)</b>	<b>(3.2)</b>	<b>(7.8)</b>

The loss after tax of £1.3 million (2020: £3.2 million) is after a total tax charge of £6.9 million, of which £6.4 million relates to non-cash deferred tax accounting charges and £0.5 million relates to current tax. £6.1 million of the deferred tax accounting charge is due to a non-cash accounting remeasurement required as a result of the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

The effective tax rate for the period was 124.1% (2020: (135.3%)) which compares to the statutory corporation tax rate of 19.0% (2020: 19.0%). The main driver affecting the effective tax rate is the £6.1 million deferred tax accounting remeasurement noted above.

The Group's net deferred tax liability at 31 December 2021 totalled £24.8 million (2020: £17.5 million), which includes £26.5 million (2020: £19.4 million) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.7 million (2020: £1.9 million). The deferred tax assets relate to tax losses brought forward to the extent it is probable the assets will be recovered through future taxable profits.

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received no tax refunds during the year (2020: £0.2 million).

**EARNINGS PER SHARE****(from continuing operations)**

	2021 £m	2020 £m	2019 £m
<b>Loss after tax</b>	<b>(1.3)</b>	<b>(3.2)</b>	<b>(7.8)</b>
Add back: adjusted items (net of tax)	<b>1.5</b>	0.9	4.7
Add back: deferred tax (due to UK corporation tax rate change)	<b>6.1</b>	1.8	–
<b>Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share</b>	<b>6.2</b>	<b>(0.5)</b>	<b>(3.1)</b>
Earnings/(loss) per share (basic and diluted)	<b>(0.4p)</b>	(1.0p)	(2.8p)
Adjusted earnings/(loss) per share (basic and diluted)	<b>1.9p</b>	(0.2p)	(1.1p)

On a continuing operations basis, loss per share (basic and diluted) was 0.4p per share with the loss driven by a £6.1 million non-cash deferred tax remeasurement accounting charge. On an adjusted basis, which excludes adjusted item charges of £1.5 million and the £6.1 million deferred tax remeasurement charge, earnings per share (basic and diluted) was 1.9p.

**NET CASH AND NET FREE CASH FLOW**

The Group held net cash, excluding lease liabilities and £3.7 million of cash classified as held for sale, of £19.4 million (2020: £37.0 million) with no external borrowing (2020: nil).

From continuing and discontinued operations	2021 £m	2020 £m	2019 £m
Operating cash inflow before movements in working capital	<b>22.0</b>	15.1	12.2
Working capital inflow/(outflow)	<b>1.7</b>	(0.6)	(2.6)
Income taxes (paid)/refund	<b>(0.2)</b>	0.2	0.2
<b>Net cash from operating activities</b>	<b>23.5</b>	<b>14.7</b>	<b>9.8</b>
Repayment of IFRS 16 lease liabilities	<b>(15.2)</b>	(10.0)	(12.0)
Net cash used in investing activities <sup>1</sup>	<b>(1.6)</b>	(0.4)	(0.3)
<b>Net free cash inflow/(outflow)</b>	<b>6.6</b>	<b>4.3</b>	<b>(2.5)</b>

<sup>1</sup> Excludes £11.5 million (2020: £3.8 million) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired) and £3.0 million related to the purchase of investments (2020: £nil, 2019).

Net free cash flow, from continuing and discontinued operations, of £6.6 million (2020: £4.3 million), was driven by increased profitability, partly offset by £15.2 million of lease liability payments, including £2.3 million of previously deferred lease payments, and £1.9 million of net capital expenditure driven by IT and branch investments.

## Financial review (continued)

## ACQUISITIONS

On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited, a high-quality London estate agent with a large lettings business typically delivering around 65% of total revenues from 2,900 tenancies. Gross purchase consideration was £15.5 million with £13.9 million paid in March 2021, £1.1 million paid in July 2021 and £0.5 million of contingent cash consideration paid in March 2022. Consideration paid in 2021, net of cash acquired, was £11.1 million.

Acquired net assets were fair valued at the date of acquisition and include £5.4 million of customer contracts and relationships and £6.3 million of acquired goodwill. The acquisition contributed a total of £16.8 million of revenue and £1.9 million of adjusted operating profit during the Group's first ten months of ownership, of which £10.0 million of revenue and £3.7 million of adjusted operating profit relates to continuing operations.

## DISCONTINUED OPERATIONS

From discontinued operations	2021 £m	2020 £m	2019 £m
Revenue	6.8	–	–
Adjusted operating loss	(1.8)	–	–
Less: adjusted items	(3.2)	–	–
Operating loss	(5.1)	–	–
Loss after tax	(4.8)	–	–

Discontinued operations relates to the D&G sales business which was acquired alongside the D&G lettings business, as part of the acquisition of D&G on 1 March 2021. In the first 10 months of ownership, the D&G sales business generated £6.8 million of revenue, a £1.8 million adjusted operating loss and a £4.8 million loss after tax. The loss after tax includes an impairment charge of £3.2 million, classified as an adjusted item, following the revaluation of the disposal group net assets to nil fair value reflecting the nominal consideration received. In November 2021 the Board approved the disposal of the D&G sales business and the simultaneous integration of the D&G lettings business into the Foxtons infrastructure. D&G sales was classified as held for sale in November 2021 and disposed of on 11 February 2022 to its CEO, James Evans, having been approved by shareholders at the General Meeting held on 10 February 2022.

The integration of the lettings business into the Foxtons network is expected to deliver the synergies identified at the time of the original D&G acquisition, with the D&G lettings portfolio expected to deliver operating profit of around £4.0 million in 2022. This is an increase of over £2.0 million on the operating profit contributed by the whole D&G business in 2021 and is in line with our expectation at the time of the acquisition that it would be materially earnings enhancing.

On a total Group basis, which includes both continuing and discontinued operations, revenue was £133.3 million (2020: £93.5 million) and adjusted operating profit was £7.1 million (2020: £1.9 million).

## OTHER BALANCE SHEET POSITIONS

At 31 December the significant balance sheet positions were:

- Goodwill of £17.7 million (2020: £11.4 million) and other intangible assets of £107.3 million (2020: £103.5 million), with the increase due to the acquisition of D&G which contributed £6.3 million of goodwill and £5.4 million of intangible assets.
- Interest in associate and investments of £3.3 million (2020: £1.2 million), with the increase reflecting a £3.0 million investment in PD Innovations Limited, trading as Boomin, and a £1.0 million disposal of an interest in Propoly.
- Trade and other receivables of £16.0 million (2020: £13.9 million) and trade and other payables of £14.5 million (2020: £10.3 million).
- Held for sale assets of £7.4 million (2020: nil) and held for sale liabilities of £7.4 million (2020: nil) relating to the D&G sales business disposal group. Held for sale assets include £3.7 million of cash.
- Total contract assets of £4.6 million (2020: £2.0 million) and total contract liabilities of £9.4 million (2020: £8.7 million), with the increase in the contract asset driven by the acquisition of D&G.
- Lease liabilities of £48.1 million (2020: £51.6 million) and right-of-use assets of £43.8 million (2020: £44.4 million).

## CAPITAL ALLOCATION AND DIVIDENDS

Beyond working capital needs we use our cash to continue to fund investment in the organic development of the business, both people and technology, and to prioritise lettings portfolio acquisitions. The Group's ordinary dividend policy is to return 35% to 40% of profit after tax (excluding one-off non-cash items) to shareholders as an ordinary dividend, with excess cash after operational requirements and investments distributed to shareholders.

As shown below, the total Group made a profit after tax of £3.6 million after excluding £3.7 million of non-cash adjusted items and the £6.1 million non-cash deferred tax accounting remeasurement (required due to the UK corporation tax rate increasing from 19% to 25%).

From continuing and discontinued operations	2021 £m
Loss after tax (continuing operations)	(1.3)
Loss after tax (discontinued operations)	(4.8)
<b>Loss after tax (total Group)</b>	<b>(6.2)</b>
Add back: non-cash adjusted items (net of tax)	3.7
Add back: deferred tax charges (due to UK corporation tax rate change)	6.1
<b>Profit after tax for dividend policy (total Group)</b>	<b>3.6</b>
Interim dividend (paid)	0.18p per share
Final dividend (proposed)	0.27p per share

An interim dividend of 0.18p per share was paid in September 2021. The Board has proposed a final dividend of 0.27p per share bringing the total ordinary dividend for the year to 0.45p per share (2020: nil). The proposed dividend will be paid, subject to shareholders approval at the AGM in June 2022, on 24 June 2022 to shareholders on the register at 13 May 2022. The shares will be quoted ex-dividend on 12 May 2022.

## CAPITAL RETURNS

A total of £5.7 million (2020: £0.3 million) of shares have been bought back to return excess capital to shareholders. £2.7 million shares were bought back through the programme announced in December 2020 and £3.0 million through the programme announced in July 2021. Over the course of 2020 and 2021 a total of £6.0 million of shares have been bought back.

## POST BALANCE SHEET EVENTS AND RELATED PARTY TRANSACTIONS

On 14 January 2022 the Group announced the simultaneous disposal of the D&G sales business, including all of its branches, and the integration of the D&G lettings business into the Foxtons infrastructure. The D&G sales business was disposed of on 11 February 2022 for nominal consideration to its CEO, James Evans, following shareholder approval at a General Meeting on 10 February 2022. £3.7 million of cash was left in the business to cover working capital requirements and retained liabilities, which would otherwise have had to be incurred by the Group.

Shareholder approval was required due to James Evans being a Director of D&G, a subsidiary undertaking of the Group prior to the disposal, and he therefore constituted a related party to the Group under Chapter 11 of the Listing Rules. Therefore, as required by the Listing Rules, the disposal required approval by shareholders at a General Meeting.

Under the terms of the disposal, D&G will operate under restrictive covenants which protect the lettings portfolio retained by the Group, including existing customer contracts and relationships, and the employees that have transferred to Foxtons.

## TREASURY POLICIES AND OBJECTIVES

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as the Group is in a net cash position, is entirely UK-based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5.0 million RCF which has been extended to June 2024 and remains undrawn.

## PENSIONS

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

## RISK MANAGEMENT

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. 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 104 for the going concern statement. The prospects and viability statement is set out on page 38.



Richard Harris  
Chief Financial Officer

1 March 2022

# 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

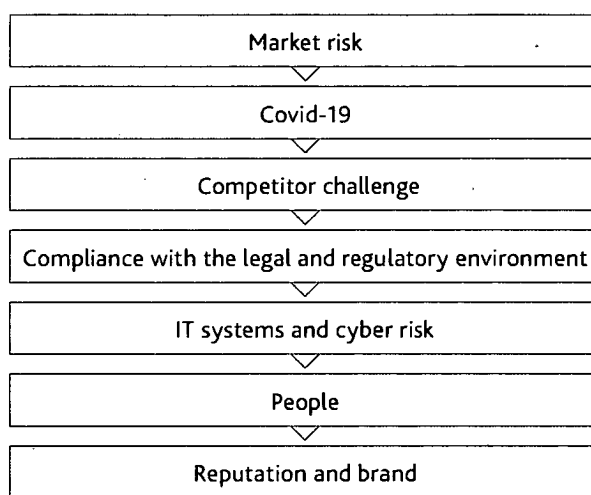
The Board regularly reviews the principal risks facing the Group, together with the relevant mitigating controls, and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks, including climate-related risks, and changes to existing risks. In addition,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

The identification of risks is undertaken by specific executive risk committees 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 33 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 principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group.

## Our principal risks

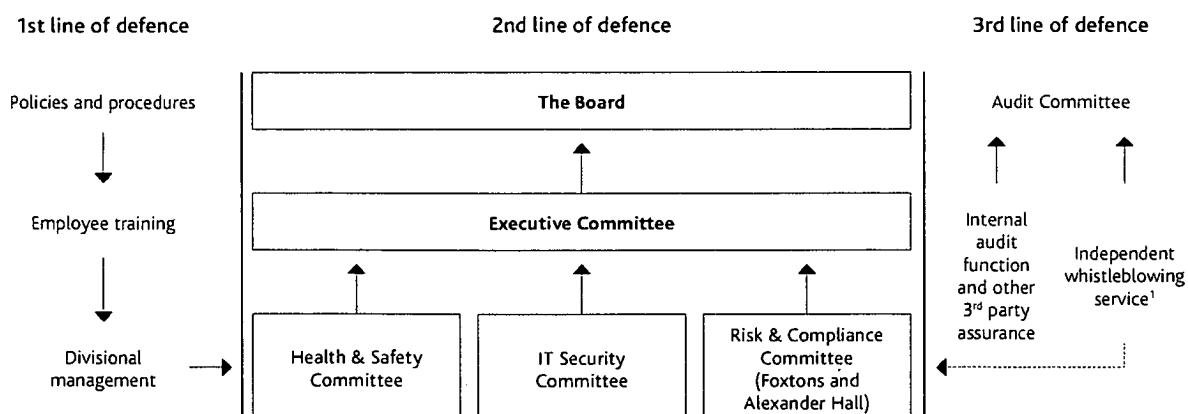


→ Details of the Board's process for identifying key emerging risks and how these risks are managed are set out on page 30.

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

## Risk framework overview

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



<sup>1</sup> Should matters relating to senior management be raised with the independent whistleblowing service, these matters are reported directly to the Audit Committee Chair.



## 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 while 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.	Delivering the highest standards of financial reporting integrity through financial reporting processes and controls is critical to the Group.	Low
Operational	We will manage/avoid situations or actions that could 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.	Breaches of: <ul style="list-style-type: none"> <li>- Legislative/statutory requirements</li> <li>- Delegated authority levels</li> <li>- Group and divisional policies</li> <li>- Health and safety regulations</li> </ul>	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.

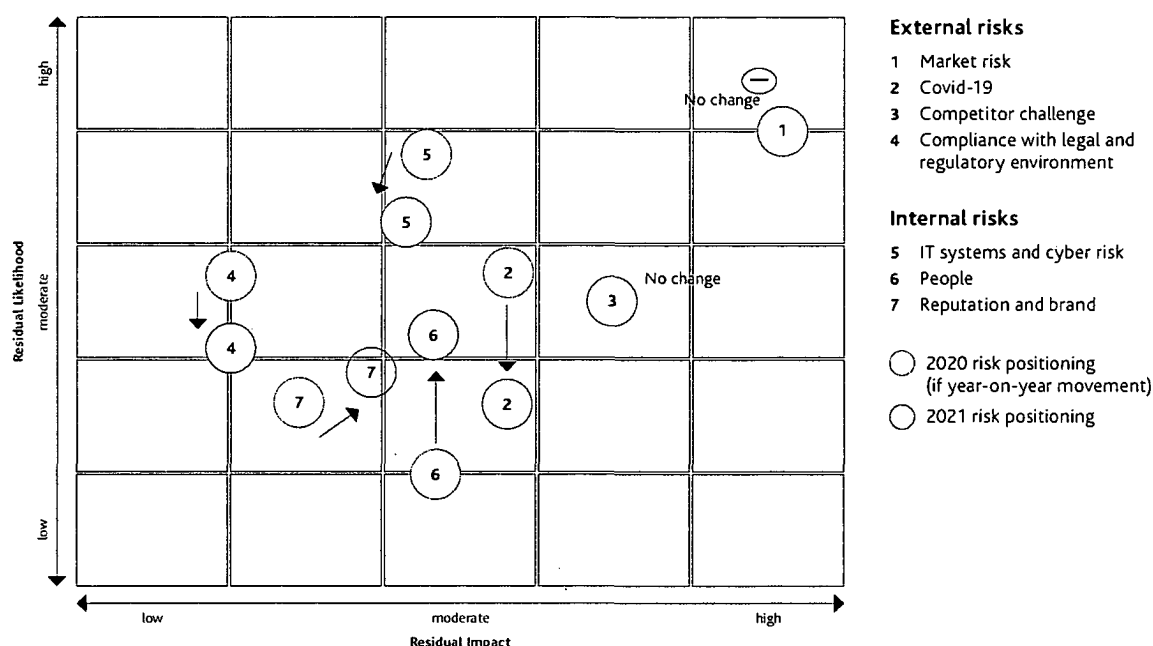
## Assessment of risk versus Board's appetite for risk

The Board has assessed the risks of the Group and 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, and as such, the Board's risk appetite for market risk is high. Although there continues to be heightened market risk due to the external environment, 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 portfolios; 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.



There have been the following movements in residual likelihood or residual impact of the principal risks. Refer to pages 33 to 35 for further details of each of the risks:

### 2021 movements in residual likelihood/residual impact

(2) Covid-19:	Reduction in the residual likelihood the UK vaccination programme progresses and the business has built further resilience to operate effectively within the Covid-19 environment.
(4) Compliance with legal and regulatory environment:	Reduction in the residual likelihood as the compliance environment has continued to mature.
(5) IT systems and cyber risk	Reduction in both the residual likelihood and residual impact due to continued investment in the Group's cyber security defences.  In October 2020 the Group was subject to a malware attack which affected certain internal IT systems. Full details of the attack were provided to the Financial Conduct Authority (FCA) and the Information Commissioner's Office (ICO) with both bodies subsequently confirming that no regulatory action or further investigation is required. The Group continues to invest in its cyber defences to reduce the likelihood and impact of cyber attacks.
(6) People	Increase in the residual likelihood due to increased levels of market competition for quality staff increasing the risk of the Group being unable to recruit or retain quality staff.
(7) Reputation and brand	Increase in both the residual likelihood and residual impact as a result of activist investor activity resulting in increased media coverage, although there has been no observable impact on customer sentiment or satisfaction.

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 core objectives

Organic revenue growth  
Lettings portfolio acquisitions  
Profit growth

→ Refer to pages 14 to 17 for details of our strategic core objectives.

## Principal risks: external risks

Impact	Mitigation of risk	Assessment of change in risk year-on-year
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### Market risk

Although there have been improvements in the sales market, transaction levels continue to be below historical levels. The key factors driving market risk 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;
- the market being reliant on the availability of mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely affect the Group;
- the market being impacted by changes in government policy such as future changes in stamp duty taxes or increased regulation in the lettings market. In 2021, stamp duty relief provided stimulus to the sales market and associated market transactions; and
- geopolitical risk which may increase market uncertainty and customer confidence.

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 portfolios helps to mitigate the sales market risk. Additionally, in a downturn of the residential sales market, the Board will make appropriate cost decisions bearing in mind 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.

No change in overall residual risk rating

#### Linked strategic core objectives

Residual likelihood Residual impact Overall residual risk rating

### Covid-19

Although 2021 transaction volumes have recovered at above pre-pandemic levels, Covid-19 has introduced additional market and operational risk. Key elements of the risk include:

- continuing negative impact on the UK economy and consumer confidence which may adversely impact residential property sales transaction levels or rental levels in the medium term;
- although the risk is reducing as the vaccine and booster 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 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.

With support from external specialists, the Group maintains a Covid-19 risk assessment to identify and prioritise risks. Key mitigating actions include:







- additional market risk is partly mitigated by recurring lettings and mortgage revenue streams which provide protection in the event there is a reduction in sales transactions;
- development of remote working technology and a virtual viewing platform provides operational stability;
- Covid-19 health and safety training is mandatory for all employees, and customer-facing activities must be conducted in line with the Group's Covid-19 policies and procedures;
- the 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.

No change in overall residual risk rating







#### Linked strategic core objectives

Residual likelihood Residual impact Overall residual risk rating

## Principal risks and uncertainties (continued)

Impact	Mitigation of risk	Assessment of change in risk year-on-year
<b>Competitor challenge</b>		
<p>The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, services or methods of working, including online and hybrid agents, which could give them a competitive advantage.</p> <p><b>Linked strategic core objectives</b></p>	<p>We continually assess competitor activity and utilise our centralised structure to review competitor intelligence, monitor market share and respond accordingly. Targeted pricing enables the Group to respond to competitor challenge and tailor our offering for certain segments of the market.</p> <p>Furthermore, the Board regularly reviews our business model and strategic investments are made to protect and develop our competitive advantage.</p> <p>The Board believes the critical importance and complex nature of residential property transactions means online and hybrid agents will not be able to gain significant market share. Furthermore, it is likely such agents focus against traditional estate agents that compete on price and have lower levels of service, rather than the Group's premium service model.</p>	No change in overall residual risk rating
Residual likelihood 	Residual impact 	Overall residual risk rating 
<b>Compliance with the legal and regulatory environment</b>		
<p>Breaches of laws or regulations could lead to financial penalties and reputational damage.</p> <p>Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting tenant deposits in line with the relevant regulations. Our mortgage broking business is authorised and regulated by the FCA and could be subject to sanctions for non-compliance.</p> <p><b>Linked strategic core objectives</b></p>	<p>The Group's centralised systems enable management to monitor ongoing compliance with the legal and regulatory environment.</p> <p>The mortgage broking business has a specific Risk and Compliance Committee which monitors compliance with FCA regulations.</p> <p>The Group's compliance and legal team regularly monitors regulatory reform proposals and participate in industry forums to enable the Group to respond to regulatory change in an efficient and coherent manner.</p>	No change in overall residual risk rating
Residual likelihood 	Residual impact 	Overall residual risk rating 

## Principal risks: internal risks

<b>IT systems and cyber risk</b>		
<p>Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service.</p> <p>Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber attacks leading to interruption of service, corruption of data or theft of personal data.</p> <p>Such a failure or loss could also result in reputational damage, fines or other adverse consequences.</p> <p><b>Linked strategic core objectives</b></p>	<p>Our IT function, supported by external specialists, maintains both preventative and detective processes and controls to mitigate the identified risks including:</p> <ul style="list-style-type: none"> <li>- enterprise grade data loss prevention, network monitoring, traffic shaping and predictive countermeasures;</li> <li>- real-time automated monitoring by an independent security operations centre;</li> <li>- regular independent penetration testing;</li> <li>- data risk assessments and safeguards established with oversight from the Data Protection Officer;</li> <li>- disaster recovery operations and plans maintained; and</li> <li>- in the event of a cyber incident, a full investigation is undertaken and remediation activity completed to provide protection against the latest threats.</li> </ul>	Reduction in overall residual risk rating from high to moderate
Residual likelihood 	Residual impact 	Overall residual risk rating 
<b>People</b>		
<p>There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool. Additional risk could arise in the event there are changes in our industry or markets that result in less attractive career opportunities.</p> <p><b>Linked strategic core objectives</b></p>	<p>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.</p> <p>The Group continues to invest in training, development and succession planning so that future leaders can be identified and nurtured.</p> <p>Additionally, our track record of promoting from within generates significant staff loyalty within senior and mid-management employees.</p>	Increase in overall residual risk rating from low to moderate
Residual likelihood 	Residual impact 	Overall residual risk rating 

Impact	Mitigation of risk	Assessment of change in risk year-on-year
<b>Reputation and brand</b>		
<p>The Group's reputation and brand may be impacted from both a customer perspective and an investor perspective:</p> <p><b>Customer perspective:</b>            Foxtons is a strong, single-network brand with a reputation for delivering exceptional service as well as the highest brand awareness in London estate agency. Our reputation and brand provide competitive advantage and are critical to maintaining and protecting the future prospects of the business.</p> <p>There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations, or because our actions are considered to be inappropriate.</p> <p><b>Investor perspective:</b>            During 2021, there has been challenge from activist investors which has led to increased levels of adverse media coverage. Although there has been little impact on customer sentiment or satisfaction, such coverage can negatively impact broader investor relations and activity.</p> <p><b>Linked strategic core objectives</b></p>	<p><b>Customer perspective:</b>            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.</p> <p>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 to monitor practices. 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.</p> <p><b>Investor perspective:</b>            Although the Board seeks to proactively engage with shareholders through its investor relations programme and regular Board interactions, the shareholder challenge experienced in the year indicates further work should be undertaken to understand priorities and views. Active shareholder engagement on a regular basis will be a priority for the CEO and Chairman during 2022.</p>	<p>Increase in overall residual risk rating from low to moderate</p>
Residual likelihood ⓘ	Residual impact ⓘ	Overall residual risk rating ⓘ

## Emerging risks

The Board considers emerging risks on a regular basis and manages them accordingly, taking into account the level expected timing of the risk. The Group has procedures in place to identify emerging risks, including horizon scanning, and to monitor market and consumer trends. Three key emerging risks and the associated risk management approach are set out below.

Description	Risk management
<p><b>Emerging technologies and customer solutions</b>            There continue 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.</p>	<p>Management closely monitors competitor activity, emerging customer service offerings, and technology investment opportunities so that any changes can be anticipated and our competitive advantage protected.</p>
<p><b>Changes in Government housing policies</b>            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 that manage transaction prices.</p>	<p>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.</p> <p>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. Management also meets with other stakeholders including HM Treasury, local councils, and representatives from the Greater London Authority on housing policy and regulatory matters.</p>
<p><b>Climate-related risk</b>            Climate change is an emerging risk that may have medium to long-term implications for the Group. Further details of the potential climate-related risks, as well as potential climate-related opportunities, are set out on pages 36 and 37 as part of the Group's application of TCFD.</p>	<p>In December 2021, the Board established the ESG Committee which has the core responsibility of reviewing and providing oversight of the implementation of the Group's ESG strategy.</p> <p>The ESG Committee provides recommendations to the Audit Committee on climate-related risks as applicable, following which the Audit Committee considers such risks as part of its wider risk management responsibilities.</p> <p>The Executive Committee monitors the delivery of the Group's environmental programmes and also monitors and manages climate-related risk as part of the Group's overall risk management framework.</p> <p>The Group utilises the TCFD framework to identify, assess and manage emerging climate-related risks.</p>

# TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

## Background to the TCFD disclosures

For financial years beginning on or after 1 January 2021, all UK premium-listed companies are required to state in their Annual Report, whether their disclosures are consistent with TCFD recommendations, or to explain why not. At COP26, the International Financial Reporting Standards Board announced the formation of the International Sustainability Standards Board (ISSB), which will develop a comprehensive global baseline of sustainability standards. As TCFD will form part of the ISSB, we believe alignment will help position us well for compliance with the new standards.

We recognise the emerging risk climate change poses and support the recommendations of the TCFD with their goal of enhancing company reporting on climate-related strategy and risk management. The following table summarises our disclosures which are consistent with the TCFD framework, and will continue to evolve in future years as market practice develops:

<b>Governance</b>	<ul style="list-style-type: none"> <li>- The Board has oversight of climate-related risks through the Audit Committee's risk management reporting. The Audit Committee will receive reports on environmental matters from the newly established ESG Committee which will receive climate-related updates from the Executive Committee.</li> <li>- Climate-related opportunities will be reported directly to the Board by the ESG Committee. The Executive Committee will regularly report to the ESG Committee on climate-related matters. The Board will consider climate-related matters when making strategic decisions where relevant and material.</li> </ul>	→ For more detail on our approach to corporate governance refer to the ESG Committee's report on pages 70 and 71.
<b>Strategy</b>	<ul style="list-style-type: none"> <li>- The Board has not recognised any material climate-related risks or opportunities that impact the Group's business model, strategy, financial planning or viability of the Group.</li> <li>- The Group has not disclosed scenario resilience analysis due to the risks not being material and due to the inherent uncertainty in modelling immaterial long-term risks.</li> <li>- Climate-related risk is considered to be an emerging risk that may drive our strategic decisions in the future, along with emerging opportunities.</li> <li>- On page 35 we describe some of the possible climate-related emerging risks and opportunities that may impact our business over the short, medium and long term.</li> </ul>	→ For details of the climate-related emerging risks and opportunities that may impact the business refer to page 35.
<b>Risk management</b>	<ul style="list-style-type: none"> <li>- The Group utilises the TCFD framework to identify, assess and manage emerging climate-related risks supported by horizon scanning and the latest climate-related thought leadership.</li> <li>- The Group's risk management framework, as described on page 30, includes the key process for identifying, assessing and managing risks, including climate-related risks.</li> <li>- The Executive Committee assesses and manages climate-related risks and opportunities as part of its overall risk management responsibilities, and will report matters to the ESG Committee as relevant.</li> </ul>	→ For more detail on our approach to risk refer to pages 30 and 31.
<b>Metrics and targets</b>	<ul style="list-style-type: none"> <li>- The Group primarily impacts the environment through its use of energy, as well as its vehicles and leased property, and is taking action to reduce the Group's impact in this area.</li> <li>- GHG Scope 1 and 2 emissions in line with the Streamlined Energy and Carbon Reporting (SECR) regulations are detailed on page 42. Scope 3 GHG emissions are not considered to be material for the Group.</li> <li>- As a member of EV100, we have set a target to switch all of our vehicles to electric by 2030 and have a target to achieve net zero across each of the three emission scopes ahead of 2050.</li> <li>- The Remuneration Committee has reflected on the wider use of ESG measures in executive remuneration plans and we will continue to review the importance of a range of ESG measures, in particular those that relate to the environment, but do not propose to introduce them until we are sure they are material to our strategy and can be robustly measured.</li> </ul>	<p>→ For more detail on our environmental impacts and climate-related targets refer to pages 41 and 42.</p> <p>→ For more detail on ESG measures in the context of Executive remuneration refer to page 80.</p>

## Our climate-related risks

In the short to medium term the impact of climate-related risks is expected to be relatively low due to the nature of our business model and the impact of environmental change being relatively slow. Over the medium to longer term there will be transitional risks and physical risks which may have an impact on our business in the future.

### Transition risks

Transition climate-related risks may impact the markets we operate in, as well having an impact on our business operations:

- Climate-related housing regulation which could reduce the supply of housing stock or increase operating costs to landlords.
- There may be additional costs by becoming net zero ahead of 2050 due to the cost of renewable energy and electric vehicles until the technology becomes mainstream in society.
- Changes in customer behaviour could result in changes in supply and demand for residential property within particular regions or areas, and cause volatility in property and rental prices.
- Vulnerable social groups and lower income households may be disproportionately affected by climate change which may impact the demographics of our markets
- If we do not transition our business model quickly enough there may be increased reputational risk.

### Physical risks

In the long-term, physical climate-related risks may impact our business operations, but as a relatively asset light business the largest impact will be on the residential property markets that we operate in:

- As temperature rises and extreme weather events become more regular, climate change predictions suggest that by the 2050s London could be some 2 degrees hotter with wetter winters and drier summers, leading to changes in customer behaviour and wider social impacts.
- It is likely that a significant proportion of London's critical infrastructure will be at increased risk from flooding and there are likely to be more people living on a floodplain which may impact customer behaviour.

## Our climate-related opportunities

In the future there may also be climate-related opportunities:

- Over the medium-term there will need to be significant investment in ensuring existing homes are low-carbon and resilient to the changing climate. This is a major UK infrastructure priority and is expected to be supported by the Treasury. There could be an opportunity for the Group to increase its exposure to this demand through its property management function, or by diversifying into broader property support and planning services.

The view across Greenwich Park  
to Canary Wharf

# PROSPECTS AND VIABILITY

## Long-term prospects

Foxtons has an established position in London's property market, with a well-known brand, advanced technology, and a differentiated business model which is designed to deliver sustainable value to stakeholders. In 2021 Foxtons generated net free cash flow of £6.6 million, grew market share and ended the year with a sales under-offer pipeline significantly up on pre-pandemic 2019 levels.

With the recent lifting of Covid-19 restrictions and the successful UK vaccine rollout, it appears that the major economic impact of Covid-19 has passed. It remains possible however for new variants to emerge and for lockdown restrictions to be re-imposed. Foxtons retains the ability to undertake the actions taken in 2020 to minimise the impact on cash flow and protect the long-term prospects of the business. The immediate potential negative economic impact of 'no-deal' Brexit was averted with the trade agreement that came into force in May 2021. We continue to be satisfied that Brexit will not have a significant operational impact since almost all of the Group's purchases are procured locally in GBP and talent will continue to be available, however, we note there are some short-term pressures in the current labour market, creating increased competition for talent.

Both sales and lettings markets continued to recover strongly in 2021 and momentum remains in 2022. However, interest rate rises may lead to higher mortgage borrowing rates and geopolitical risk may lower economic activity and confidence. Any downturn in the sales market downturn would likely be mitigated by the lettings business, which provides the majority of the Group's revenue, and has revenues that historically have been both less volatile and counter-cyclical to the sales business.

The Group's competitive advantage, the resilience of the lettings and mortgage broking businesses and no external borrowing, means the Group is well positioned to withstand a variety of market conditions.

## Viability approach

The Group's viability is assessed through the strategic planning process which includes financial projections for the next five years, which take 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 2024 and is currently undrawn.

## Assessment of viability

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

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.

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 other adverse macro events.

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.

<b>Lettings volumes and pricing</b>	Decline in lettings units of 6% in 2022 and a further 5% in 2023, with no recovery in average rental prices from depressed 2021 levels.
<b>Sales volumes and pricing</b>	Decline in market sales volumes of 22% in 2022 – back to 2019 levels – with no recovery in volumes in 2023. No growth in house prices across the viability period.
<b>Direct operating costs and mitigating actions</b>	Mitigating actions to reduce discretionary expenditure and headcount managed to reflect demand, resulting in a £5 million reduction in the Group's cost base in 2022. Capital expenditure and acquisition spend is minimised and no dividend payments are forecast.

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.



# A RESPONSIBLE BUSINESS GUIDED BY OUR PURPOSE

**Sheena Mackay** Independent Non-Executive Director

## Our approach to purpose and culture

### Our purpose

Here at Foxtons we know it's not just what we do but how we do it, we are people focused and our purpose is helping people move up in the world by offering job opportunities to people from all backgrounds and experiences.

### Our culture

It matters how well we conduct our business, how we support our people and ensure diversity, and it matters that we contribute more widely to society. Doing these things isn't just the right thing to do, it can create connections that help our business attract customers and operate more efficiently. Our culture is shaped and underpinned by our values: **Helpful, Agile, Expert and Passionate.**

→ See page 57 for more about our purpose, culture and values.

"I am delighted to have been appointed as Chair of the newly formed ESG Committee – recognising Foxtons' commitment to becoming a sustainable business."

## Our long-term ESG commitments

The Committee has reviewed the Group's environmental and social commitments, which include:

### Environment

- Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment; and
- Reaching net zero by 2050 across each of the three SECR emission scopes.

### Social

- Continuing to drive diversity initiatives so that our workforce is fully reflective of the society we serve.
- Through our social mobility partnerships, help people move up in the world within the communities we serve.

## A responsible business guided by our purpose (continued)

### Overview

We have a formal ESG policy that guides everything we do.

It sets out how we incorporate ESG aspects into all decisions we make and actions we take. We aim to create a sustainable organisation that acts responsibly towards the environment and stakeholders including: employees and contractors; suppliers and service providers; customers and clients; the communities in which it operates; and legislators and regulators.

In particular, we commit to the following environmental, social and governance principles:

## 1 ENVIRONMENT

We will use natural resources as efficiently as possible and minimise the impact of our business on the environment

For more information on our greenhouse gas emissions and targets, net zero commitments and progress on moving our vehicle fleet to electric

→ See pages 41 and 42.

## 2 OUR COMMUNITY

We aim to contribute to the wellbeing of the communities in which we operate

For more information on our commitment to improving social mobility and our work with Career Ready

→ See page 43.

## 3 OUR PEOPLE AND SKILLS

We respect human rights and all other workplace-relevant rights of our employees. We are an equal opportunities employer, aiming for fair treatment and mutual respect of and among all employees. We strive for diversity & inclusion and to create opportunities for all employees. We will not discriminate against any employee. We adhere to labour laws and standards, and health and safety regulations

For more information about our approach to learning and development, employee engagement, our work with OpenBlend and Youth Group, and diversity & inclusion

→ See pages 44 to 46.

## 4 OTHER RESPONSIBILITIES

We aim to exceed the standards of business ethics currently laid down in law by implementing financial controls, transparency, monitoring and compliance standards, and by combating bribery, corruption, money laundering and other malpractice. We have written policies and processes in place and have designated employees that enable our employees to raise any type of misconduct or unethical business practice. All employees are trained on our code of conduct and policies, as well as how to access these policies and contact our designated internal compliance employees.

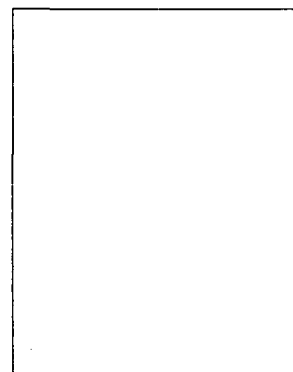
For more information about human rights, health and safety, anti-money laundering efforts and lobbying

→ See pages 47 and 48.

We plan to do even more, and our newly established ESG Committee of the Board will provide oversight to the existing and planned management team actions. See pages 70 and 71 for the ESG Committee report, including its role and responsibilities.

### Living our commitments: safe spaces for all

A safe space sign, incorporating the colours of the LGBTQ+ progress flag, is in each of our branch windows to make it clear that our branches are LGBTQ+ safe spaces, where anyone can expect to feel respected and comfortable and be who they are.



# 1 ENVIRONMENT

Foxtons, as a people business with a relatively small infrastructure and a simple supply chain, has a smaller impact on the environment than some other listed businesses.

We recognise our responsibility to consider the impact of our operations on the environment and the likely consequences of business decisions in the long term. The Government has set a target for all companies to achieve net zero emissions by 2050. We aim to reach that target ahead of 2050 by delivering on our current environmental programmes. To achieve that we know we need to do more, and we will do exactly that.

Our business generates emissions and contributes to climate change, primarily through its vehicles and leased property, but also through its energy use.

We are committed to reducing our environmental impact and continue to take steps to support the Government's long-term environmental pledges.

## Our fleet: Cutting mileage, going electric

Our fleet of cars is the area where we can make the most positive difference, and we are making radical changes.

We lease more than 800 vehicles which are used in the day-to-day operation of the business, including for property viewings and inspections. Our fleet enables us to efficiently and safely transport customers between properties as well as maintain a valuable brand presence.

As a member of EV100, the global initiative from The Climate Group, we have set a target to switch all of our vehicles to electric by 2030. During 2021, we increased the number of green vehicles in our fleet by 57%, accounting for 12% of the overall fleet compared to 9% in 2020. We continue to strengthen our EV infrastructure with the installation of EV charging points at our head office and fleet depot.

The pandemic has changed customer behaviour and given us a chance to further consider how we adapt our services. One important change has been the increased use of virtual viewings.

**57%**

increase in the number of green vehicles in our fleet in 2021

We have partnered with a virtual tour expert to offer a gold standard in virtual viewings that has proven very popular. This hasn't just given our customers something they want, it also reduces the number of miles driven by our employees.

## Leased property

Foxtons' head office and more than 50 branches provide office space for our employees, but are also used for customer engagement and meetings. Our single brand branch network, when combined with our online presence, provides us with brand exposure across London.

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

Through REGO, our electricity is backed by renewable sources, which helps reduce our carbon footprint and is another step towards carbon neutrality and becoming net zero ahead of 2050.

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.

## A responsible business guided by our purpose (continued)

## Resources and waste

## Greenhouse gas (GHG) emissions

We have a target to reduce our total value chain to net zero ahead of 2050. We will achieve this through our green vehicle fleet programme, as well as identifying ways to reduce the size of our fleet through vehicle sharing technology and other efficiency measures across our branch estate.

## Streamlined energy and carbon reporting (SECR)

Our SECR reporting is based on emissions from 1 January 2021 to 31 December 2021. 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. Scope 3 GHG emissions are not considered to be material for the Group.

Our total GHG footprint, in line with mandatory reporting requirements, is 2,403 tonnes CO<sub>2</sub>e (2020: 1,999 tonnes CO<sub>2</sub>e; 2019: 2,985 tonnes CO<sub>2</sub>e). All emissions and energy usage are incurred within the UK.

→ For more information on our approach to TCFD see pages 36 and 37.

GHG emissions	2021	2020	2019
<b>Scope 1</b>			
Combustion of fuel (tonnes CO <sub>2</sub> e)	1,379	1,055	1,542
Other – gas, diesel and LPG (tonnes CO <sub>2</sub> e)	114	48	94
<b>Scope 2 – location-method</b>			
Purchased electricity (tonnes CO <sub>2</sub> e)	910	896	1,349
<b>Total location-method scope 1+2 GHG emissions (tonnes CO<sub>2</sub>e)</b>	<b>2,403</b>	<b>1,999</b>	<b>2,985</b>
<b>Intensity ratio</b>			
Average number of full-time employees	1,161	883 <sup>1</sup>	1,139
Tonnes of CO <sub>2</sub> e per full-time employee	2.07	2.22	2.62
Procured renewable energy (REGO certified)	(910)	(896)	(1,349)
<b>Total market-method scope 1+2 GHG emissions (tonnes CO<sub>2</sub>e)</b>	<b>1,493</b>	<b>1,103</b>	<b>1,636</b>
<b>Energy consumption</b>			
Aggregate energy consumption (kWh)	10,685,355	8,378,302	11,886,263
<b>Total CO<sub>2</sub>e by emission type</b>			
Electricity: heat and cooling	910	896	1,349
Combustion of fuel	1,379	1,055	1,542
Other: gas diesel and LPG	114	48	94
<b>Methodology</b>			
Base line: 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			

<sup>1</sup> The average number of full-time employees in 2020 excludes those employees that were furloughed under the Coronavirus Job Retention Scheme in 2020 so that the intensity ratio is a reflection of those employees engaged in business activities during the period.

2020 emissions across Scopes 1 and 2 were reduced due to the Covid-19 lockdowns and the temporary closure of our branches, and therefore 2019 has been set as the base line since it reflects a more normalise period of operation. 2021 emissions, across Scopes 1 and 2, are 8.7% lower than 2019 which is reflective of a slightly smaller branch network in 2021 compared to 2019, and the implementation of further environmental measures including reduced branch lighting hours.

Scope 3 emissions are not considered to be material to the Group, which is reflective of simple value chain of the Group.

## Paper

We continue to transition to paperless transactions using technology and digital signing through the 'My Foxtons' customer portal, which have become even more the norm through the pandemic.

## Recycling

We recycle right across our estate to reduce waste. We have a formal recycling policy and targets. This is also an area where our employee engagement has encouraged us to go even further and we have rolled out new waste segregation processes across our branches.

## Reducing water use

We don't use a great deal of water in our operations but are continually looking for ways to reduce our use of a resource that is under increasing pressure.

## Energy efficient data centres

We have two modern eco-efficient data centres which use highly efficient cooling technologies, reducing energy consumption and whose waste heat is reused in communal areas. One is designed to BREEAM excellent standard. They also use specialist IT recycling adhering to WEEE environmental legislation.

## 2 OUR COMMUNITY

We are committed to the communities in which we operate and understand that we have a responsibility to contribute to them.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

### Social mobility and opportunity

Our desire to make a meaningful contribution to social mobility and opportunity goes beyond our own recruitment and this year we have started a new long-term partnership with the charity **Career Ready**.

Career Ready is a leading light in helping improve social mobility among young people with a strong track record of corporate partnerships. They are enabling us to work directly with school age students, primarily 16 to 18 year olds based in London, who face the most barriers in education and employment and whose talents are often overlooked.

It is a partnership that will support Career Ready financially and provide an opportunity for everyone at Foxtons to get involved in a hands-on way with making a positive difference to social mobility in our communities. Over the past year we have:

- Begun recruitment of mentors from our people, to support the 2021-2022 cohort of high-potential Career Ready students.
- Run masterclasses on communication, leadership and perseverance, supported by the experiences of our people.
- Offered paid, month-long internships at our Head Office.
- Jointly delivered social mobility panel discussions for our people.

Nic Budden participates in a Career Ready workshop

We are proud to have the chance to shape Career Ready's programmes and promote the opportunities Foxtons and the wider sector can offer.

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.

### Our purpose drives social mobility

#### Helping people move up in the world

Foxtons does more than help people move. We help people move up in the world - offering job opportunities to people from all backgrounds and experiences. This is our purpose and it means our people truly mirror the communities we serve and that we can be even more successful together.

Foxtons has consistently given opportunities to Londoners from all backgrounds and walks of life. We are not only interested in those who have degrees, we are looking for people with broader skills. 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. Rather than demand academic qualifications, we use a range of selection and assessment methods designed to understand the individual, their abilities 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 unmatched in the industry and gives us a competitive advantage, allowing us to do better business.

It is also something we are proud of and plan to build on over the coming years.

### 3 OUR PEOPLE AND SKILLS

“Foxtons is a people business. It matters to us that our people are happy and supported, and motivated to do a great job. That means better results for our business and for our customers.”

Sarah Mason Chief People Officer

Our culture is driven from the top. It underpins everything we do and supports our mission to deliver excellent customer service. We monitor and assess how we’re doing on a regular basis, including gathering feedback from our customers and suppliers, as well as our people.

#### Our culture

It matters to us that our workforce reflects the society they serve. We want to be known as an employer of choice in our sector and beyond, recruiting a diverse workforce and offering industry-leading development opportunities.

#### Awards and recognition

**Winner 2021/22** | Coaching, Mentoring & Personal Development Initiative | *Business Culture Awards*

**Overall Winner Silver & Overall Winner** | Diversity & Inclusion | *Business Culture Awards* | Best Medium Organisation

**Highly Commended** | *Business Culture Awards* | Diversity, Equity & Inclusion Initiative

**Highly Commended** | *Recruiter Awards* | Best in-house Recruitment Team

Celebrating the success of our people

#### Learning, development and support

We offer an award-winning blended learning and support programme, with our primary focus being on driving improved performance through learning.

We deliver digital and virtual training via our in-house digital platform Discover. We plan, design and facilitate classroom-based sessions with subject matter experts, additional manager-led training, on-the-job training, and mentoring schemes for people at all levels of the business.

We host regular digital clinics as well as Expert Hours – interactive webinars with a subject matter expert that are hosted by our Learning and Development team. The format is interactive and completely voluntary, and we have seen significant engagement, with at least 200 people attending each session.

Our learning and development strategy is designed to deliver tailored and meaningful training to everyone at Foxtons. We are proud to say 100% of our people receive some kind of training, tailored to them, every year.

Quality of our performance review process continues to be critical and we have embedded an even greater coaching culture. We also support staff to bring their whole selves to work, with a focus on wellbeing, resilience and mental health.

## Recruiting and retaining the best talent

Recruiting and retaining the best talent remains crucial to our success and enables us to deliver exceptional customer service. Our employer brand attracts a high calibre of candidates, backed by continued developments in our recruitment practices which use a range of selection and assessment methods to match the right talent to our vacancies.

Our progressive policies ensure fairness and diversity in our hiring processes. We judge the merits of candidates' ability and achievements in the context of their backgrounds, not simply the absolutes of any achievements. Our processes are designed to look for real achievements and potential.

Our recruitment policies are fully audited and also measured in our employee engagement survey. Our equal opportunities policy locks in this approach and ensures we are not discriminating in any way. We have backed this with a programme of unconscious bias training across all our hiring managers and recruitment team.

In the year, to ensure we continue to attract the best talent, new sales force remuneration plans were introduced that reward high performance and offer increased levels of variable pay. Additionally, working hours were adjusted to provide competitive working arrangements while ensuring productivity levels and customer service levels remain high.

Overall, our approach to talent enables us to achieve good levels of employee retention and tenure in the context of our industry. For employees who have remained in employment for more than a year, retention rates are greater than 60% and average negotiator tenure is over three years.

## Helping young people into the jobs market

Youth Verified is a new service from Youth Group that evaluates the readiness of companies to attract, develop, and retain a future-focused youth workforce.

Developed by young people to represent young people, and in partnership with business, the framework is designed to help them navigate the, often confusing, employment arena.

Foxtons was assessed against a rigorous methodology built with management consultancy McKinsey & Company. The aim is that a young person (aged 18 to 30) can be sure that any company to carry The Youth Group's Youth Verified 'tick' has been through a rigorous step-by-step vetting process, and has made a commitment to attracting, engaging, and developing young people.

We are delighted to be among the first businesses to receive this accreditation, alongside the likes of Tesco and Google.

## Diversity & inclusion

We remain very proud that our workforce mirrors the diversity of London, the city we predominantly serve.

We believe this is unique among our competitors in estate agency and that it gives us an advantage.

Our gender diversity split at 31 December 2021 is summarised below, showing good balance across the majority of the workforce, although there is more work to do to improve our gender balance at more senior levels.

	Male	Female	Male %	Female %
Group Board	7	2	78%	22%
Executive Leadership Team	10	3	77%	23%
Senior Managers <sup>1</sup>	132	51	72%	28%
All other	435	437	50%	50%
<b>Total</b>	<b>584</b>	<b>493</b>	<b>54%</b>	<b>46%</b>

<sup>1</sup> Senior Managers refers to Senior Management (excluding the Executive Leadership Team), Senior Sales and Support Staff and Senior Administrative Staff.

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 consistent, objective and effective people practices for both hiring and managing people.

We continue to work with partners to ensure we advertise our vacancies to a diverse audience and promote Foxtons as an employer of choice.

Across the business, our diversity networks (Women@Foxtons, Afro Foxtons and Foxtons LGBTQ+) have again been active and engaged. We continued with a programme of events despite the ongoing pandemic, including virtual speakers and online networking sessions. We also continued to partner with AllBright to offer all our female managers access to their digital platform, offering virtual events and online courses.

## A responsible business guided by our purpose (continued)

**Employee engagement and our culture**

We regularly seek feedback from our people, as well as customers and suppliers, to monitor our culture.

Senior Management and the Board see all the feedback and take appropriate steps to strengthen culture.

Despite the continuing challenges of Covid, we ran our annual employee engagement survey and were pleased to report another improvement in our overall employee engagement score to 87% (2020: 84%, 2019: 83%).

This is testament to our continued focus on our people and their development as a key driver of the Group's success and keeps the Group above the UK norm for staff engagement.

Willis Towers Watson noted that "the results of the December 2021 Foxtons staff survey buck the national trend for erosion in levels of employee engagement suggesting Foxtons continue to respond to colleague feedback with tangible actions that make a true difference".

Highlights of the 2021 employee engagement results include:

- Scores either improving or staying the same across all survey categories.
- Significant improvement in how our people score inclusivity in the business over the past five years.
- No significant statistical difference in scores across different staff groupings (gender, ethnic minority, LGBTQ+, front office, head office) meaning that all Foxtons' employees are having a similarly positive experience.

**Employee Engagement Committee**

The EEC is designed to give our people a direct route into our leadership to discuss any issues they wish. Each EEC meeting is attended by a Non-Executive Director on a rotational basis, who reports back to the Board to ensure it is fully informed of employee views when making decisions.

**87%**Employee overall engagement score<sup>1</sup>**7%**Higher engagement than the UK norm<sup>1</sup>**97%**Percentage of employees who feel encouraged to sincerely care about all our customers<sup>1</sup>

<sup>1</sup> Results from the 2021 employee engagement survey independently administered by Willis Tower Watson.

In 2021, the EEC discussed areas including:

- How we engage with employees
- The changing property market and how Foxtons should respond
- Our ESG policies
- Strategy, with the CEO and incoming Chairman

As an example of an outcome from the EEC, the ESG policy discussion focused on sustainability, and led to significant changes in the Group's approach to segregating our waste and recycling responsibly.



## 4 OUR OTHER RESPONSIBILITIES

### Our governance and ethics

The Board promotes the highest ethical standards when carrying out our business activities, and the Group has clear and available policies for:

- Dealing with gifts, hospitality
- Anti-money laundering
- The use of inside information
- Guarding against bribery and corruption

All of these policies are backed by mandatory training for our people and adherence to the policies is monitored on a regular basis. The policies are also included in our employee handbook.

Typically, we go above and beyond the requirements of legislation in terms of how we operate. For instance, we obtain proof of identity and proof of address and carry out anti money laundering checks for all our customers, not just the sales and high-value lettings customers for whom we are legally required to do so under money laundering legislation.

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

This is because we know that lettings of any value can be used for money laundering and criminal activity and because we want to ensure we comply with our obligations under the Proceeds of Crime Act to report suspicious activity, regardless of the type of transaction.

### Whistleblowing

The EEC is not the only route for our people to air their views. We have a whistleblowing policy, completely independent of our management team and business, and a hotline anyone can call if they have any concerns. This is advertised in the business, *including prominently in the staff handbook which is accessible to all employees*. The Audit Committee regularly reviews any matters reported to the whistleblowing hotline as detailed on page 75.

### Supplier/customer relationships and responsibilities

The Group has a range of established supplier relationships as well as trusted and vetted supply partners who 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 Group and our customers. We engage with all our suppliers in a fair and transparent manner.

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

We also recognise our responsibility to encourage good ESG behaviour among our suppliers and in 2022 will be moving to a new policy that seeks commitments and minimum standards in this respect from our suppliers.

One of the strengths of our business is our ongoing relationship with tens of thousands of customers. We use these relationships to promote improvements, especially in terms of environmental policy. For instance, we advise all our landlords proactively on improving the energy efficiency of their homes and will not do business with anyone who does not comply with Government energy efficiency standards.

# 97%

of employees feel encouraged to act ethically and adhere to the highest standards at all times<sup>1</sup>

<sup>1</sup> Results from the 2021 employee engagement survey independently administered by Willis Tower Watson.

## A responsible business guided by our purpose (continued)

### 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](http://www.foxtonsgroup.co.uk).

### Health and safety

Foxtons is committed to providing a safe and healthy working environment for staff and visitors in compliance with the Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work regulations.

In particular, Foxtons will:

- Maintain safe and healthy working conditions.
- Provide adequate control of the health and safety risks arising from its work activities.
- Provide adequate training to staff on health and safety matters.
- Regularly review and revise its Health and Safety Policy.

All employees are required to comply with the Foxtons' Health and Safety Policy and must not interfere with anything provided to safeguard health and safety. They must take reasonable care of their own health and safety and report all health and safety concerns to an appropriate person.

All employees are made aware of the Health and Safety Policy through publication in the Employee Handbook and induction training. It is also made available on the Group intranet. Foxtons engages with external third-party experts to support with the Group's ongoing compliance with health and safety regulations.

### Covid-19

2021 was our second year of operating safely through the pandemic. We continue to take all necessary precautions to operate a safe service for our customers – with extended safety procedures when meeting them face-to-face – and our people.

Covid-19 risk assessments were carried out at all our branches and head office, in consultation with employee representatives, and were compliant with the Government's guidance on managing the risk of Covid-19, along with guidance issued by Propertymark, the estate agency industry body.

### Our wider responsibilities and lobbying

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.

We do sometimes engage with industry influencers, such as regulators, industry bodies, Government and the media, to discuss sector regulation. Examples include engaging in consultations regarding fire safety measures and the adoption of unique property reference numbers.

We do not contract with or pay for any third-party to engage in lobbying activity on our behalf.

We are also members of London First, a business campaigning group with a mission to make London the best city in the world in which to do business.

During Covid-19 we extended our safety procedures for face-to-face meetings

# NON-FINANCIAL INFORMATION STATEMENT

The table below, and information throughout the 2021 Annual Report and Accounts and on our website that it refers to, is intended to help our stakeholders to understand our position on key non-financial matters and satisfy the requirements of Section 414CA of the Companies Act 2006.

Non-financial matter	Policies and standards governing our approach <sup>1</sup>	Risk management and additional information	Associated KPIs and other published metrics
<b>Business model</b>		<ul style="list-style-type: none"> <li>- Stakeholder engagement (pages 19 and 20)</li> <li>- Our business model (pages 12 and 13)</li> <li>- Our strategic core objectives (pages 14 to 17)</li> <li>- Principal risks: Market risk and competitor challenge (pages 33 and 34)</li> </ul>	<ul style="list-style-type: none"> <li>- Financial and operational KPIs (pages 22 and 23)</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Data protection policies</li> <li>- Health and safety policies</li> <li>- Employee handbook</li> <li>- Equal opportunities policy</li> </ul>	<ul style="list-style-type: none"> <li>- Stakeholder engagement (pages 19 and 20)</li> <li>- Principal risks: People (page 34)</li> <li>- Responsible business – Our people and skills (pages 44 to 46)</li> <li>- Directors' report (page 102)</li> </ul>	<ul style="list-style-type: none"> <li>- Employee engagement score (pages 23 and 46)</li> <li>- Gender diversity (page 45)</li> <li>- Our gender pay gap report can be found on our website</li> </ul>
<b>Human rights</b>	<ul style="list-style-type: none"> <li>- Environmental, social and governance policy</li> <li>- Our Modern Slavery Statement can be found on our website</li> </ul>	<ul style="list-style-type: none"> <li>- Responsible business – Our other responsibilities (page 48)</li> </ul>	
<b>Social matters</b>	<ul style="list-style-type: none"> <li>- Environmental, social and governance policy</li> </ul>	<ul style="list-style-type: none"> <li>- Stakeholder engagement (pages 19 and 20)</li> <li>- Principal risks: Reputation and brand (page 35)</li> <li>- Responsible business – Our community (page 43)</li> </ul>	<ul style="list-style-type: none"> <li>- Community (page 43)</li> </ul>
<b>Anti-corruption and bribery</b>	<ul style="list-style-type: none"> <li>- Anti-money laundering and anti-bribery policies</li> <li>- Employee handbook</li> <li>- Environmental, social and governance policy</li> </ul>	<ul style="list-style-type: none"> <li>- Principal risks: Compliance with the legal and regulatory environment (page 34)</li> <li>- Responsible business – Our other responsibilities (page 47)</li> </ul>	
<b>Environmental matters</b>	<ul style="list-style-type: none"> <li>- Environmental, social and governance policy</li> <li>- Recycling policy</li> </ul>	<ul style="list-style-type: none"> <li>- Stakeholder engagement (pages 19 and 20)</li> <li>- Emerging risks: Climate-related risks (page 35)</li> <li>- Task Force on Climate-related Financial Disclosures (pages 36 and 37)</li> <li>- Responsible business – Our environment (pages 41 and 42)</li> </ul>	<ul style="list-style-type: none"> <li>- Streamlined energy and carbon reporting (page 42)</li> </ul>

<sup>1</sup> Certain Group policies and guidelines are not published externally.

The Strategic Report, from pages 1 to 49, has been reviewed and approved by the Board of Directors on 1 March 2022.



Nic Budden  
Chief Executive Officer

# GOVERNANCE CHAIRMAN'S INTRODUCTION

Nigel Rich Chairman

**“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.”**

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 against our strategic core 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 Group 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 engagement with stakeholders; including our Section 172 statement, details of Board stakeholder engagement and examples of how stakeholders were considered when making key Board decisions on pages 18 to 21 of the Strategic Report.

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 Group 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.

## Board changes

During 2021, my predecessor Ian Barlow retired as Chairman and Director of the Group, having served on the Board since 2013, and I was appointed as your Chairman on 1 October 2021. In addition, we were delighted to welcome Peter Rollings as an independent Non-Executive Director in December 2021.

As previously announced, Chris Hough, who is currently the Group’s Director of Finance and Company Secretary, will be appointed as Chief Financial Officer and as an Executive Director on 1 April 2022. Chris will succeed Richard Harris who will be taking up another position elsewhere.

Further details regarding these Board changes can be found in the Nomination Committee Report on pages 64 to 69.

## Acquisition of D&G and subsequent disposal of the D&G sales business

As announced in March 2021, the Board approved the acquisition of D&G to progress the Group's strategy of acquiring high quality businesses with strong lettings portfolios. After considering the long-term benefits from the D&G lettings business, the Board concluded that the greatest long-term value would be realised through the integration of the D&G lettings business into the Foxtons infrastructure, followed by the subsequent disposal of the loss-making D&G sales business. On 10 February 2022, shareholder support for the disposal was obtained following the passing of an ordinary resolution at a General Meeting. Further information can be found on page 28.

## Share buybacks

Taking into consideration the views of several major shareholders, the Board continued to return excess cash to shareholders by way of share buybacks in 2021. This allowed the Group to continue to invest in the interests of our people, customers and suppliers, while delivering on the Board's commitment to maintain an efficient balance sheet. Further information on this is set out on page 102.

## Audit, risk and internal control

The Audit Committee's work has focused on protecting the interests of shareholders, with effective risk management, internal control and financial reporting being more important than ever as the external risk environment continues to evolve and with the ongoing Covid-19 pandemic impacting the markets in which the Group operates in.

The Audit Committee has focused on monitoring internal controls, risk management processes and monitoring emerging risks, including the impact of climate change. The internal audit programme has continued to move at pace with PwC reporting on six internal audit reviews in the year.

During the year, we reviewed a number of key financial reporting matters including impairment review outcomes, accounting relating to the acquisition and part disposal of D&G, the Group's going concern assumption and longer-term prospects and viability statement. Additionally, 2021 is the first year the Group has applied the Task Force on Climate-related Financial Disclosures (TCFD) framework within the Annual Report. See pages 36 and 37 for these disclosures.

Further information on audit, risk and internal controls can be found in the Audit Committee report on pages 72 to 77.

## Environmental, social and governance (ESG)

In December 2021, the Board established an ESG Committee to review and have oversight of the implementation of the Group's ESG strategy and initiatives. The ESG Committee will be chaired by Sheena Mackay and will meet three times a year, from 2022 onwards. The ESG Committee Report, on pages 70 and 71, sets out the roles and responsibilities of the Committee and its areas of focus.

An important part of Foxtons' ethos has always been people focused and providing opportunities to people from all backgrounds and experiences. One outcome of this review has been the new partnership between Foxtons and Career Ready, a social mobility charity, which commenced in April 2021. The aim of the partnership is to offer meaningful support to 16 to 18 year olds in London, particularly those from more challenged backgrounds, who are looking to navigate their way into careers, while also promoting Foxtons and the property sector more broadly. The partnership presents a range of opportunities for Foxtons' employees to get involved in.

## Board evaluation

Details of the process undertaken and a summary of areas of focus are set out on pages 68 and 69.

## Annual General Meeting

We plan to hold our AGM on 15 June 2022 with details of the arrangements for the meeting set out in the AGM notice which is included as a separate document within this mailing. The AGM notice is also available on our website at [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).



Nigel Rich CBE  
Chairman

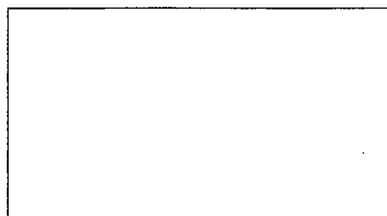
1 March 2022

## Governance

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# BOARD OF DIRECTORS

## Non-Executive Directors



**Nigel Rich CBE**  
Chairman

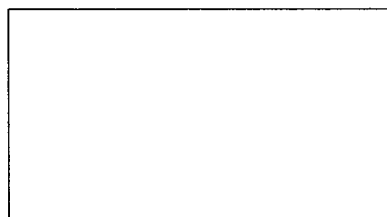
**Appointed to the Board as Chairman**  
1 October 2021

**Committee memberships**  
○○○

Chairman of the Nomination Committee  
**Skills and experience** Extensive UK and international, listed Board experience in a career spanning more than five decades. He qualified as a Chartered Accountant before joining Jardine Matheson where he spent 20 years working in a variety of roles primarily across Asia, including Managing Director of Hong Kong Land, a leading Hong Kong property company, and thereafter Managing Director of Jardine Matheson Holdings.

He previously served as the Chairman of Hamptons International, Exel plc, CP Ships Limited, Xchanging plc and SEGRO plc, and held numerous non-executive director positions at companies including Granada Group plc, ITV plc, Pacific Assets Trust plc and AVI Global Trust plc. He has also served as a Member of The Takeover Panel (UK).

**External appointments** Non-Executive Chairman of Urban Logistics Reit plc and Non-Executive Director of Matheson & Co.



**Alan Giles OBE**  
Senior Independent Non-Executive Director

**Appointed to the Board** 1 June 2019

**Appointed as Senior Independent Director**  
1 March 2020

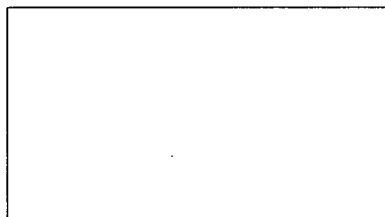
**Committee memberships**

○○○○

Chairman of the Remuneration Committee

**Skills and experience** 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** 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 Bayes Business School, City, University of London.



**Sheena Mackay**  
Independent Non-Executive Director

**Appointed to the Board** 14 September 2017

**Appointed as Chair of the ESG Committee**  
December 2021

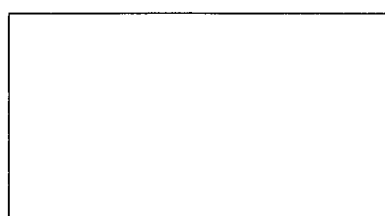
**Committee memberships**

○○○○

Chair of the ESG Committee

**Skills and experience** Extensive HR experience, leading global HR functions across FTSE 100 and 250 companies. Sheena 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** Group HR Director at Smiths Group plc.



**Rosie Shapland**  
Independent Non-Executive Director

**Appointed to the Board** 5 February 2020

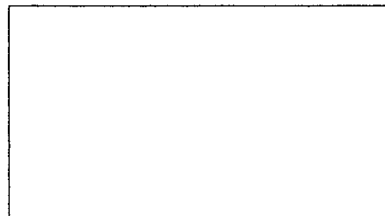
**Committee memberships**

○○○○

Chair of the Audit Committee

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

**External appointments** Non-Executive Director and Chair of the Audit Committee at PayPoint plc and Workspace Group plc.



**Peter Rollings**  
Independent Non-Executive Director

**Appointed to the Board** 1 December 2021

**Committee memberships**

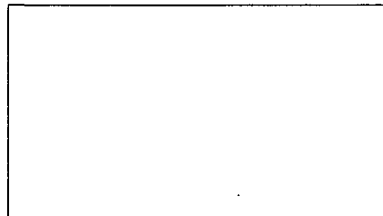
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**Skills and experience** Extensive estate agency experience having started his career at Foxtons in December 1985, and holding the position of Managing Director between 1997 and 2005 where he made a significant contribution to both the growth and dynamics of the business. From 2005 to 2016 Peter was CEO of Marsh & Parsons where he presided over significant expansion and value creation.

**External appointments** Non-Executive Director at Viewber Limited.

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

## Executive Directors



### Nic Budden

Chief Executive Officer

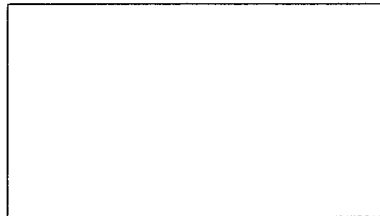
Appointed to the Board 1 July 2014

Committee memberships

N/A

**Skills and experience** Joined the Group in 2005 as its COO and appointed as CEO on 1 July 2014. Prior to joining the Group, 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



### Chris Hough

Chief Financial Officer

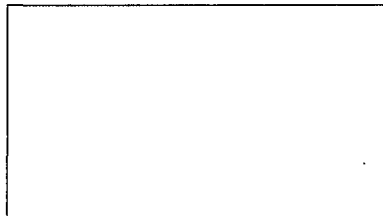
(from 1 April 2022)

Committee memberships

N/A

**Skills and experience** A Chartered Accountant having qualified with Deloitte LLP where he was a director within the audit and assurance practice. Prior to his appointment as CFO on 1 April 2022, Chris was the Group's Director of Finance and Company Secretary, and has a comprehensive understanding of the Group's operations and played a key role in the financial management of the business and corporate governance matters.

**External appointments** None



### Richard Harris

Chief Financial Officer

(until 1 April 2022)

Appointed to the Board 24 June 2019

Committee memberships

N/A

**Skills and experience** A Chartered Management Accountant with extensive international experience covering corporate finance, divisional and commercial finance roles, investor relations and financial reporting. 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. Richard will be leaving Foxtons in April 2022 to take up a new position elsewhere.

**External appointments** None



### Patrick Franco

Chief Operating Officer

Appointed to the Board 1 October 2019

Committee memberships

N/A

**Skills and experience** Joined the Group as COO in 2015, before being appointed to the Board in 2019, and has since been responsible for key elements of the Group's operations. Prior to joining the Group, Patrick had over a decade of financial services experience and was Chief Operating Officer of Credit Suisse Asset Management UK, working in a range of strategy and business development roles. He is also executive sponsor of the Foxtons LGBTQ+ network.

**External appointments** Trustee of Global Heritage Fund.

#### Key

- ☐ Audit Committee
- ☐ Nomination Committee
- ☐ Remuneration Committee
- ☐ ESG Committee

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# EXECUTIVE LEADERSHIP TEAM

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## Front row seated (left to right)

**Patrick Franco**, Chief Operating Officer

**Nic Budden**, Chief Executive Officer

**Chris Hough**, Chief Financial Officer (effective from 1 April 2022)

## Back row (left to right)

**Mark Irwin**, Chief Marketing Officer (seated)

**Sarah Mason**, Chief People Officer

**Ed Phillips**, Chief Sales Officer (Lettings)

**Fran Giltinan**, Property Management & Customer Experience  
Managing Director (seated)

**John Ennis**, New Homes & Central London Managing Director

**Jean Jameson**, Chief Sales Officer (Sales) (seated)

**Sarah Tonkinson**, Lettings Build to Rent Managing Director

**Richard Harris**, Chief Financial Officer (up to 1 April 2022)

**Dom Scott**, Alexander Hall Managing Director (seated)

**Imran Soomro**, Chief Information Officer

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.



# 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 Group 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
<b>1</b> BOARD LEADERSHIP AND GROUP 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	<i>The Board's role is to:</i> - establish the Foxtons purpose, values and strategy and ensure these are aligned with its culture; - promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society; - ensure the necessary resources are in place for the Group 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 Group's values and that the workforce can raise any concerns.	<i>This section details:</i> (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 Group 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 56 and 57 and 18 to 21.
<b>2</b> 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.	<i>This section explains:</i> (i) the Group'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 2021.	→ Refer to pages 58 to 63.
<b>3</b> 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.	<i>The report of the Nomination Committee includes a review of:</i> (i) the role of the Nomination Committee; (ii) the activities of the Committee during 2021, including succession planning and related Board changes; (iii) the Group'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 2021.	→ Refer to pages 64 to 69.
<b>4</b> 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 Group'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 Group.	<i>The report of the Audit Committee includes details of the policies, and the activities of the Audit Committee during 2021, in relation to:</i> (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 Group's internal auditor.	→ Refer to pages 72 to 77.
<b>5</b> 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.	<i>The report of the Remuneration Committee sets out:</i> (i) the annual statement from the Chairman of the Remuneration Committee; and (ii) the Directors' Annual Report on Remuneration.	→ Refer to pages 78 to 101.

# 1 BOARD LEADERSHIP AND GROUP PURPOSE, VALUES AND STRATEGY

## Statement of Compliance with the UK Corporate Governance Code

In the year ended 31 December 2021, Foxtons 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 Group's corporate governance framework and sets out how the Group 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](http://www.frc.org.uk).

## The role of the Board

The Board is responsible for promoting the long-term sustainable success of the Group, delivering value for shareholders and contributing to wider society. It agrees the strategic objectives for the Group, ensuring that these are consistent with the Group'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 Group's values.

Further details of our engagement with stakeholders and how we promote success are set out on pages 18 to 21.

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](http://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 Group 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](http://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

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 Group 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.

#### How we monitor culture

The Non-Executive Directors attend the EEC meetings on a rotational basis. The EEC meetings are held four times a year in order to maintain an understanding of employee views and monitor the culture of the Group. An employee engagement survey is also carried out on an annual basis, the results of which are shared with the whole Board.

In addition, the discussions that the Board has throughout the year with members of the senior management team provide further ongoing insight into the Group's culture and enable the Board to understand the views of employees on matters of significance to them.

#### How we generate and preserve value over the long term

An explanation of the basis on which the Group generates and preserves value over the longer term and the strategy for delivering its objectives is set out in the business model on pages 12 and 13.

→ Refer to pages 39 to 48, where we explain the key elements of our responsible business practices.

→ Refer to pages 18 to 21 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

Superior service and dedication to delivering above and beyond customer expectations

#### Agile

Continuously evolving to meet customers' changing needs

#### Expert

Sharp minds with unrivalled knowledge

#### Passionate

Confidence to embrace any challenge and achieve the best possible results

## Corporate governance report (continued)

## 2 DIVISION OF RESPONSIBILITIES

### Our governance model

#### The Board

**Chair:** Nigel Rich (effective 1 October 2021)

**Other members:** Alan Giles, Sheena Mackay, Peter Rollings, Rosie Shapland, Nic Budden, Richard Harris, Patrick Franco

**Key responsibilities:** Responsible for the long-term sustainable success of the Group.

→ Board activities in 2021, refer to page 61.

→ Board biographies, refer to pages 52 and 53.

→ Roles and responsibilities, refer to page 59.

#### Nomination Committee

**Chair:** Nigel Rich (effective 1 October 2021)

**Other members:** Alan Giles, Sheena Mackay, Peter Rollings, Rosie Shapland

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

→ For more information see pages 64 to 69.

#### Audit Committee

**Chair:** Rosie Shapland

**Other members:** Alan Giles, Sheena Mackay, Peter Rollings

**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:** Nigel Rich, Sheena Mackay, Peter Rollings, Rosie Shapland

**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 101.

#### ESG Committee

(formed in December 2021)

**Chair:** Sheena Mackay

**Other members:** Nigel Rich, Alan Giles, Peter Rollings, Rosie Shapland

**Key responsibilities:** Will review and have oversight of the implementation of the Group's ESG strategy and initiatives.

→ For more information see pages 70 and 71.

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, four independent Non-Executive Directors and three Executive Directors. The Directors' biographical details can be found on pages 52 and 53.

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](http://www.foxtonsgroup.co.uk).

## Roles and responsibilities

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

<b>Chairman:</b> <b>Nigel Rich</b>	<ul style="list-style-type: none"> <li>- 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.</li> <li>- Sets the Board agenda and ensures that Directors are provided with accurate, timely and clear information to enable the Board to operate effectively.</li> <li>- Responsible for the integrity and effectiveness of the systems of governance.</li> <li>- Seeks regular engagement with major shareholders in order to understand their views on performance and governance, and ensures the Board has an understanding of their views.</li> <li>- Acts on the results of the annual Board evaluation by recognising the strengths and addressing any weaknesses of the Board.</li> </ul>
<b>Senior Independent Director:</b> <b>Alan Giles</b>	<ul style="list-style-type: none"> <li>- Available to shareholders if they have concerns that cannot be addressed through normal channels.</li> <li>- Internal sounding board for the Chairman, providing support in the delivery of his objectives.</li> <li>- Leads the evaluation of the Chairman on behalf of the other Directors as part of the annual evaluation process.</li> <li>- 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 effectiveness and stability.</li> </ul>
<b>Non-Executive Directors:</b> <b>Alan Giles, Sheena Mackay, Rosie Shapland, Peter Rollings</b>	<ul style="list-style-type: none"> <li>- Provide a broad range of skills and experience to the Board to assist in formulating the Group's strategy.</li> <li>- Provide constructive challenge, strategic guidance and support to the Executive Directors based on their breadth of knowledge and experience.</li> <li>- All of the Non-Executive Directors are regarded by the Group as independent and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.</li> </ul>
<b>Chief Executive Officer:</b> <b>Nic Budden</b>	<ul style="list-style-type: none"> <li>- Responsible for leading the Group's operating performance and day-to-day management. Responsible for the development and implementation of the strategic objectives agreed by the Board while focusing on driving performance.</li> <li>- Managing relationships with key stakeholders.</li> </ul>
<b>Chief Financial Officer:</b> <b>Richard Harris</b> (until 1 April 2022) <b>Chris Hough</b> (from 1 April 2022)	<ul style="list-style-type: none"> <li>- Responsible for the Group's financial reporting, financial strategy and investor relations programme.</li> <li>- Provides leadership of the finance function.</li> <li>- Supports the CEO in the development and execution of the Group's strategic objectives.</li> </ul>
<b>Chief Operating Officer:</b> <b>Patrick Franco</b>	<ul style="list-style-type: none"> <li>- Responsible for supporting the Group's operations and implementation of the strategic objectives agreed by the Board.</li> <li>- Oversight of the marketing, public relations, legal, compliance, strategy and product development functions.</li> </ul>
<b>Company Secretary:</b> <b>Chris Hough</b>	<ul style="list-style-type: none"> <li>- 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.</li> </ul>

## Corporate governance report (continued)

## Board governance

The Board is comprised of the Chairman and a mix of Executive and independent Non-Executive Directors. The independent Non-Executive Directors have an appropriate balance of skills and experience, and consider that, collectively, they have substantial recent and relevant experience in a variety of sectors which enable robust discussion and appropriate challenge at Board and Committee discussions. The Chairman was independent on his appointment as Chairman and is deemed by his fellow independent Board members to be independent in character and judgement and free of any conflicts of interest.

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 Group 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 Group 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 18 to 21.















































































## 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 meets 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 68 and 69 of the Nomination Committee Report on the Group's evaluation procedures.

Directors' attendance at scheduled Board and Board Committee meetings held during 2021 is provided in the table below:

Director	Meetings attended			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Nigel Rich (appointed on 1 October 2021) <sup>1</sup>		—		
Nic Budden	     	—	—	—
Patrick Franco	     	—	—	—
Alan Giles	     	  	  	  
Richard Harris	     	—	—	—
Sheena Mackay	     	  	  	  
Rosie Shapland	     	  	  	  
Peter Rollings (appointed on 1 December 2021) <sup>1</sup>				
Ian Barlow (retired on 1 October 2021) <sup>1</sup>	   	—	 	 

 Meetings attended out of those scheduled

 Non attendance

<sup>1</sup> Ian Barlow, Nigel Rich and Peter Rollings attended all meetings that they were eligible to attend prior to retirement and post appointment.

Given the level of strategic activity and shareholder engagement during the year, 4 additional Board and 5 additional Committee meetings were held during the year as required in connection with changes to the composition of the Board, the acquisition of D&G and the disposal of the D&G sales business.

### Board activity in 2021

The Board has a rolling agenda of items that are regularly considered, which includes reviewing key areas of the business throughout the year, monitoring delivery of core objectives and covering any topical matters that arise. The Board dedicates one of its meetings every year to focus on reviewing the Group's strategy and to consider annual objectives. The Board monitors the achievement of the Group's objectives through regular Board reports which include updates from the Executive Directors, members of the Executive Committee (which meets on a regular basis) and other members of the Senior Management team.

The Board held six scheduled meetings during the year, with additional meetings held to deal with the issues arising from the acquisition of D&G and disposal of the D&G sales business, changes to Board composition and consideration of various strategic initiatives. The main activities of the Board during the year were as follows:

<p><b>Strategy, budget and strategic plan</b></p> <ul style="list-style-type: none"> <li>- Consideration of overall strategy and establishing core objectives to drive future strategic progress.</li> <li>- Approval of the acquisition of D&amp;G, integration of its lettings business and disposal of its sales business.</li> <li>- Approval of the 2021 annual budget and the five-year strategic plan.</li> </ul>	<p><b>Shareholder engagement</b></p> <ul style="list-style-type: none"> <li>- Engagement with shareholders on a regular basis covering topical matters including results, strategy, capital allocation and ESG matters.</li> <li>- Specific engagement with shareholders by the CEO and Chairman.</li> <li>- Considering views of investors, including feedback from external brokers and shareholders following investor meetings.</li> <li>- Consideration of market reaction to key announcements.</li> <li>- Delivery of the Capital Markets Day in June 2021.</li> </ul>	<p><b>Operations and technology</b></p> <ul style="list-style-type: none"> <li>- Market reviews including trends, outlook and competitor activity.</li> <li>- Business performance reviews, including reviewing our mortgage broking strategy, trading and risk management.</li> <li>- Review of our technology, data and marketing strategy.</li> <li>- Impact of Covid-19 and our business and stakeholder response.</li> </ul>
<p><b>Internal control and risk management</b></p> <p>In conjunction with the Audit Committee:</p> <ul style="list-style-type: none"> <li>- Consideration of risk appetite and principal and emerging risks.</li> <li>- Assessment of effectiveness of internal controls and risk management systems, and consideration of internal audit reviews.</li> <li>- Cyber security strategy and compliance/regulatory reviews.</li> </ul>	<p><b>Financial reporting and other related matters including capital allocation</b></p> <ul style="list-style-type: none"> <li>- Approval of annual results for 2020 and interim results for 2021.</li> <li>- Approval of trading updates.</li> <li>- Review of monthly financial performance.</li> <li>- Consideration of viability statement and going concern.</li> <li>- Consideration and approval of the continuation of the share buyback programme.</li> <li>- Review of dividend policy.</li> </ul>	<p><b>Governance</b></p> <ul style="list-style-type: none"> <li>- Continued review of the Code, including the approval of the Annual Report and Accounts.</li> <li>- Review of terms of reference of Committees, matters reserved for the Board and establishment of the ESG Committee.</li> <li>- Updates on governance, legal and regulatory matters and the impact of regulatory changes on the Group.</li> <li>- Consideration of Board evaluation results for 2021.</li> </ul>

## Corporate governance report (continued)

2021

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

## Board and Committee meetings

<b>January</b>	<b>February</b>	<b>April</b>	<b>June</b>	<b>July</b>
<ul style="list-style-type: none"> <li>- Remuneration Committee (additional)</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board</li> <li>- Audit Committee</li> <li>- Remuneration Committee</li> <li>- Nomination Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board</li> <li>- Remuneration Committee (additional)</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board</li> <li>- Remuneration Committee (additional)</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board (one additional)</li> <li>- Audit Committee</li> <li>- Nomination Committee</li> <li>- Remuneration Committee (additional)</li> </ul>
<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	
<ul style="list-style-type: none"> <li>- Main Board</li> <li>- Remuneration Committee</li> <li>- Nomination Committee (additional)</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board (two additional)</li> <li>- Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board (additional)</li> </ul>	<ul style="list-style-type: none"> <li>- Main Board</li> <li>- Audit Committee</li> <li>- Remuneration Committee</li> <li>- Nomination Committee</li> </ul>	

## Key business considered at Board meetings

<b>February</b>	<b>April</b>	<b>June</b>	<b>July</b>
<ul style="list-style-type: none"> <li>- Approval of the 2020 Annual Report and Accounts and year end results</li> <li>- Approval of the acquisition of D&amp;G</li> <li>- Approval of Modern Slavery Act statement</li> <li>- 2021 Budget approval and capital allocation policy review</li> <li>- Review of ESG programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic programmes review</li> <li>- Review of D&amp;G business plan targets</li> <li>- Digital marketing review</li> <li>- Review of Group investments</li> <li>- Review of ESG programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Capital Markets Day reflections</li> <li>- Shareholder engagement</li> <li>- 2021 Budget update</li> <li>- Specific review of the sales and lettings business</li> </ul>	<ul style="list-style-type: none"> <li>- Approval of half-year results</li> <li>- Alexander Hall strategic review</li> </ul>
<b>September</b>	<b>October</b>	<b>December</b>	
<ul style="list-style-type: none"> <li>- Annual Group strategic and core objectives review</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review of D&amp;G</li> <li>- Strategic review of growth plans</li> </ul>	<ul style="list-style-type: none"> <li>- 2022 Budget and strategic plan</li> <li>- Strategic update and review of Alexander Hall</li> <li>- Review of Board evaluation</li> <li>- Establishment of the ESG Committee</li> </ul>	

## Key market announcements

<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>
-	<ul style="list-style-type: none"> <li>- 2020 full-year results</li> </ul>	<ul style="list-style-type: none"> <li>- Acquisition of D&amp;G</li> <li>- Notice of AGM</li> </ul>	<ul style="list-style-type: none"> <li>- Q1 trading statement</li> <li>- Result of AGM</li> </ul>		<ul style="list-style-type: none"> <li>- Capital Markets Day and trading update</li> </ul>
<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>
<ul style="list-style-type: none"> <li>- Announcement of the retirement of Ian Barlow as Chairman and Director</li> <li>- 2020 half-year announcement</li> <li>- Strategic options considered for Alexander Hall</li> <li>- Commencement of £3 million share buyback programme</li> </ul>	-	<ul style="list-style-type: none"> <li>- Retirement of Ian Barlow as Chairman and Director with effect from 1 October 2021</li> <li>- Appointment of Nigel Rich as Chairman and Director with effect from 1 October 2021</li> <li>- Statement on 2021 AGM Remuneration Policy vote</li> </ul>	<ul style="list-style-type: none"> <li>- Q3 trading statement</li> </ul>	<ul style="list-style-type: none"> <li>- Appointment of Peter Rollings as Non-Executive Director with effect from 1 December 2021</li> </ul>	<ul style="list-style-type: none"> <li>- Change of CFO</li> </ul>



### 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 Group, 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. Foxtons' 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 Group, 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 2021, and 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

Proactive engagement with our stakeholder groups remains a central focus for the Board, 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 views to be considered in key Board decisions.

The Board engages with stakeholders both directly and by receiving updates from the Executive Directors on Executive Management-led stakeholder engagement.

The Board regularly interacts with shareholders, including via one-to-one meetings, investor roadshows and through trading updates. Interactions are supported by regular communication with external financial analysts. Additionally, in June 2021, the Board held a Capital Markets Day for institutional investors and analysts to provide an update on the Group's growth strategy.

For further information on the Group's engagement with stakeholders, and the Group's Section 172 statement, refer to pages 18 to 21 of the Strategic Report.

# NOMINATION COMMITTEE REPORT

"On behalf of the Nomination Committee, welcome to our report for the financial year ended 31 December 2021."

Nigel Rich 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 Group. Biographical information can be found on pages 52 and 53. Members' attendance at Committee meetings is set out in the table on page 60. The Group Secretary acts as Secretary to the Committee.

**Chairman:** Nigel Rich

**Current members:** Sheena Mackay, Alan Giles, Rosie Shapland, Peter Rollings (appointed 1 December 2021)

## 3 COMPOSITION, SUCCESSION AND EVALUATION

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.

### 2021 areas of focus

- Completion of Chair succession
- Introducing additional estate agency expertise to the Board
- Review of Board and Senior Management succession
- Review of Group-wide diversity and inclusion initiatives

### Board composition

Ian Barlow retired from the Board in October 2021 and I succeeded Ian as Chairman. Details of my appointment can be found below on page 66. In addition, we were delighted to welcome Peter Rollings as an independent Non-Executive Director in December 2021.

As announced in December 2021, Chris Hough, who is currently the Group's Director of Finance and Company Secretary, will be appointed as Chief Financial Officer and as an Executive Director on 1 April 2022. Chris will succeed Richard Harris who will be taking up another position elsewhere.

### Succession planning

An important aspect of the Nomination Committee's role is to consider succession planning processes to ensure the orderly replacement of Board members and other key individuals in Senior Management positions. In July 2021, Ian Barlow informed the Group of his intention to retire as a Director and Chairman of Foxtons once a successor had been appointed. Consequently, following a formal recruitment and interview process led by the Senior Independent Director to identify and recommend to the Board the appointment of a successor, Nigel Rich was appointed as a Director and Chairman of the Group on 1 October 2021 and Ian Barlow stepped down as Chairman and retired as a Director on the same date. Peter Rollings also joined the Board as a Non-Executive Director in December 2021. Further details regarding the recruitment process are set out on page 66.

### Performance evaluation

During the year, we conducted an internal performance evaluation exercise led by the Senior Independent Director which noted the challenges the business faced over the period and a number of suggestions for improvement were agreed and are reported on within this report.

We set out on page 64 details of the composition and work of the Nomination Committee during the year.



Nigel Rich CBE  
Chairman of the Nomination Committee

## 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 Group 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 Group's website at: [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).

Since the last Nomination Committee Report, the Committee held 3 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;
- considered and recommended to the Board the re-election of Directors at the 2022 AGM; and
- Appointed Nigel Rich as Chairman effective as of 1 October 2021 and appointed Peter Rollings to the Board as a Non-Executive Director effective as of 1 December 2021.

### 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 2021 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 Executive Directors and Senior Management.

### Committee effectiveness

- reviewed progress against matters arising from the annual evaluation for 2020 and the matters arising from the 2021 annual evaluation exercise; and
- participated in the evaluation of its performance and agreed a plan to address any issues arising.

## Nomination committee report (continued)

### Board composition at 31 December 2021

#### Appointment of Chairman and new Non-Executive Director

Nigel Rich succeeded Ian Barlow as Chairman of Foxtons on 1 October 2021.

Led by the Senior Independent Director, the Board utilised Korn Ferry to conduct recruitment for Ian Barlow's successor. Korn Ferry, an independent global organisational consulting firm with no connection to the Group or its Directors, sourced a strong list of candidates which, following discussions to assess candidate appetite and suitability for the role, was narrowed down to a short list of three candidates.

Following a formal interview process, the Non-Executive Directors concluded that Nigel Rich was the best fit for the Board due to his extensive experience as a chairman and his valuable sector experience. Nigel Rich, as part of the appointment process, met with each member of the Board and his appointment was also supported by the executive management team.

On 26 November 2021, Peter Rollings was appointed as a Non-Executive Director with effect from 1 December 2021. The search process was led by the new Chairman, who together with the Committee, decided a candidate from an estate agency background was necessary, which resulted in Peter Rollings being identified as an appropriate candidate with estate agency industry experience, including working at Foxtons between 1985 and 2005, before becoming CEO of Marsh & Parsons. He was interviewed by the Chairman and the other members of the Committee, following which, the Committee recommended the appointment of Peter Rollings to the Board. On this recommendation of the Committee, the Board agreed his appointment.

#### 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 Group'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 page 100. No other contract with the Group or any subsidiary undertaking of the Group 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 in line with the Code. Non-Executive Directors are voted upon by shareholders on an annual basis.

### Directors' induction and professional development

The Group 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 Group 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 Group's expense, where they judge this to be necessary to discharge their responsibilities as Directors.

#### Overview of Nigel Rich's and Peter Rollings' induction to the Board:

Nigel Rich and Peter Rollings received an induction post-appointment that focused on the culture, operations, markets, risks and opportunities for the Group. Key elements of the induction process included:

- Nigel Rich had an introductory meeting with the Senior Independent Director and Peter Rollings had an introductory meeting with the Chairman to discuss Board process and the Group's culture;
- Nigel Rich held discussions with a number of major shareholders;
- engagement with Committee chairs and external auditors;
- 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, Senior Management and a wide range of other employees, including branch visits. During each of these, strategy; operating and financial performance; budget and forecasts; compliance; customer service; diversity and talent strategy were discussed.

### Election and re-election of Directors

All Board members will stand for election and re-election at the 2022 AGM. The Committee and the Board have concluded that each Director standing for election and 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 52 and 53. 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 Group's long-term sustainable success.

Details of the Board evaluation and effectiveness process can be found on pages 68 and 69.

### Succession planning

During the year, the Committee considered succession planning for the Executive Directors and reviewed the CEO's plan for Senior Management succession. Foxtons' policy is to develop the talent pipeline and promote from within, wherever possible. Due to the nature of the Group's operations and size, it is not practicable for the Group to have an internal successor identified for all Senior Management roles, but where there is no obvious successor, the Committee is satisfied that the Group 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 2022, 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

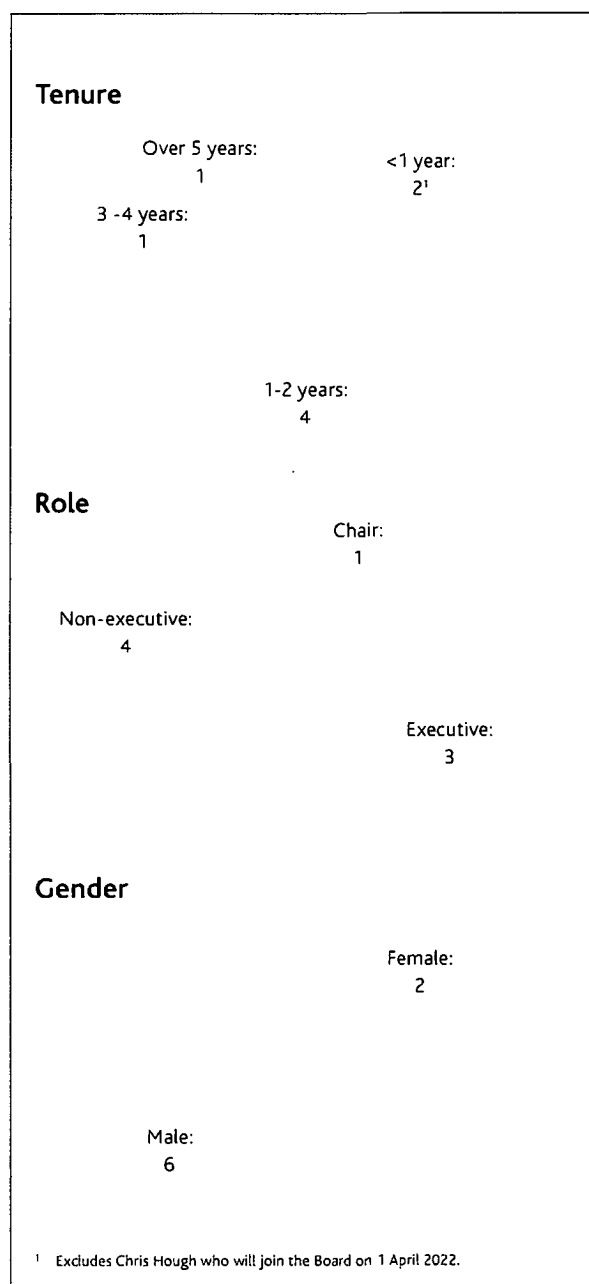
Diversity throughout the business is important for the Group in order to reflect the varied nature of the communities that Foxtons operates in and its customer base. The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are 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. 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.

The Committee continues to be broadly satisfied with the diversity at employee level within the Group 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 page 45. This includes details of the gender breakdown of Directors, Senior Management and the Group's employees.

During the year, Foxtons published its gender pay gap figures at 5 April 2021. The report can be found on the Group's website at [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).

### Board composition as at 31 December 2021



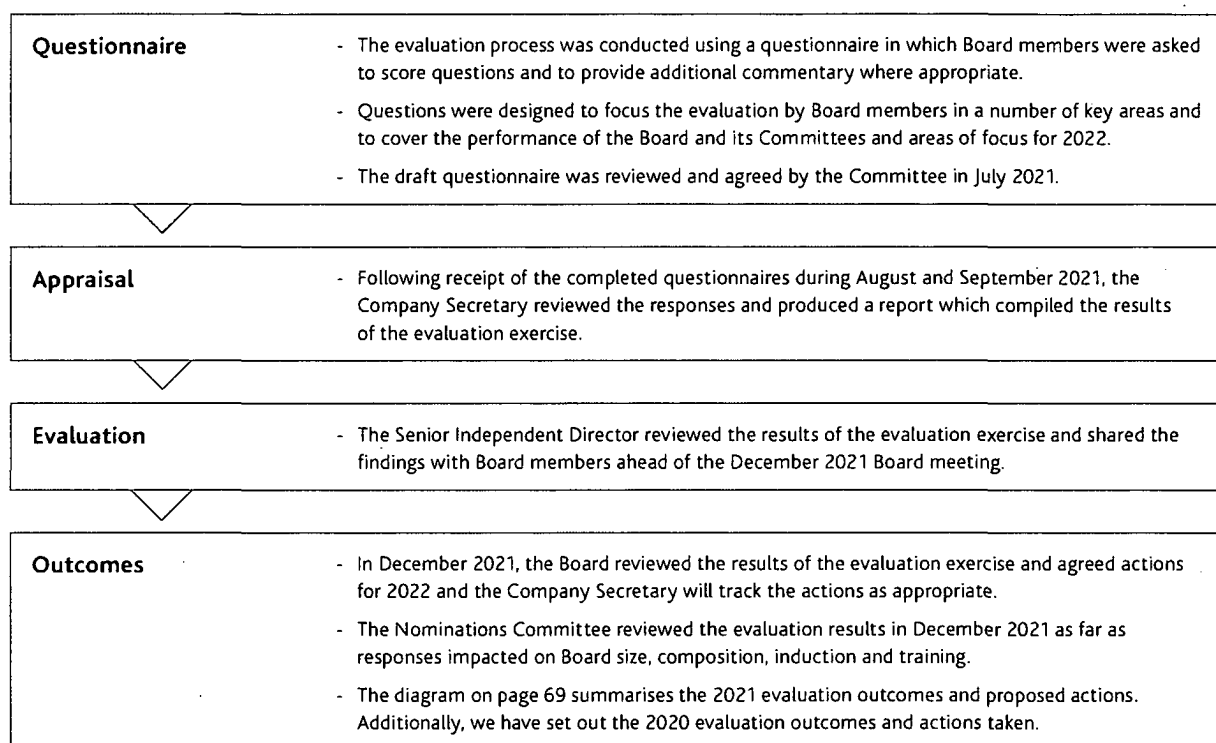
## Nomination committee report (continued)

### Board evaluation and effectiveness

An internal Board evaluation was completed in the second half of 2021. 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 Group (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. Given the changes in board composition during the year, it was agreed that a more extensive evaluation process would be appropriate in 2022.

### Overview: our internal board evaluation process



## Outcomes: Board evaluation process 2020 and 2021

2020 outcomes and actions taken	
<p><b>2020 assessment outcomes</b></p> <ul style="list-style-type: none"> <li>- Review the Board's succession plan and diversity in line with the Board's skills and experience matrix.</li> <li>- Enhance the value and frequency of strategic deep dives.</li> <li>- Continue to review the effectiveness of the EEC.</li> <li>- Arrange Non-Executive Director only sessions to enable a range of broader topics to be discussed.</li> <li>- Further develop the narrative supporting the articulation of the Group's purpose and leverage our purpose when engaging with stakeholders.</li> </ul>	<p><b>Actions taken in 2021</b></p> <ul style="list-style-type: none"> <li>- Succession planning and diversity has been discussed in detail during Nomination Committee meetings. The 2021 Non-Executive Director appointments were made following consideration of the Board's skills and experience matrix and the Board's diversity policy.</li> <li>- A number of Board deep dives were held across 2021, with attendance by senior management and other subject matter experts to provide updates to the Board.</li> <li>- The EEC has continued to be strengthened with a wider range of topics being discussed as well as ensuring more informal engagement takes place with the workforce outside of the EEC meetings.</li> <li>- The Non-Executive Directors met frequently during 2021 to discuss a range of matters outside of the formal Board meetings, including broader strategic matters and shareholder engagement.</li> <li>- In the year, the Group launched its partnership with a new social mobility charity, Career Ready. On an ongoing basis the partnership provides employees with the opportunity to engage and contribute to the Group's social mobility initiatives.</li> </ul>
2021 outcomes and proposed actions	
<p><b>2021 assessment outcomes</b></p> <ul style="list-style-type: none"> <li>- Noted it would be beneficial to spend more Board time discussing the marketplace, broader strategy and progress against the delivery of strategic initiatives.</li> <li>- Noted the ongoing importance of proactively engaging with shareholders to understand priorities and views.</li> <li>- Seek to create further opportunities for the Board to interact with the senior management team and employees both formally and informally.</li> </ul>	<p><b>Proposed actions</b></p> <ul style="list-style-type: none"> <li>- Board agenda to be revised to include a specific programme to address the assessment outcome noted to the left.</li> <li>- A review of our investor relations programme will be carried out and active shareholder engagement on a regular basis will be a priority for the CEO and Chairman.</li> <li>- Senior managers to attend Board meetings on a regular basis to report on their areas of responsibility and attendance at the Group's annual strategy review. These formal interactions will be supplemented by more informal meetings, such as branch visits.</li> <li>- The Board to implement dinners prior to meetings to enable further dialogue and discussion with senior management.</li> </ul>

### Annual evaluation of the Nomination Committee's performance

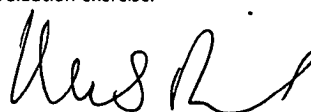
As part of the internal Board evaluation this year, the performance of the Nomination Committee was reviewed and no material concerns were identified.

### Governance

During the year, the Committee received briefings from the Company Secretary on corporate governance matters. We have reported on the Group's compliance with the Code on page 56 of the Corporate Governance Report.

### Priorities for 2022

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



**Nigel Rich CBE**  
Chairman of the Nomination Committee

1 March 2022

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

"On behalf of the ESG Committee, I am delighted to present our first ESG Committee Report following its formation in December 2021."

**Sheena Mackay** Chair of the ESG Committee

## Members of the ESG 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 52 and 53. Members' attendance at Committee meetings is set out in the table on page 60. The Company Secretary acts as Secretary to the Committee.

**Chair:** Sheena Mackay


**Current members:** Nigel Rich, Alan Giles, Peter Rollings, Rosie Shapland

The ESG Committee was formed in December 2021 to provide governance and oversight of the Group's environmental and social obligations. The Committee provides an important forum for ESG matters to be discussed by members of the Board, and invites members of the Executive Committee to attend and report on key environmental and social initiatives.

Although the Group has a relatively simple infrastructure and does not operate in a high-risk environmental sector, the Group has a clear aim to reduce its environmental impact by lowering emissions. As set out on pages 36 and 37, the Group utilises the TCFD framework to help it manage and disclose climate-related risks and opportunities. The Group has set certain environmental targets to enable it to track progress, including electrifying its entire vehicle fleet by 2030 and to reach net zero across each of the three emission scopes by 2050.

Our social programmes are at the heart of our purpose, and the Group is very focused on having a positive impact on social mobility within the communities where we work. In April 2021, the Board was delighted to launch our partnership with Career Ready, with more detail set out on page 43.

On page 39, I introduce our responsible business report which provides further detail on our broader environmental and social commitments and activities. Over the course of 2022 I look forward to moving our environmental and social initiatives forward, engaging with stakeholders on ESG matters and reporting our progress in next year's report.



**Sheena Mackay**  
Chair of the ESG Committee



## Role of the ESG Committee

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

- to provide oversight of the governance framework relating to environmental and social matters;
- to review the Group's environmental and social strategy to ensure alignment with the Group's overall strategy, including consideration of related risks and opportunities;
- to actively look for opportunities to promote environmental and social matters within the Group;
- to receive updates on performance against the Group's environmental and social strategy and targets;
- to receive updates on regulatory changes which could impact the implementation of the Group's environmental and social strategy;
- to receive updates on the social and community initiatives of the Group, including community engagement and partnerships;
- to review the extent and effectiveness of the Group's external reporting of its environmental and social performance, and to review the external social reporting prior to its publication;
- to understand the objectives and expectations of the Group's shareholders on environmental and social matters;
- to review environmental and social related risks to the Group and make recommendations to the Audit Committee regarding inclusion in the Group's risk management practices.

Terms of reference were approved in December 2021 and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Group's website at: [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).

## Composition of the Committee

The Committee Chair has relevant ESG experience through her role as Group HR Director of Smiths Group plc, where she regularly advises on a range of ESG initiatives. Other Committee members have relevant experience through other external appointments, knowledge of the Group's operations and broader experience of working in customer facing businesses.

## Activities undertaken since formed

The Committee was formed in December 2021 and met in February 2022 to undertake the following activities:

- to review and approve the Committee's terms of reference and Committee's composition;
- to review the Group's ESG framework, ESG strategy, current activities and commitments;
- to agree the Committee's agenda for 2022, including scheduling members of the Executive Committee to report on specific environmental and social activities in the year; and
- to review the 2021 Annual Report disclosures related to social and environmental matters, and make recommendations to the Audit Committee for review.

## Our ESG commitments

The Committee has reviewed the Group's environmental and social commitments, which include:

### Environment

- Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment; and
- Reaching net zero by 2050 to reduce our impact on the environment.

### People

- Continuing to drive diversity initiatives so that our workforce is fully reflective of the society we serve; and
- Helping people move up in the world within the communities we serve, through our social mobility partnerships.



**Sheena Mackay**  
Chair of the ESG Committee

1 March 2022

# AUDIT COMMITTEE REPORT

"I am pleased to present the report of the Audit Committee setting out its key activities and principal and ongoing responsibilities."

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 52 and 53. Members' attendance at Committee meetings is set out in the table on page 60. The Company Secretary acts as Secretary to the Committee.

Chair: Rosie Shapland

Current members: Alan Giles, Sheena Mackay and Peter Rollings (appointed 1 December 2021)

## 4 AUDIT, RISK AND INTERNAL CONTROL

The Committee's work focused on protecting the interests of shareholders, with effective risk management, internal control and financial reporting being more important than ever as the external risk environment continues to evolve and Covid-19 continues to impact the markets the Group operates in.

The Committee has focused on monitoring internal controls, risk management processes and monitoring emerging risks, including the impact of climate change. The internal audit programme has continued to move at pace with PwC reporting on six internal audit reviews in the year. A continued area of focus has been the IT control environment and specifically the continuing improvements made to the Group's cyber defences in response to the October 2020 incident.

During the year, we reviewed a number of key financial reporting matters including impairment review outcomes, the accounting relating to the acquisition and part disposal of Douglas & Gordon, the Group's going concern assumption and longer-term prospects and viability statement. Additionally, 2021 is the first year the Group has applied the TCFD framework within the Annual Report.



Rosie Shapland  
Chair of the Audit Committee

## 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, reappointment 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, programmes, 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 system; 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 Group's website at: [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).

## Composition of the Committee

During the year three Board members served on the Committee, with Peter Rollings being appointed to the Board and the Audit Committee on 1 December 2021.

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 Chair is also the Chair of the Audit Committee of PayPoint plc and Workspace Group plc. 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, and at least once a year.

## 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 reasonable possible change in key assumptions would remove the headroom of the brand asset and appropriate sensitivity disclosure is included within Note 10 of the financial statements.

**Audit committee report (continued)****Other relevant financial reporting matters**

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

- **Douglas & Gordon acquisition accounting**

On 1 March 2021, the Group acquired the entire issued share capital of Douglas & Gordon Estate Agents Limited (D&G) and its subsidiary companies for gross consideration £15.5 million. The rationale for the acquisition was to access D&G's large lettings business, which typically delivers around 65% of total revenues from 2,900 tenancies.

Management's purchase price allocation exercise identified £5.4 million of acquired intangible assets relating to customer contracts and relationships and £6.3 million of goodwill has arisen on acquisition. Refer to Note 13 of the financial statements for further details. 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.

- **Douglas & Gordon held for sale and discontinued operations accounting**

In the year the Board carefully considered how best to build on the profitability generated by D&G since acquisition. The Board concluded that the greatest benefit would be obtained by integrating the D&G lettings business into the existing Foxtons infrastructure and disposing of the D&G sales business to D&G management, including all of the branches, related property costs and the brand. Since D&G management is a related party, shareholder approval was sought and an ordinary resolution was passed on 10 February 2022.

Management concluded the D&G sales disposal group met the held for sale classification at the balance sheet date and also met the discontinued operations disclosure requirements. Upon classification as held for sale, a £3.2 million impairment charge was recognised to value the disposal group at fair value less costs to sell. Refer to Note 7 of the financial statements for further details. The Committee reviewed management's technical paper and concluded the accounting treatment and related disclosure were appropriate.

- **Adjusted items and alternative performance measures**

The Committee considered the presentation and disclosure of £1.4 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 the 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. No changes have been made to the Group's alternative performance measures in the year and the associated disclosure is considered to be appropriate.

- **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 Covid-19 uncertainties, the reverse stress scenario sensitivity and the Group's liquidity over the relevant forecast period.

For the purposes of assessing the going concern assumption, an 18-month forecast period from the date of the approval of the 2021 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 long-term prospects and viability statement as set out on page 38.

- **Other estimates**

The Committee has reviewed other estimates in the year, including the Group's £1.8 million 'provision for adjusted items' (refer to Note 19 of the financial statements) which relate to property-related liabilities. The Committee reviewed the key assumptions used to determine the year-end provision balance and concluded the valuation of the provision to be appropriate. The Committee also reviewed management's branch impairment assessment and is satisfied that the carrying value of branches at 31 December 2021 is appropriate (refer to Note 4 of the financial statements).

- **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 25 of the financial statements for details of the level of client money held at 31 December 2021.

## 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. Reforecasts of current year performance are carried out as required, and at least every quarter. 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 through management updates, output from various executive risk committees and reports from internal audit 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 Group, 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 and monitoring processes 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 whistleblowing policies and procedures and considers any whistleblowing incidents; there have been no material instances of whistleblowing or recorded instances of bribery or corruption during the period under review;
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and the business plan as described above;
- in December 2021, the Board formed the Environmental, Social and Governance (ESG) Committee which reviews the Group's environmental and social related risks and makes recommendations to the Audit Committee, as well as reviewing the TCFD disclosures included within the 2021 Annual Report and Accounts;

- 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; and
- the Audit Committee reviews internal risks, including IT systems and cyber risk, to ensure that the Group's IT function effectively implements preventative and detective controls to monitor and mitigate risk.

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 2021 financial year and up to the date of the approval of the Annual Report and Accounts.

## Internal audit

PwC is the Group's outsourced internal audit partner and has the remit to provide independent and objective assurance over the Group's operations. PwC's internal audit plan is reviewed and approved by the Committee annually and is able to be updated throughout the year should the need arise. The internal audit plan is determined with reference to the Group's strategy and the risks that may prevent the Group from meeting its strategy. Following each review, PwC issues an independent report to the Committee with findings graded and any remedial actions agreed as necessary. Remediation progress is monitored and reported to the Committee on a regular basis by PwC.

In 2021, PwC reported on six internal audits relating to lettings client money; cyber security; payroll and related human resources processes; core financial processes; technology product development and lettings property management supplier contracts. The independent reports issued in these areas were scoped with reference to the risk profile of each area and all areas were reported to be satisfactory, with only low or medium findings being reported against certain areas. Appropriate remediation plans have been put in place to respond to the findings with good progress made against these items in the year.

The Committee assesses the effectiveness of internal audit informally on an ongoing basis, and formally on an annual basis.

## Whistleblowing

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 Group's independent whistleblowing hotline continues to be in operation and activity reports are provided to the Committee, with any matters relating to senior management being reported directly to the Audit Committee Chair. There have been no instances of whistleblowing during the period under review. The Committee is satisfied that the whistleblowing policy and its administration remain effective.

**Audit committee report (continued)****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 Group'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 Group's business model, strategy, position and performance. The Directors confirm this statement within the Directors' Responsibilities Statement on page 105.

**External auditor**

BDO continued as external auditor in 2021, following appointment at the 2020 AGM and the conclusion of a formal tender process for the statutory audit contract. The 2021 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 and quality of the external audit process. The Committee did this by:

- reviewing the external auditor's plan, with specific focus on the auditor's approach to auditing areas new or unique to the 2021 audit such as the D&G acquisition accounting and related audit procedures;
- 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, specifically how the auditor had challenged management's key assumptions and demonstrated professional scepticism. The Committee assessed this area through discussion with the audit partner, review of the auditor's benchmarking of management's assumptions and consideration of the quality and depth of the auditor's observations and challenge;
- reviewing the quality of people and service provided by BDO, including a review of the FRC's latest Audit Quality Review of BDO and reviewing the findings following the FRC's Audit Quality Review (AQR) of the Group's 2020 audit; and
- confirming the independence and objectivity of BDO.

As noted above, the FRC's AQR team selected the Group's 2020 audit for independent review. The Audit Committee reviewed the AQR's findings and concluded there were no significant audit quality concerns raised and that BDO's planned response to the AQR's findings was appropriate.

The Committee concluded that we were satisfied with the performance, ongoing quality 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.foxtongroup.co.uk](http://www.foxtongroup.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 2021 were £37,500 (2020: £34,500). Audit fees for the year were £292,500 (2020: £222,000).

**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 four meetings, with the principal work being:

Role	Tasks	July 2021	Oct 2021	Dec 2021	Feb 2022
<b>Financial reporting</b>	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 2021 Annual Report and Accounts, including the plans for 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 Group and agreeing with the adoption of the going concern basis.	●			●
	Reviewing the Group's assessment of the Task Force on Climate-related Financial Disclosures framework and reviewing the related disclosures in the Annual Report and Accounts with reference to the ESG Committee's recommendations.		●		●
	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.				●
<b>External audit</b>	Approving the appointment of the external auditor and their terms of engagement and fees for the financial year 2021.		●		
	Considering the scope of work to be undertaken by the external auditor, assessment of the auditor's professional scepticism and reviewing the results of the work undertaken.	●	●	●	●
	Receiving the external auditor's audit planning paper for 2021 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.	●			●
<b>Internal audit</b>	Reviewing internal audit's assurance map and risk assessment. Approving the internal audit plan for 2022.			●	
	Reviewing internal audit reports following the completion of specific audits, monitoring progress against the internal audit plan and assessing ongoing effectiveness of internal audit.	●		●	●
<b>Internal controls</b>	Ensuring compliance with the UK Corporate Governance Code published in July 2018.		●		●
	Reviewing the whistleblowing policy and helpline reports.		●		●
	Reviewing internal control reports from external audit, internal audit and relevant management committees; and advising the Board on the effectiveness of the Group's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.		●		●
<b>Risk management</b>	Reviewing the Group's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Group and comparing residual risk against the Board's risk appetite.		●		●
	Reviewing controls within the IT function through reports received from the Chief Information Officer, the internal auditor and the external auditor, including progress with the Group's cyber security strategy, response to cyber threats and attacks and the general IT control environment.	●	●	●	
	Receiving a report on legal and compliance matters within the Group including compliance with the General Data Protection Regulation (GDPR).		●		
<b>Governance</b>	Reviewing the Committee's terms of reference.		●		
	Reviewing the Group's non-audit services policy.		●		

Rosie Shapland  
Chair of the Audit Committee  
1 March 2022



STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

# DIRECTORS' REMUNERATION REPORT

"All Executive Directors and the majority of senior managers have agreed to restructure their remuneration such that a portion of their salary will be paid in shares from 2022 on an ongoing basis, improving the alignment with the interests of our shareholders."

Alan Giles Chairman of the Remuneration Committee

## 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. Both Ian Barlow and Nigel Rich were considered to be independent on their appointment as Chairman of the Company. Biographical information can be found on pages 52 and 53. Members' attendance at Committee meetings is set out in the table on page 60. The Company Secretary acts as Secretary to the Committee.

**Chairman:** Alan Giles

**Current members:** Nigel Rich (appointed 1 October 2021), Ian Barlow (resigned 1 October 2021), Sheena Mackay, Rosie Shapland, Peter Rollings (appointed 1 December 2021)

## 5 REMUNERATION

This report is divided into five main sections:

<b>Annual Statement from the Remuneration Committee Chairman</b> Pages 79 and 80	
<b>The work of the Committee</b> Page 81	An overview of our work in the year.
<b>Directors' remuneration report at a glance</b> Page 82	A summary of remuneration in respect of 2021.
<b>Summary of Directors' Remuneration Policy</b> Pages 83 to 91	Summary of the Policy that was approved at the 2020 AGM, and how it will be implemented in 2022.
<b>2021 Annual Report on Remuneration</b> Pages 91 to 101	Our annual report on remuneration includes the following sub-sections: <ul style="list-style-type: none"> <li>- Our approach to fairness and wider workforce considerations</li> <li>- How we implemented the current Policy in 2021</li> <li>- Additional information</li> </ul>

The 2021 Annual Report on Remuneration, including the Annual Statement from the Remuneration Committee Chairman, will be subject to an advisory vote at the 2022 AGM.



## Annual Statement from the Remuneration Committee Chairman

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 December 2021. This is the second year of the implementation of the Remuneration Policy agreed by shareholders in May 2020 and this annual statement sets out the outcome for this year and how it was reached, considering business performance and other factors, such as the wider stakeholder experience.

### Introduction

Foxtons performance in 2021 was positive with strong growth in revenue, profits and market share. After a number of difficult years, especially in London, the sales market in 2021 was buoyant and action taken by Foxtons in previous years including investment in people, brand and technology as well as cost control ensured the business was well placed to capitalise on these better conditions. The Group also advanced its strategy through a number of significant developments including the acquisition of Douglas & Gordon (D&G) and the subsequent integration of the lettings portfolio into the Foxtons infrastructure. The Covid-19 pandemic continued to cause disruption and the Group made significant operational changes to protect staff and customers, but unlike in 2020 we did not have to mothball our operations for an extended period. The Board therefore took the decision to voluntarily repay the £1.5 million of branch rates relief for which we were eligible with respect to 2021. As a result, the Group has had no benefit from Government support in 2021.

The Remuneration Committee and indeed the whole Board were disappointed not to have secured more shareholder support for the implementation of the 2020 Remuneration Policy at last year's AGM. Notwithstanding the reduction in salary for the Board in 2020 and the discretion applied to reduce by 50% the formulaic outcome on annual bonuses, it is clear that a significant proportion of shareholders did not agree with the decision to pay bonuses to Executives with respect to 2020 because the Company had benefited from, and not repaid, Government support. It was also clear that shareholders sought closer alignment between management interests and theirs.

In light of this, and further extensive discussions with shareholders, the Remuneration Committee undertook a comprehensive review of the implementation of the 2020 Remuneration Policy, which has informed our approach to executive remuneration for 2021 and beyond, as well as the remuneration of the new Chairman and CFO. Our new approach, which is effective from 1 April 2022, is designed to improve alignment with shareholders and has resulted in a reduction in the cash element of fixed pay for the CEO and COO. These principles have been applied to our new Chairman and CFO, who are on reduced packages to their predecessors with an increased proportion of overall remuneration coming from share-based compensation.

The Remuneration Committee has also undertaken a review of Senior Management compensation arrangements, in the context of the wider workforce, and sought to increase both the share ownership and the proportion of variable versus fixed pay amongst this group. We believe this addresses shareholder concerns, while also ensuring that Foxtons rewards its people competitively, acknowledging the fundamental role they play in serving our customers and delivering our strategy.

### Summary of changes to implementation

The table below sets out a summary of changes to the way that we implement the Remuneration Policy:

Increase in proportion of remuneration paid in shares to increase alignment to shareholders	<ul style="list-style-type: none"> <li>- CEO, COO and incoming CFO: 20% of base salary paid in 'salary substitute restricted shares' from 1 April 2022.</li> <li>- Shares subject to a three-year vesting period and two year holding period.</li> <li>- Subject to malus and clawback provisions.</li> <li>- Chairman annual fees paid £100,000 in cash and £50,000 in shares from appointment in October 2021.</li> </ul>
Increase in bonus deferral to increase alignment to shareholders	<ul style="list-style-type: none"> <li>- For all Executive Directors, an increase in the percentage of the Bonus Banking Plan (BBP) account that is deferred into shares from 30%, to 50% in line with market best practice.</li> <li>- This will be implemented on a phased basis whereby the deferral into shares is 40% with respect to 2021 and 50% with respect to 2022.</li> </ul>
Reduced packages for new appointments	<ul style="list-style-type: none"> <li>- Incoming CFO base salary set at £250,000, a reduction to his predecessor's base salary of £305,400.</li> <li>- New Chairman fee set at £150,000, a reduction to his predecessor's fee of £184,000.</li> </ul>

### Board changes

As announced in December 2021, Richard Harris tendered his resignation from his role as CFO in order to take up the position of CFO at another company. We are pleased to report that Chris Hough has been appointed as CFO, effective 1 April 2022. Prior to his appointment as CFO, Chris was the Group's Director of Finance and Company Secretary, having joined Foxtons in May 2019. In this role, Chris has gained a comprehensive understanding of the Foxtons operations and played a key role in the financial management of the business. We set out full details of Chris' remuneration on appointment to CFO on page 88.

Richard will remain with the Group until the end of April 2022 to ensure an orderly handover with Chris. Richard will be entitled to his 2021 annual bonus outcome as set out on page 98 of this report, which will be paid into his personal BBP account. He will be entitled to a cash payment of 70% of the value in that account which relates to 2021 and prior year performance, but the remaining value in the BBP held in notional shares, and all other outstanding incentives will be forfeited on the cessation of employment. Richard will not participate in the bonus for 2022 and will receive no further incentives for the remainder of his employment. No payments for loss of office are being made to Richard. We set out further details of Richard's leaving arrangements on page 100 which are in line with the approved Remuneration Policy.

## Directors' remuneration report (continued)

### Annual Statement from the Remuneration Committee Chairman continued

#### ESG measures

During the year the Committee has reflected on the growing use of ESG measures in executive incentive plans. Employee engagement is already a well-established component of our annual bonus performance measures, and in 2022 the Committee intends to modify this approach to make a broader assessment of how employees have been managed and their overall experience. We do not propose to make any other changes to our performance measures with respect to ESG at this time but will keep this area under review. We will continue to review the importance of a range of ESG measures in particular those that relate to the environment but do not propose to introduce them until we are sure they are material to our strategy and can be robustly measured.

#### 2021 Remuneration

##### Variable pay

Variable pay is a critical part of culture and incentives both at Foxtons, and in the property industry more generally, and forms a core part of the reward for Executive Directors and Senior Management. 2021 was a year of improvement for the Group both in terms of financial results, strategic progress and other measurable KPI's. On a formulaic basis, this would result in the payment of bonuses to Executive Directors, under the BBP, of 64% of maximum. The Committee considered carefully, inter alia, the impact of the stamp duty holiday on the sales market, the voluntary repayment of business rate relief with respect to 2021, a 52% increase in variable pay for the workforce as a whole compared to 2020, and the return of capital to shareholders via share buybacks and the reinstatement of a dividend. However, the Committee noted the disappointing share price performance during 2021, and has therefore decided to use its discretion to reduce the formulaic outcomes of the BBP for 2021 by 20%, resulting in payments to Executive Directors of 51.2% of maximum. This translates to bonuses of 77% of annual base salary for the CEO and 64% for the CFO and COO.

##### Restricted share plan

Awards under the Restricted Share Plan (RSP) were granted on 26 March 2021 at an ordinary share price of 66.47p 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. Given the decline in share price between the 2021 grant and the prevailing share price at the date of this report, the Committee has decided to use its discretion to reduce the size of the 2022 grants by 25%.

#### Conclusion

The performance in 2021 was strong on a range of metrics and the Executive team and Senior Management deserve credit for capitalising on improved market conditions and meaningfully progressing the strategy. The Committee and I have responded to shareholder concerns about Executive compensation by making changes to better align Executive Director and Senior Management's remuneration with shareholders' interests by exchanging cash salary for share-based remuneration, and using our discretion to reduce annual bonuses for 2021 and restricted share grants for 2022 to take into account the decline in the share price during the year. The Committee believes these changes address shareholder concerns while appropriately rewarding the Executive team for the excellent progress made.



**Alan Giles OBE**  
Chairman of the Remuneration Committee

1 March 2022

## 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.

#### April 2021

- Considered Senior Management 2021 variable pay targets; and
- Considered actions in response to the 39.37% vote against the Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration and the 32.59% vote against the re-election of the Remuneration Committee Chairman.

#### June 2021

- Considered Senior Management remuneration for D&G and Alexander Hall.

#### September 2021

- Reviewed the Remuneration Policy;
- Reviewed the update statement for release to the market in response to the votes received against two resolutions at the 2021 Annual General Meeting; and
- Considered remuneration of the incoming Chairman.

#### December 2021

- Reviewed trends and governance developments;
- Reviewed workforce remuneration;
- Reviewed the likely outturn of the 2021 BBP for Executive Directors;
- Reviewed the Remuneration Policy;
- Reviewed Senior Management remuneration; and
- Reviewed the Executive Directors' and the Chairman's remuneration for 2021.

#### February 2022

##### Matters relating to 2021:

- Reviewed and approved the outturn of 2021 bonus payments for Executive Directors and Senior Management;
- Reviewed and approved the 2021 Directors' Remuneration Report; and
- Reviewed the latest Gender Pay Gap Report.

##### Matters relating to 2022, policies and other matters:

- Reviewed Executive Director remuneration, including 2022 packages (including the incoming CFO), BBP 2022 targets and 2022 share awards; and
- Reviewed Senior Management remuneration, including 2022 packages and the introduction of share-based awards.

### 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 101. With effect from February 2022, Sarah Mason, Chief People Officer, will provide internal support for the Committee, and be in attendance at the Committee meetings.

### 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](http://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.

## Directors' remuneration report (continued)

## Directors' remuneration report at a glance

## Remuneration in respect of 2021

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

Fixed components			Richard Harris, CFO			Patrick Franco, COO		
Nic Budden, CEO			Salary: £305,400			Salary: £305,400		
Salary: £579,600			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		
Variable components								
2021 Annual BBP outcome								
	Formulaic bonus outcome (% of maximum)	Discretionary adjustment (% of formulaic outcome)	Final bonus outcome (% of maximum)	Maximum bonus (% of salary)	Salary¹ (£'000)	Bonus outcome (£'000)	Bonus outcome (% of salary)	
CEO				150%	579.6	445.1	77%	
CFO	64.0%	(20.0)%	51.2%	125%	305.4	195.5	64%	
COO				125%	305.4	195.5	64%	

<sup>1</sup> The salary used in the bonus calculation is that approved for the year.

The maximum BBP opportunities for the CEO, CFO and COO in 2021 were 150%, 125% and 125% of salary respectively. More detail on the performance condition outcomes and the adjustments made to the formulaic outcomes are set out on page 97.

Each year the bonus outcome contributes to the participants' plan account with a proportion paid out in cash and a proportion paid out in shares. The table below summarises the movements in participants' plan account from 31 December 2021 onwards:

	CEO	CFO	COO
Value of deferred notional shares in plan account at 31 December 2021 (end of year two of the plan) (£'000)	98.2	43.1	43.1
Bonus contribution made at the start of 2022 in respect of performance over 2021 (£'000)	445.1	195.5	195.5
Cumulative account following contribution and dividends (£'000)	543.8	238.8	238.8
Less: 2022 cash payment out of the plan account <sup>1</sup> (£'000)	(326.3)	(167.1)	(143.3)
Value of deferred notional shares carried forward over 2022 <sup>2</sup> (£'000)	217.5	—	95.5

<sup>1</sup> The percentage of the BBP account that is deferred into share has been reviewed and for the CEO, COO and incoming CFO will be increased from 30% to 50% in line with market best practice. This has been implemented on a phased basis whereby the deferral into shares will be 40% with respect to bonus outcome for 2021 and 50% with respect to bonus outcome for 2022. This change strengthens the alignment of our remuneration structure with long term shareholder value.

<sup>2</sup> The CFO's BBP account balance is forfeited in line with the remuneration leaver policy as detailed on page 100.

Long-term incentives		CEO	CFO	COO
No share option awards were due to vest based on a performance period ending in the year		CEO actual (£'000)	CFO actual (£'000)	COO actual (£'000)
No RSP awards were due to vest during the year		—	—	—
Total single figure of remuneration				
2021		1,707	751	742
2020		1,605	715	702

Note that in line with the remuneration reporting regulations, the RSP awards have been included in the year of grant, which impact both the 2020 and 2021 total single figure. While 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 Director unconditionally entitled to the award.

When considering the appropriateness of incentive outcomes, the Committee considers these in light of business performance, as set out in the Annual Statement from the Remuneration Committee Chairman, as well as the wider stakeholder experience. The table below sets out the stakeholder experience in the year. On this basis, the Committee is satisfied that the above incentive outcomes are appropriate.

Experience during 2021	
Employees	<ul style="list-style-type: none"> <li>- The overall employee base of the Group has remained stable with fewer than 10 exit settlements in the year.</li> <li>- Wider workforce inflationary basic salary increases of 1.6% (excluding Executive Directors) and wider workforce variable pay outcomes of 52% up on 2020 (excluding Executive Directors).</li> <li>- Bonus outcomes of 73% of maximum bonus opportunity for Senior Management.</li> <li>- Maintained and built employee engagement to 87% as evidenced through the independently administered employee engagement survey.</li> </ul>
Investors	<ul style="list-style-type: none"> <li>- Reinstatement of the ordinary dividend: interim dividend of 0.18p per share and final dividend of 0.27p per share proposed.</li> <li>- Undertook a £3 million share buyback programme to return excess capital to shareholders following the strong trading performance during the period. In total, £5.7 million was returned to shareholder via share buybacks in the year, including buyback programmes that were commenced in 2020.</li> <li>- Share price decreased from 55.0p at the end of 2020 to 39.5p at the end of 2021.</li> </ul>
Directors	<ul style="list-style-type: none"> <li>- No increase to base salary or non-executive Director fees for year commencing 1 January 2022.</li> <li>- CEO and COO voluntarily opted to take 20% of salary in shares with significant vesting and holding periods from 1 April 2022, and agreed to reduce the proportion of the BBP account plan paid in cash in relation to the 2021 performance year from 70% to 60%. Thereafter it will be 50%.</li> <li>- Chairman and incoming CFO appointed on reduced packages to their predecessors, with a proportion of their salary/fees paid in shares.</li> <li>- Adjustments made to remuneration arrangements to increase shareholding levels and alignment to shareholders.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Continued to deliver high levels of customer satisfaction as evidenced by the 2021 Trustpilot score of 4.7 out of 5.</li> </ul>
Wider society	<ul style="list-style-type: none"> <li>- The sales market benefited from stamp duty relief for part of 2021, although this changed the timing of sales as well as the overall volume of activity.</li> <li>- No furlough claim during 2021.</li> <li>- The Board took the decision to voluntarily repay £1.5 million of branch rates relief for which the Company was eligible in 2021.</li> <li>- As a result of the above, no direct government support was received in the year.</li> </ul>

## Summary of Directors' remuneration policy

### Executive Director remuneration under the 2020 remuneration policy

This section sets out a summary of the Group's Remuneration Policy 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](http://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 while aligning remuneration with the achievement of the Company's strategic objectives.

## Directors' remuneration report (continued)

## Summary of Directors' remuneration policy continued

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*	150% (CEO), 125% (COO and incoming CFO) of salary maximum	100% (CEO), 75% (COO and incoming CFO) of salary maximum	
Paid 20% in restricted shares from 1 April 2022 for the CEO, COO and incoming CFO	+	CFO, COO, incoming CFO, any future new Executive Directors: In line with workforce at 3%	+	Key financial, operational and stakeholder performance indicators	+
				Three-year vesting subject to underpin	=
				Two-year holding period	<b>Total remuneration</b>
<p><b>Shareholding guidelines:</b> 250% of salary for CEO, and 200% for CFO, COO and incoming CFO, extending in full for two years post-cessation of employment</p>					

\* 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 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, while 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 Remuneration Policy, the Committee takes into account remuneration across the organisation as a whole, where variable pay is a relatively high component throughout.

Following feedback from shareholders concerning the 2021 AGM vote on the Annual Remuneration Report, the Committee conducted a Remuneration Policy review, and are subsequently making changes to the implementation of its Remuneration Policy in 2022. The changes are designed to accelerate the building of substantial Directors' shareholding in the business, without increasing quantum, as follows:

- The CEO and COO have voluntarily exchanged 20% of their cash salary for the equivalent value in salary substitute restricted shares, effective from 1 April 2022, with a three-year vesting period, two-year holding period and no performance conditions. These arrangements will also apply to the incoming CFO, on appointment.

- For all Executive Directors, an increase in the percentage of the BBP account that is deferred into shares from 30%, to 50% in line with market best practice. This will be implemented on a phased basis whereby the deferral into shares is 40% with respect to 2021 (except the outgoing CFO who will remain at 30%) and 50% with respect to 2022.

The salary substitute shares are being introduced to increase alignment of the packages to the shareholder experience. The Committee felt it appropriate to also agree this arrangement with the incoming CFO. The changes to the BBP are in line with market best practice, and are being implemented to increase the long-term focus of the Executive Directors' arrangements, and alignment to the shareholder experience. Further details of these arrangements are set out below.

The above changes are all within our approved Remuneration Policy, and do not require shareholder approval.

Alongside its review of Executive Director remuneration, the Committee also considered the senior management population. With the view of cascading changes and alignment to the shareholder experience, we have offered senior management arrangements that increase the ratio of variable pay versus fixed pay, and enhanced share based incentivisation, which has been accepted by almost all participants.

A summary of the Policy and how it is intended to operate in 2022 is set out in the following table:

Purpose and link to strategy	Operation/details	Implementation in 2022
<b>Base salary</b>		
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 are typically in line with those of the wider workforce. The Committee determined it appropriate not to provide salary increases to the Executive Directors effective 1 January 2022, despite the increases awarded to the wider workforce.	Base salary from 1 January 2022: CEO: £579,600 (paid 80% in cash and 20% in salary substitute restricted shares* effective from 1 April 2022) (0% rise) CFO: £305,400 (until he leaves in April 2022) (0% rise) COO: £305,400 (paid 80% in cash and 20% in salary substitute restricted shares* effective from 1 April 2022) (0% rise) Incoming CFO, from 1 April 2022: £250,000 (80% paid in cash, 20% paid in salary substitute restricted shares*).
The introduction of the salary substitute restricted shares for Executive Directors, effective from 1 April 2022, is intended to increase alignment to the shareholder experience.	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.	Average all employee rise estimated to be 1.6%. * Effective from 1 April 2022, the CEO and COO have voluntarily substituted 20% of cash base salary for the equivalent value in salary substitute restricted shares. The salary substitute restricted shares will be subject to a three-year vesting period, followed by a two-year holding period, and will not be subject to any performance conditions. These arrangements will also apply to the incoming CFO from appointment on 1 April 2022.
Note that the full gross base salary (cash plus salary substitute restricted shares) will be used to calculate all other remuneration elements that are set as a percentage of base salary.		Malus and Clawback provisions apply to the salary substitute restricted shares for two years post vesting.  In the event of a leaver, that year's salary substitute shares would be pro-rated to the extent that the first 12 months of the vesting period is worked.
<b>Benefits</b>		
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.
<b>Pension</b>		
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 Incoming CFO: 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.
<b>Bonus Banking Plan</b>		
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.	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.	Maximum opportunity for 2022: CEO: 150% of base salary CFO: n/a – the outgoing CFO will not be eligible for a 2022 BBP COO: 125% of base salary Incoming CFO: 125% of base salary (pro-rated for the proportion of the year in role).
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.	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 86 for more details.	Performance measures for 2022: - 70% adjusted operating profit; - 10% sales market share growth; - 10% lettings market share growth; and - 10% assessment of the employee experience.  Following the contribution of amounts earned in respect of 2022, 50% of the cumulative balance of each Executive's plan account will be paid in cash, and any remaining balance will be converted into shares or share-linked units. The cash proportion is reduced from 60% for the CEO and COO in respect of payouts following 2021 performance assessment, and 70% in 2020.

## Directors' remuneration report (continued)

## Summary of Directors' remuneration policy continued

Purpose and link to strategy	Operation/details	Implementation in 2022
<b>Restricted Share Plan</b>		
To encourage and facilitate substantial long-term share ownership and reward the delivery of sustainable value over time in a cyclical business.	<p>Maximum award of 100% of salary.</p> <p>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.</p> <p>The Committee may award dividend equivalents on shares held under the Plan to participants to the extent that they vest.</p> <p>Malus and clawback provisions apply, see below for more details.</p>	<p>The grant for 2022 has been reduced by 25% to recognise the fall in share price since the 2021 grant:</p> <p>CEO: 75% of base salary (usual maximum 100%)</p> <p>CFO: n/a, the outgoing CFO will not be granted a 2022 RSP</p> <p>COO: 56.25% of base salary (usual maximum 75%)</p> <p>Incoming CFO: 56.25% of base salary (usual maximum 75%)</p> <p>No performance measures are associated with the grant of awards; although the Committee will consider Company and individual performance before determining any grant.</p> <p>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.</p>
<b>Shareholding guidelines</b>		
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.	<p>The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors.</p> <p>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.</p>	

## Malus and clawback policies

Malus is the adjustment of salary substitute restricted shares, 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 salary substitute restricted shares, 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.

	Salary substitute restricted shares	Bonus Banking Plan	Restricted Share Plan
<b>Malus</b>	To the end of the three-year vesting period	Up to the date of a payment under the plan	To the end of the three-year vesting period
<b>Clawback</b>	Two years post vesting	Two years post the date of any payment under the plan	Two years post vesting

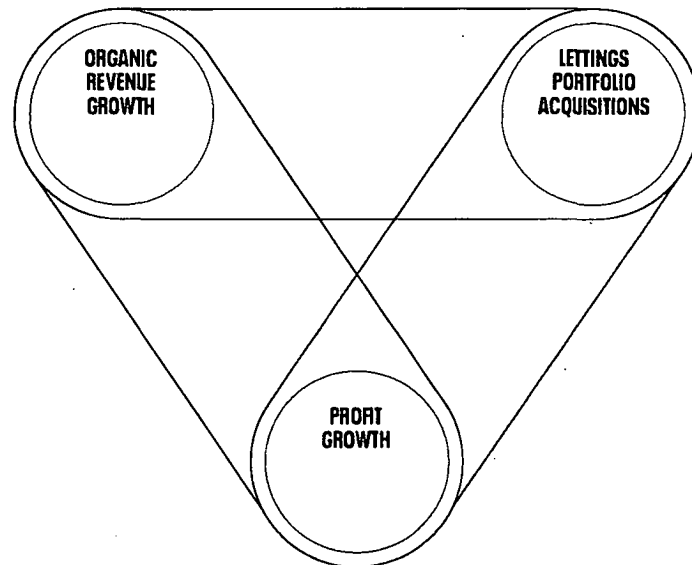
The Committee believes that the rules of the plans provide sufficient powers to enforce malus and clawback where required.



## How our BBP performance measures in 2022 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 core objectives (set out on pages 14 to 17 of the Strategic Report)



Measuring performance		
<b>Financial performance</b> Sales, lettings and mortgage broking volumes and revenues Adjusted operating profit Net free cash flow	<b>Operational performance</b> Balance of business Average revenue per branch and employee Market share growth	<b>Employees and customers</b> Employee engagement Customer satisfaction
Bonus Banking Plan		
Balances rewarding operational excellence, customer relationships and employee calibre, building deep market awareness and the foundations for future growth.  The following 2022 performance conditions support the implementation of our strategy:		
Adjusted operating profit	Market share growth (sales and lettings)	Employee experience
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 Group's shareholders.		

## Directors' remuneration report (continued)

## Summary of Directors' remuneration policy continued

## Illustrations of total remuneration opportunity

The charts below provide estimates of the potential future reward opportunities under the Policy for the CEO, incoming CFO (annualised basis) and COO 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 three years'. The Minimum scenario includes base salary, pension and benefits only (i.e. fixed remuneration). The charts reflect the Committee's discretion to reduce the size of the Restricted Share Plan 2022 grants by 25% as noted in the Annual Statement from the Remuneration Committee Chairman.

Element	Assumptions
<b>Total fixed pay</b>	<p>Base salary: Effective 1 January 2022</p> <p>CEO £579,600 (20% paid in salary substitute restricted shares, effective from 1 April 2022)</p> <p>CFO £305,400</p> <p>COO £305,400 (20% paid in salary substitute restricted shares, effective from 1 April 2022)</p> <p>Incoming CFO £250,000 (effective 1 April 2022) (20% paid in salary substitute restricted shares). Pro-rated for the proportion of the year in role, from 1 April 2022.</p> <p>Pension: 10% of salary for the CEO, 3% of salary for the CFO, COO and incoming CFO</p> <p>Benefits: As disclosed in single figure table on page 96</p>
<b>Bonus Banking Plan</b>	<p>Minimum: No payout</p> <p>On-target: 50% of maximum (75% of salary for the CEO, 62.5% of salary for the COO and incoming CFO)</p> <p>Maximum: 100% of maximum (150% of salary for the CEO; 125% of salary for COO and incoming CFO)</p> <p>Note that the outgoing CFO will not receive a BBP in 2022. The incoming CFO will receive a pro rata opportunity to reflect his appointment as CFO on 1 April 2022.</p>
<b>Restricted Share Plan</b>	<p>Minimum: No vesting due to operation of the underpin</p> <p>On-target: 100% of maximum (75% of salary for the CEO, 56.25% of salary for the COO and incoming CFO)</p> <p>Maximum: 100% of maximum (75% of salary for the CEO, 56.25% of salary for the COO and incoming CFO)</p> <p>The awards above, reflect the Committee's discretion to reduce the size of the 2022 grants by 25% as noted in the Annual Statement from the Remuneration Committee Chairman. The outgoing CFO will not be granted a 2022 RSP under the leaver provisions.</p>
<b>Share price growth</b>	Impact of 50% share price appreciation on maximum remuneration over three years (on restricted shares and salary substitute restricted shares).

### External relativities

The following charts show for the CEO, incoming CFO (annualised basis) and COO the position of their base salary and on-target total remuneration compared to the FTSE Small Cap.

The charts demonstrate that the remuneration packages of the COO and incoming CFO are set at an appropriate level, being positioned below median for salary and total remuneration. The CEO package is high in relation to the FTSE Small Cap, reflecting the Group's previous status as a FTSE 250 company. The chart reflects the full RSP award to aid comparison to the external relatives, and does not reflect the 25% reduction in the 2022 RSP grant as noted in the Annual Statement from the Remuneration Committee Chairman.

### Alignment to Provision 40

The table below sets out 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.

Factor	How the Committee addressed these factors
<b>Clarity</b> Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	<ul style="list-style-type: none"> <li>- The BBP performance conditions are based on the core KPIs (which includes the employee experience) of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management.</li> <li>- The RSP and new salary substitute shares provide annual grants of shares which must be retained for the longer-term to ensure a focus on sustainable performance in an inherently cyclical market. This provides complete clarity of the alignment of the interests of management and shareholders.</li> </ul>
<b>Simplicity</b> Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	<ul style="list-style-type: none"> <li>- The performance conditions for the BBP are based on the Group's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.</li> </ul>

## Directors' remuneration report (continued)

## Summary of Directors' remuneration policy continued

Factor	How the Committee addressed these factors
<b>Risk</b> Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	<p>The Policy includes:</p> <ul style="list-style-type: none"> <li>- requiring the deferral of a substantial proportion of the incentives in shares for a material period;</li> <li>- aligning the performance conditions with the strategy of the Group;</li> <li>- ensuring a focus on long-term sustainable performance through the RSP and salary substitute restricted shares;</li> <li>- forfeiture thresholds; and</li> <li>- ensuring there is enough flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes.</li> </ul> <p>These elements mitigate against the risk of target-based incentives by:</p> <ul style="list-style-type: none"> <li>- deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours;</li> <li>- aligning any reward to the agreed strategy of the Group;</li> <li>- the use of an RSP supports a focus on the sustainability of the performance over the longer term;</li> <li>- reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate; and</li> <li>- reducing the awards or cancelling them if it appears that the criteria on which the award was based do not reflect the underlying performance of the Group.</li> </ul>
<b>Predictability</b> The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	<ul style="list-style-type: none"> <li>- Our Policy sets out clearly the range of values and discretions in respect of the remuneration of management.</li> <li>- The RSP increases the predictability of the rewards received by Executive Directors, and the BBP, being based on annual targets, operates over a time cycle where performance is more predictable compared with traditional long term incentive plan (LTIP) schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes for all stakeholders.</li> </ul>
<b>Proportionality</b> The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	<ul style="list-style-type: none"> <li>- The BBP provides a clear link between the reward provided to management and the delivery of the strategy through incentivising management to deliver the KPIs.</li> <li>- The RSP and salary substitute shares provides a focus on the long-term sustainable performance of Foxtons through the build-up of a long-term locked in shareholding.</li> <li>- Both the BBP and the RSP include performance underpins that allow the Remuneration Committee to exercise its discretion to override formulaic outcomes.</li> </ul>
<b>Alignment to culture</b> Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	<ul style="list-style-type: none"> <li>- The BBP drives behaviours consistent with Foxtons' strategy.</li> <li>- The RSP drives behaviours consistent with the Group's purpose and values which are focused on the long-term future of the business throughout the business cycle.</li> </ul>

## 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 Group, 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 Group (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 2022
To enable the Group to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	<p>The Chairman is paid an annual all-inclusive fee for all Board responsibilities.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Group's articles of association.</p> <p>Expenses incurred in the performance of non-executive duties for the Group may be reimbursed or paid for directly by the Group, including any tax due thereon.</p>	<p>Chairman and Non-Executive Director fees are as follows:</p> <p>Chairman fee: £150,000 (paid £100,000 in cash and £50,000 in shares at the prevailing market price) (2021: £150,000 with £50,000 paid in shares).</p> <p>Note that the Chairman's predecessor's fee in 2021 was £184,000, paid fully in cash.</p> <p>Non-Executive Director base fee: £63,000 (2021: £63,000)</p> <p>Chair of Audit, Remuneration or ESG Committee fee: £10,000 (2021: £10,000). Note that the ESG Committee was established in 2021, and the corresponding Chair fee has been introduced from 1 January 2022.</p>

#### Further information on the policy

The full Remuneration 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

## 2021 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 Group 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 Group. A summary of the information reviewed by the Committee and findings are set out below.

# Directors' remuneration report (continued)

## 2021 Annual report on remuneration continued

### 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 <sup>1</sup>	Variable pay <sup>2</sup>					
			Commission schemes	-	Annual bonus	Share plans <sup>3</sup>	Pension <sup>4</sup>	Benefits <sup>5</sup>
Executive Directors	< 1%	1.8%	No		All	Yes	Yes	Yes
Senior Management	6%	1.6%	Revenue earners only		Majority	Some <sup>3</sup>	Yes	Yes
Senior Sales Staff	16%	1.1%	Yes	Sales Directors only		No	Yes	Yes
Sales and Sales Support Staff	62%	3.5%	Revenue earners only		No	No	Yes	Yes
Administrative Staff	16%	4.5%	No	Role dependent		No	Yes	Yes
Total	100%	1.6%						

#### <sup>1</sup> 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 are for 2021 versus 2020, and have been calculated by comparing basic salaries at the start of the year to those at the end of the year (for those in employment for the full year), and therefore does not capture any voluntary pay reductions taken by the workforce in April and May 2020.

#### <sup>2</sup> 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 Group's strategic goals.
- Approximately 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 to 17 of the Strategic Report).
- A new sales staff variable pay scheme is effective for 2022 which increases the proportion of pay that is variable to incentivise and reward the highest levels of sales intensity and to improve alignment with shareholders.

#### <sup>3</sup> Share plans

- Following the review by the Committee, we are introducing new Senior Management share plans effective in 2022. In order to increase alignment to the shareholder experience and cascade the principles of the Executive Director arrangements, we have introduced a share plan for certain members of Senior Management. The new scheme allows the eligible individuals to opt into an arrangement whereby their fixed remuneration is reduced by 10% or 15% in return for maximum annual restricted share awards of 30% or 50% respectively of their new base salary subject to performance in the prior year based on profit and market share measures. These awards will be subject to a two-year vesting period and leaver provisions. No holding period applies.

#### <sup>4</sup> Pension

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

#### <sup>5</sup> 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 Group 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 Group's remuneration principles (see page 84);
- 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 and outcomes from the Committee's 2021 review are as follows:

- Average salary increases for employees across the Group are being applied on an equitable and objective basis.
- Effective as of 1 April 2022, Senior Management share arrangements are being introduced to cascade the principles applied to Executive Directors and increase alignment to the shareholder experience for this population.

- The majority of our employees have the ability to share in the success of the Group 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 Group is consistent with the Group's principles of remuneration. Further, that in the Committee's opinion the approach to executive remuneration aligns with the wider Group 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 Group in order to carry out its responsibilities. Pages 19 and 20 explain the key approaches used by the Board to engage with employees during 2021.

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 on 26 April 2021. The Chairman provided employees with an overview of the Group's approach to Executive Remuneration, how executive remuneration aligns with wider company pay policy and 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 Group's approach to pay, including widespread support for the Committee's decision to use discretion to reduce the formulaic outcome of the BBP for 2020 by 50%.

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. Refer to page 46 for further details of the employee engagement survey process and outcomes.

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 Group'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 Group 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 Group 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 Group 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 44 to 46.

### 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 44 to 46, we hire from diverse backgrounds, and our recruitment policies, salary and bonus structures are designed to be gender neutral. Our gender balance across the Group is split 54% men and 46% 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/our-responsibility/gender-pay-gap](http://www.foxtonsgroup.co.uk/our-responsibility/gender-pay-gap).

### 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 2021 and 2020, 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			CEO total pay (£000)
		25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio	
2021	Option A	66:1	45:1	27:1	1,707
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 identified as at 31 December 2021. 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 2021, the employee total pay and benefits at the 25th, 50th and 75th percentile was £25,970, £37,930 and £63,275 respectively, and the basic salary for the same employees, excluding variable pay, was £24,600, £34,145 and £51,290 respectively.

## Directors' remuneration report (continued)

## 2021 Annual report on remuneration continued

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.

In 2021, the 25<sup>th</sup> percentile ratio has increased, the 50<sup>th</sup> percentile pay ratio has increased marginally and the 75<sup>th</sup> percentile pay ratio has decreased marginally, compared to 2020. The increase in the 25<sup>th</sup> percentile ratio is attributable to the year-on-year increase in the CEO's total remuneration. The CEO's total remuneration has increased year-on-year due to the CEO taking a voluntary 20% reduction in basic salary in April 2020 and May 2020 and a year-on-year increase in the CEO's annual bonus reflecting the Committee's use of downward discretion of 20% in 2021 versus 50% in 2020 as shown in the single figure table on page 96.

The increase in the pay ratios in 2020/2021 compared to 2019 is due to 2020 being the first year of the implementation of the current Remuneration Policy. In line with the remuneration reporting regulations for the CEO single figure, the RSP award has been included in the year of grant for 2020 and 2021 (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 onwards, which it did not in 2019 and earlier.

Over time, we expect that there may be significant volatility in the CEO pay 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 Small Cap and FTSE All Share indices, based on £100 invested at listing.

## Pay performance: TSR chart (£'000)

	2013	2014	2015	2016	2017	2018	2019	2020	2021
Incumbent <sup>1</sup>	M. Brown	M. Brown / N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden
CEO single figure of remuneration – excluding RSP awards (2020 and 2021 only) (£'000) <sup>2</sup>	624	257 / 327	856	982	914	910	1,257	1,036	1,127
RSP awards (2020 and 2021 only) (£'000) <sup>3</sup>	–	–	–	–	–	–	–	569	580
CEO single figure of remuneration (£'000)	624	257 / 327	856	982	914	910	1,257	1,605	1,707
Annual bonus / BBP earning (% of maximum)	n/a	n/a / 20%	51.5%	36.5%	26.4%	30%	70%	45.6%	51.2%
Long-term incentives <sup>4</sup> (% of maximum)	n/a	n/a / n/a <sup>2</sup>	n/a <sup>2</sup>	0% <sup>2</sup>	0% <sup>2</sup>	0% <sup>2</sup>	0% <sup>2</sup>	100% <sup>3</sup>	100% <sup>3</sup>



- <sup>1</sup> Michael Brown stepped down as CEO on 30 June 2014 and was replaced by Nic Budden on 1 July 2014.
- <sup>2</sup> The CEO single figure of remuneration is shown excluding the restricted stock awards that have been granted from 2020 onwards. This is because, while the regulations require the restricted stock to be disclosed at the time of grant, the value is not released to the CEO until the end of the three year vesting period following the assessment of an underpin, and the shares are then subject to a further two year holding period. Therefore, for transparency we also show the CEO's single figure excluding the restricted stock award as it better reflects the value that he has earned and received in respect of that year.
- <sup>3</sup> From 2020 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.
- <sup>4</sup> 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.

The CEO's remuneration has increased overall over the period while the Group's TSR has decreased. The reduction in Group's TSR in the early part of the period since listing was significantly influenced by the prolonged sector downturn, accentuated by our own underperformance. As described elsewhere in the annual report, profit growth and strategic progress has been made in 2021, but this has not yet been reflected in TSR and there is much more to do. Furthermore, as explained earlier in the report, the 2020 and 2021 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 Remuneration 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, base 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 Group. The comparator group is based on all employees of the Group.

	Salary/fees			Taxable benefits			Short-term variable pay <sup>1</sup>		
	2019	2020	2021 <sup>4</sup>	2019	2020	2021	2019	2020	2021
Nic Budden	1%	(1%)	5%	17%	12%	15%	135%	(33%)	14%
Richard Harris <sup>2</sup>	n/a	(3%)	5%	n/a	88%	(40%)	n/a	(39%)	14%
Patrick Franco <sup>2</sup>	n/a	(3%)	5%	n/a	(34%)	(51%)	n/a	68%	14%
Nigel Rich <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sheena Mackay	0%	(3%)	3%	n/a	n/a	n/a	n/a	n/a	n/a
Alan Giles <sup>2</sup>	n/a	12%	3%	n/a	n/a	n/a	n/a	n/a	n/a
Rosie Shapland <sup>2</sup>	n/a	n/a	6%	n/a	n/a	n/a	n/a	n/a	n/a
Peter Rollings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ian Barlow <sup>2</sup>	0%	150%	16%	n/a	n/a	n/a	n/a	n/a	n/a
All other employees <sup>3</sup>	7%	2%	2%	14%	1%	5%	23%	(1%)	52%

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

<sup>2</sup> 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. Ian Barlow's salary increase from 2020 to 2021 is reflective of his appointment as Chairman of the Board on 1 March 2020.

<sup>3</sup> Reflects the average of all employees of the Group due to the listed Parent Company only having two employees who are not Directors.

<sup>4</sup> For Board members, the 2021 increase in salary has been calculated on a salary/fees paid basis (in line with the single figure methodology), which therefore incorporates the impact of the 20% voluntary reduction in basic pay taken in April and May 2020. For 'All other employees', the percentage change has been calculated by comparing basic salaries at the start of the year to those at the end of the year (for those in employment for the full year), and therefore does not capture any voluntary pay reductions taken by the workforce in April and May 2020. As disclosed in the 2020 report, the 2021 basic salaries of the CEO, CFO and COO increased by 1.8% (compared to 2020) which was in line with the average all other employee increase.

The net reduction in 2020 salaries for the CEO, CFO and COO was as a result of the 20% voluntary reduction that the Executive Directors took in April 2020 and May 2020. This reduction is therefore reflected again in the 2021 increases, where full salaries recommenced.

The 2020 increase in the bonus for the COO was as a result of the change in his bonus entitlement effective 1 January 2020. The COO'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 2020 net increases for Ian Barlow and Alan Giles were 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.

## Directors' remuneration report (continued)

## 2021 Annual report on remuneration continued

## How we implemented the policy in 2021

This section provides details of how our Remuneration Policy was implemented during the financial year ended 31 December 2021.

## 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 2021 and the prior year.

		Salary / fees paid <sup>a</sup>	Taxable benefits <sup>1</sup>	BBP/Annual bonus <sup>2</sup>	Long-term incentives <sup>3</sup>	Pension <sup>4</sup>	Total <sup>5</sup>	Total fixed remuneration	Total variable remuneration
<b>Executive Directors</b>									
Nic Budden	2021	580	44	445	580	59	1,707	682	1,025
	2020	550	38	389	569	58	1,605	647	959
Richard Harris	2021	305	12	195	229	9	751	327	425
	2020	290	20	171	225	9	715	319	396
Patrick Franco	2021	305	3	195	229	9	742	318	425
	2020	290	7	171	225	9	702	306	396
<b>Non-Executive Directors</b>									
Nigel Rich <sup>5</sup>	2021	38	–	–	–	–	38	38	–
	2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Sheena Mackay	2021	63	–	–	–	–	63	63	–
	2020	61	–	–	–	–	61	61	–
Alan Giles	2021	73	–	–	–	–	73	73	–
	2020	71	–	–	–	–	71	71	–
Rosie Shapland <sup>6</sup>	2021	73	–	–	–	–	73	73	–
	2020	63	–	–	–	–	63	63	–
Peter Rollings <sup>7</sup>	2021	5	–	–	–	–	5	5	–
	2020	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ian Barlow <sup>5</sup>	2021	139	–	–	–	–	139	139	–
	2020	158	–	–	–	–	158	158	–

<sup>1</sup> Benefits received in 2021 include a car or car allowance, medical and life assurance.

<sup>2</sup> This is the BBP/annual bonus earned in respect of performance during the relevant year. In 2021, amounts earned under the BBP are paid into the participant's plan account, with 60% paid as cash and the remaining 40% held in shares or share-linked units in the participants plan account (except Richard Harris where 70% was paid as cash and 30% in shares, which will be forfeited when he leaves). Further details of the performance criteria, achievement and resulting awards for the 2021 BBP are set out on page 97.

<sup>3</sup> The amount included in the long-term incentives column represents the RSP awards granted in May 2020 and March 2021. The award is included at face value at grant (refer to page 98). No legacy long-term incentive awards were due to vest based on a performance period ending during 2020 or 2021.

<sup>4</sup> During 2020 and 2021, the Executive Directors received a pension contribution or cash allowances in lieu of a pension contribution. For 2021, this was 10% of salary for Nic Budden, and 3% of salary for Richard Harris and Patrick Franco.

<sup>5</sup> Ian Barlow retired as Chairman and stepped down from the Board on 1 October 2021. Nigel Rich assumed the role of Chairman from 1 October 2021 and since appointment was paid £37,500 in fees, of which, £12,500 was paid in shares at the prevailing market price.

<sup>6</sup> Rosie Shapland joined the Board as a Non-Executive Director with effect from 5 February 2020.

<sup>7</sup> Peter Rollings joined the Board as a Non-Executive Director with effect from 1 December 2021.

<sup>8</sup> All Directors took a voluntary salary reduction of 20% in April 2020 and May 2020 and is reflected in the 2020 salary/fees paid.

<sup>9</sup> 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. No performance measures are associated with the grant of awards; although the Committee will consider Group 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 Group considerations that the vesting should be adjusted.

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

#### Annual BBP outcome in respect of 2021 (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.

The table below sets out the 2021 annual bonus targets, performance against these targets and the resulting annual formulaic bonus outcome. The explanation for the application of the discretionary adjustment is in the Annual Statement from the Remuneration Committee Chairman on page 79:

2021 annual bonus outcome							
	Weighting	Threshold (25% payable)	Target (50% payable)	Maximum (100% payable)	Actual	Outcome (% of element)	Outcome (% of maximum)
Adjusted operating profit	60%	5.5	6.5	8.5	7.1	65%	39%
Lettings market share growth	10%	4%	6%	12%	Commercially sensitive	Below threshold	0%
Sales market share growth	10%	4%	6%	12%	Commercially sensitive	Above maximum achieved	10%
Maintain strong customer service levels (Trustpilot score out of 5)	10%	4.6	4.7	4.8	4.7	50%	5%
Maintain strong employee engagement (employee engagement score)	10%	80%	82.5%	85%	87%	100%	10%
Formulaic bonus outcome (% of maximum)							64.0%
						Discretionary adjustment (% of formulaic outcome)	(20.0)%
						Adjusted bonus outcome (% of maximum)	51.2%

## Directors' remuneration report (continued)

## 2021 Annual report on remuneration continued

## Scheme interests granted during 2021 (audited)

## RSP share awards

Executive Directors were granted the following awards on 16 March 2021 over the Group's ordinary shares under The Foxtons Group plc 2020 RSP.

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 66.47p 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 16 March 2024, 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	872,017	£579,600	£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 Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.
Richard Harris	344,609	£229,050	£Nil	
Patrick Franco	344,609	£229,050	£Nil	

## BBP share awards

The following table sets out the BBP Accounts for the Executive Directors as at the end of 2021 which shows the paying in of the first bonus from 2020, the first payment from the bank in 2021, and subsequent deferral of notional shares over the remainder of 2021 and into the start of 2022. The notional shares are 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 Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.

Each year, subject to the achievement of annual BBP performance conditions, a contribution will be made into the participants' plan accounts. Following the contribution for amounts earned in respect of 2020 performance, 70% of the cumulative balance of each Executive's plan was paid in cash. Following the contribution for amounts earned in respect of 2021 performance, 60% of the cumulative balance of each Executive's plan account will be paid in cash (apart from the outgoing CFO, where the proportion remains at 70%), with this reducing further to 50% following the contribution for amounts in respect of 2022 performance.

These notional shares are a mechanism that allows the deferred element of the award to be linked to the share price. The Committee confirms that there is no intention to issue actual shares until the end of the fourth year of the cycle, when the full bank value will normally be settled in the form of shares transferred or allotted to the participant.

## BBP year one – notional shares invested into participants' bonus bank during 2021 (in respect of 2020 performance outcome)

	CEO	CFO	COO
Number of deferred notional shares in account at the end of year 1 (31 December 2020)	–	–	–
Value of deferred notional shares in account at the end of year 1 (31 December 2020) <sup>1</sup>	£–	£–	£–
Bonus contribution in 2021 in respect of performance over 2020 (contribution into the account)	£389,327	£170,938	£170,938
Cumulative account following contribution	£389,327	£170,938	£170,938
Less: 2021 payment out of the account	(£272,529)	(£119,656)	(£119,656)
Value of deferred notional shares carried forward over 2021 <sup>1</sup>	£116,798	£51,281	£51,281
Number of deferred notional shares carried forward at the end of year two (31 December 2021)	242,672	106,547	106,547

<sup>1</sup> The price used to calculate the number of shares was the mid-market value of a share for the 30-day period to 31 December 2020, which was 48.13p per share. As noted on page 100, the CFO's BBP account balance has subsequently been forfeited, in line with the applied leaver policy.

**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 2021. There have been no changes in Directors' interests in the period between 31 December 2021 and 1 March 2022.

	Outstanding scheme interests					Total scheme interests	Shareholding guideline (% of salary)	Current shareholding (% of salary) <sup>4</sup>	Guideline met
	Shares owned outright	Unvested shares not subject to performance <sup>1</sup>	Unvested shares subject to performance	Unvested share options subject to performance <sup>2</sup>	Notional shares held <sup>3</sup>				
Nic Budden	454,660	2,276,902	–	6,500,000	242,672	9,019,574	250%	31%	No
Richard Harris <sup>5</sup>	276,106	899,753	–	300,000	106,547	1,306,300	200%	36%	No
Patrick Franco	20,000	899,753	–	1,000,000	106,547	2,006,300	200%	3%	No
Nigel Rich	529,860	–	–	–	–	–	–	–	–
Sheena Mackay	90,000	–	–	–	–	–	–	–	–
Alan Giles	150,000	–	–	–	–	–	–	–	–
Rosie Shapland	20,000	–	–	–	–	–	–	–	–
Peter Rollings	22,956	–	–	–	–	–	–	–	–
Ian Barlow <sup>6</sup>	380,487	–	–	–	–	–	–	–	–

<sup>1</sup> Unvested shares not subject to performance are shares granted under the RSP.

<sup>2</sup> Market value options include awards under the 2017 Share Option Plan.

<sup>3</sup> Notional shares held are the number of deferred notional shares carried forward at the end of year two of the BBP scheme (31 December 2021).

<sup>4</sup> Based on the share price on 31 December 2021 of 39.5p. Only shares owned outright have been included.

<sup>5</sup> Outstanding scheme interests held as at 31 December 2021, to be forfeited upon cessation of employment.

<sup>6</sup> Shares owned outright as at the date of resignation from the Board.

**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.

**Relative importance of spend on pay**

The chart below shows the Group's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2020 and 31 December 2021.

**Relative importance of spend on pay (£m)**

<sup>1</sup> Distribution to shareholders: £1.4 million through dividends paid/proposed and £5.7 million through share buybacks.

**Directors' remuneration report (continued)****2021 Annual report on remuneration continued****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 2021 financial year (audited)	82
How we will apply the Policy in 2022	84
No payments for loss of office (audited)	100
No payments to former Directors during the 2021 financial year (audited)	n/a

**Outgoing CFO remuneration arrangements**

As set out in the Annual Statement from the Remuneration Committee Chairman, Richard Harris, the current CFO will be stepping down from his role, and departing the Company, effective 1 April 2022. Richard is entitled to the bonus payment with respect to performance in 2021 into his BBP account as set out on page 97. He is entitled to a cash payment of 70% of the value in that account, but the remaining balance in the BBP held in notional shares will be forfeited. He will be treated as a bad leaver for the purposes of his other outstanding incentive arrangements. The table below sets out the Richard's leaver remuneration arrangements, in line with the provisions of our Remuneration Policy. Richard received no payments for loss of office and the treatment of his pay on termination is in line with the approved Remuneration Policy.

Element of remuneration	Treatment
Base salary	Paid monthly until the date of departure
2019 SOP award <sup>1</sup>	Forfeited, in line with the Remuneration Policy
2021 BBP	Any bonus that is due will be paid into the individual's BBP account. 70% of this plan account was paid in cash in the February payroll. The balance in the BBP account is forfeited, in line with the Remuneration Policy
2022 BBP	Not eligible to receive an annual bonus with respect to 2022
In-flight RSP awards	All in-flight RSP awards, all of which have not vested, will be forfeited, in line with the Remuneration Policy
2022 RSP	Not eligible to receive a 2022 RSP grant

<sup>1</sup> The Share Option Plan (SOP) was introduced in 2017 for Executive Directors and Senior Management.

**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. The service contracts of the Executive Directors are not of a fixed duration and therefore have no unexpired terms.

Executive Director	Position	Effective date of contract	Notice period	
			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
Nigel Rich	1 October 2021	–	3 months
Sheena Mackay	14 September 2017	22 April 2021	3 months
Alan Giles	1 June 2019	22 April 2021	3 months
Rosie Shapland	5 February 2020	22 April 2021	3 months
Peter Rollings	1 December 2021	–	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 £35,150 (2020: £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 Group's AGMs

The table below sets out the results of the most recent shareholder votes on the Directors' Remuneration Policy (2020 AGM) and the advisory vote on the 2021 Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration at the 2021 AGM on 22 April 2021.

Resolution	Percentage of votes cast		Number of votes cast		
	For and Discretion	Against	For and Discretion	Against	Withheld <sup>1</sup>
Approve the Directors' Remuneration Policy	78.41%	21.59%	217,451,038	59,873,876	8,986
Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration	60.63%	39.37%	141,561,432	91,918,950	10,918,621

<sup>1</sup> 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 2021 AGM, the Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration and the reappointment of Alan Giles, the Chairman of the Remuneration Committee, were approved by 60.63% and 67.41% of shareholders, respectively. As announced in our RNS statement on 29 September 2021, the Committee consulted with its larger shareholders to understand their views. The performance of the business in 2020 met the conditions set out in the remuneration framework for the payment of bonuses but, considering the circumstances, the Committee exercised its discretion by reducing this award by 50%. Despite the discretion, it was clear that a significant proportion of shareholders did not agree with the decision to pay bonuses to Executive Directors under the BBP, because the Group had benefited from Government support which was not repaid.

As set out in more detail in the Annual Statement from the Remuneration Committee Chairman, we reviewed the Policy during the year, and believe that it continues to be in the best interests of the Group and its shareholders in the longer term. However, we have made significant changes to the structure of remuneration for Executive Directors and Senior Management within the existing Policy to improve alignment with shareholders as described earlier in this report.

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



**Alan Giles OBE**  
Chairman of the Remuneration Committee

1 March 2022

# DIRECTORS' REPORT

## Corporate governance

A report on corporate governance and the Group's compliance with the UK Corporate Governance Code is set out on pages 55 to 62 and forms part of this report by reference.

## The Board of Directors

The members of the Board of Directors and their biographical details are shown on pages 52 and 53 are incorporated into this report by reference. Nigel Rich was appointed as a Director and Chairman of the Board on 1 October 2021. Ian Barlow retired from the Board on 1 October 2021.

## Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Group'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 Group 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 Group 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 Group 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.

## Directors' indemnity and compensation for loss of office

The Group 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 Group and its subsidiaries. In addition, Directors and Officers of the Group and its subsidiaries are covered by Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against the Directors.

The Group 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 Group'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 102.

## Engagement with stakeholders

The long-term success of the Group is dependent on its relationships with its stakeholders. In accordance with Section 172 of the Companies Act 2006, the Group's statement on engagement with its suppliers, customers, the community and others can be found on pages 18 to 21.

## Employee engagement and equal opportunities policy

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 Group'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 Group 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 Foxtons' approach to diversity, inclusion and career progression are contained in the Strategic Report on pages 44 and 45. Refer to page 19 for details of how the Board engages with employees.

## Share capital

At 31 December 2021, there were 330,097,758 ordinary shares of £0.01 each in issue. 11,125,696 ordinary shares were held in Treasury. Each ordinary share carries one vote; therefore, the total voting rights in issue at 31 December 2021 were 318,972,062. As at the date of this report, the Group held 11,125,696 shares in Treasury and the total voting rights in issue were 318,972,062.

Details of the Group's issued share capital and shares issued during the year can be found in Note 20 of the financial statements.

The Group was granted a general authority by its shareholders at the 2021 AGM to allot shares up to 33.33% of the Group's issued share capital at 18 March 2021. The Group also received authority to allot shares for cash on a non-pre-emptive basis up to 5% of the Group's issued share capital at 18 March 2021. These authorities will expire at the conclusion of the 2022 AGM. Resolutions will be proposed at the 2022 AGM to renew these authorities. In addition, 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 Group's issued share capital.

Foxtons was granted authority by its shareholders at the 2021 AGM to purchase up to 32,651,401 of its ordinary shares, being 10% of the issued share capital at 18 March 2021. This authority will expire at the conclusion of the 2022 AGM. During the year, the Group announced the continuation of its share buyback programme and purchased 10,461,898 of its ordinary shares, having an aggregate nominal value of £104,618.98, for a total consideration of £5,682,275.33. The number of shares purchased represented 3.1693% of the Group's issued share capital at 31 December 2021.



These shares were purchased through Numis Securities Limited at an average price of 3.1693p. All the shares purchased under the share buyback programme are held in treasury.

In order to retain flexibility, Foxtons will propose a resolution at the 2022 AGM to renew the Group'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 15 June 2022.

## Major shareholdings

The table below shows notifications received by the Group 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 Group. However, notification of any change is not required until the next applicable threshold is crossed.

Institution	Voting rights at 31 December 2021	% of voting rights at 31 December 2021
Platinum Investment Management Limited	35,503,459	11.13%
Hosking Partners LLP	35,202,142	11.04%
Aberforth Partners	18,715,635	5.87%
SFM UK Management LLC	16,706,000	5.24%
3G Capital Management LLC	16,515,000	5.18%
Invesco Limited	15,281,396	4.79%
Michael Brown	11,373,256	3.57%

There have been no further changes to the above since 31 December 2021.

## Rights and obligations attaching to shares

Foxtons 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 Group's Annual Report and Accounts, attend and speak at general meetings of the Group 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 Group.

None of the ordinary shares carry any special rights with regard to control of the Group 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 Group 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 Group 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 22 of the financial statements.

## Dividends

In line with the Group's policy, the Directors are recommending the payment of a final dividend on its ordinary shares for the year ended 31 December 2021 of 0.27p per ordinary share (2020: nil). Subject to the approval of shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 24 June 2022 to shareholders on the register at the close of business on 13 May 2022. The ex-dividend date will be 12 May 2022.

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

## 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 Group is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Group.

## Streamlined energy and carbon reporting and Task Force on Climate-Related Financial Disclosures

Information on the Group's streamlined energy and carbon reporting and Task Force on Climate-Related Financial Disclosures reporting is set out in the Strategic Report on pages 42 and 36 and 37 respectively.

**Directors' report (continued)****Risk management and internal controls**

The Board has carried out a robust assessment of the Group's principal and emerging risks as set out on pages 30 to 35 of the Strategic Report.

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in Note 23 of the Group's consolidated financial statements.

**Going concern**

The financial position of the Group, its cash flows and liquidity position are set out in the consolidated financial statements. Furthermore, Note 23 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 Group'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**

The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's Auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

BDO, the external auditor of the Group, has advised of its willingness to continue in office and a resolution to reappoint them as auditor and the authority for their remuneration to be determined by the Audit Committee will be proposed at the 2022 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.

**Information presented in other sections of this report**

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 Group.

Section	Listing Rule Requirement	Location	Page
12 and 13	Shareholder waivers of dividends and future dividends	Directors' Report	103

**AGM**

The Group's AGM will take place at 10am on 15 June 2022 at Foxtons' 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 Group's website at [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk).

**Post balance sheet events and future developments**

Refer to Note 28 for details of post balance sheet events.

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 49 and form part of this report by reference.

On behalf of the Board



**Nic Budden**  
Chief Executive Officer

1 March 2022



**Richard Harris**  
Chief Financial Officer

# 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 UK-adopted International Financial Reporting Standards (IFRS) 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 Group and Company of the profit or loss of the Group 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 Group'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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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 Group's website. Legislation in the UK 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 Group 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 Group 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 Group'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

1 March 2022



**Richard Harris**  
Chief Financial Officer

# 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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Foxtons Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise the Consolidated Income Statement, 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 UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable Law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We 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 ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ended 31 December 2020 and 31 December 2021. 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:

- We assessed the appropriateness of the approach and model used by the Directors when performing their going concern assessment, including the following procedures:
  - Subjected the going concern model to checks of the mechanical accuracy of the underlying formulae and operation of the reverse stress test output accurately within the forecasts;
  - Challenged the Directors on the cash flow adjustments made to the going concern model for completeness of substantial expected movements (working capital, taxes, acquisition consideration and otherwise); and
  - Agreed the opening cash balance for 2022 to the audited consolidated statement of financial position to gain assurance over the starting position of the model.
- 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 (focussing on revenue growth rates, Group profitability and the timing and quantum of significant future cash flows). Challenge over assumptions included:
  - Key assumptions (revenue growth, costs and profitability) challenged to supporting evidence and initiatives with business segment leaders within the Group;
  - Alignment of estimates noted above against market research (both corroborative and contradictory) to determine the reasonableness of the estimates made and the likelihood of the reverse stress test output coming to pass; and
  - Evaluated the Directors' historic forecasts against the achieved actuals for the year ended 31 December 2021 to establish the accuracy with which cash flows have been budgeted.
- Additionally, we reviewed and challenged the results of the Directors' 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 the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

## Independent auditor's report to the members of Foxtons Group plc (continued)

## Overview

<b>Coverage<sup>1</sup></b>	95% (2020: 94%) of Group profit before tax 100% (2020: 99%) of Group revenue 99% (2020: 99%) of Group total assets		
<b>Key audit matters</b>		2021	2020
	Valuation of the indefinite life brand asset	✓	✓
	Impairment review of branch assets	x	✓
	Inaccurate calculation of IFRS 15 contract liabilities	x	✓
<p>Impairment review of branch assets is not considered to be a key audit matter in respect to the year ended 31 December 2021 as the improvement in the Group's profitability driven by improved branch performance means that an unrecorded material impairment to branch assets was considered unlikely.</p> <p>Inaccurate calculation of IFRS 15 contract liabilities was considered a key audit matter in relation to the 31 December 2020 audit given the time invested by the audit team during the first year audit of the Group's bespoke operating systems used to calculate the Group's lettings revenue and contract liabilities.</p> <p>The Group's bespoke operating system remained significantly unchanged during the year ended 31 December 2021. The calculation of the Group's IFRS 15 contract asset/liability position includes no significant judgement and accordingly, this risk, whilst a significant risk for the audit, is no longer considered to be a key audit matter.</p>			
<b>Materiality</b>	<p><i>Group financial statements as a whole</i></p> <p>£980k (2020: £930k) based on 0.75% (2020: 1.0%) of planned budgeted revenues (equivalent to 0.74% of 2021 Group audited revenues).</p>		

<sup>1</sup> These are areas which have been subject to a full scope audit by the Group engagement team. These measures depict the consolidated total of the Group including both continuing and discontinued operations.

## 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 100% of Group revenues, all of which are derived from UK legal entities which form 100% of the structure. Full scope audits were performed entirely by the Group audit team over 7 components (5 considered significant under ISA 600, 2 non significant). At the Group level, we also tested the consolidation process and the accompanying consolidation journals. All work was performed by the Group audit team.

For the remaining 5 components, the Group audit team performed other procedures, including analytical reviews, 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
<p><b>Valuation of the indefinite life brand asset</b></p> <p><i>Refer to Notes 1 and 10 in the Group financial statements</i></p> <p>The Group has a historical brand asset of £99 million (2020: £99 million) which has an indefinite useful economic life and is therefore subject to a mandatory annual impairment review.</p> <p>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:</p> <ul style="list-style-type: none"> <li>- Management's assessment of future cash flows from the estate agency business;</li> <li>- The discount rate applied to the future cash flows (derived from the Weighted Average Cost of Capital); and</li> <li>- The long-term growth rate in the cash flows into perpetuity.</li> </ul> <p>The level of audit work required on the model and challenge over Management's judgements on future growth make this a key audit matter.</p>	<p>Our audit work included the following procedures on the annual impairment review of the indefinite life brand asset:</p> <ul style="list-style-type: none"> <li>- Challenged Management's consideration that the assessment of the brand asset under IAS 36 is attributable to the estate agency business as a whole by considering the reporting structure and cash flows of the business segments that support the brand asset;</li> <li>- 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;</li> <li>- Reconciled the cash flows from the impairment review model to internal plans approved by the Board of the Group;</li> <li>- Subjected the impairment review model to detailed checks of mechanical robustness being formula consistency and accuracy, and accurate operating functionality of sensitivity parameters;</li> <li>- Challenged 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 Experts, including corroboration of Weighted Average Cost of Capital ('WACC') inputs to supporting data sources and challenging Management on the appropriateness of the peer Group used to derive WACC when considering UK-listed Estate Agents;</li> <li>- Challenged the key assumptions within the model to supporting evidence, including direct challenge of Management in meetings, consideration of sales pipelines, considering corroborative and contradictory external market intelligence and challenging Management's assumptions around future costs; and</li> <li>- Considered the accuracy and fairness of disclosures made in the Group's financial statements around sensitivity to reasonably possible variations in future revenues through verifying the formulae's mechanical accuracy in the model that generate the impairment to the brand model and considering the likelihood of these scenarios coming to pass against our work on the corroborating and contradictory research undertaken against the forecast assumptions as noted above.</li> </ul> <p><b>Key observations:</b></p> <p>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 judgement that no impairment charge should be recorded for the indefinite life brand asset.</p>

## Independent auditor's report to the members of Foxtons Group plc (continued)

## 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	
	2021	2020	2021	2020
<b>Materiality (£'000)</b>	980	930	532	497
<b>Basis for determining materiality</b>	0.75% of planned budgeted revenues (equating to 0.74% of final audited revenues)	1% of revenues	54% of Group materiality of £980k to ensure satisfactory mitigation of Group aggregation risk under ISA 600.	53% of Group materiality of £930k to ensure satisfactory mitigation of Group aggregation risk under ISA 600.
<b>Rationale for the benchmark applied</b>	We consider revenue to be the most appropriate materiality benchmark as it provides a more stable measure of year-on-year performance and is a key performance indicator of the Group.  For FY21, percentage used has decreased from 1.0% to 0.75% of revenue to ensure revenue growth does not lead to a disproportionate increase in Group materiality year on year.	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. Materiality was set at a percentage of group materiality given the assessment of aggregation risk.	The Parent Company does not trade. Materiality was set at a percentage of group materiality given the assessment of aggregation risk.
<b>Performance materiality (£'000)</b>	637	605	346	323
<b>Basis for determining performance materiality</b>	65% of Group materiality	65% of Group materiality	65% of Parent Company materiality	65% of Parent Company materiality

The basis of computing performance materiality at 65% of Group materiality is driven by the following:

- Low level of historic and anticipated misstatements and brought forward uncorrected audit misstatements;
- Management's attitude to identified misstatements; and
- Limited complexity of the accounting estimates and judgments within the Group.



### Component materiality

We set materiality for each significant component of the Group based on a percentage of between 10% and 81% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £95k to £801k. 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 £34k (2020: £30k). 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 Code 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.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on page 74); and</li> <li>- The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate (set out on page 38).</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>- Directors' statement on fair, balanced and understandable (set out on page 76);</li> <li>- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on page 104);</li> <li>- The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on page 75); and</li> <li>- The section describing the work of the audit committee (set out on page 72).</li> </ul>

**Independent auditor's report to the members of Foxtons Group plc (continued)****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.

<b>Strategic Report and Directors' Report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>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.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>
<b>Matters on which we are required to report by exception</b>	<p>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:</p> <ul style="list-style-type: none"> <li>- 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</li> <li>- 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</li> <li>- certain disclosures of Directors' remuneration specified by law are not made; or</li> <li>- we have not received all the information and explanations we require for our audit.</li> </ul>

**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 a 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, the 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 have considered there was a susceptibility to fraud. Such areas that were considered to be susceptible were as follows:
  - 1) Topside adjustments made for IFRS 15 cancellable contracts within the lettings revenue stream (both in Foxtons and Douglas & Gordon) due to the manual postings of revenue journals in relation to this process (see below for how this was addressed)
  - 2) Impairment of brand assets given significant judgment involved in forecasting and incentive to ensure impairment review results in no impairment being recorded (see separate documentation of Key Audit Matters further up in this report for how this was addressed); and
  - 3) Valuation of Douglas & Gordon business combination, due to materiality of the consideration paid and judgmental estimates involved in fair valuing the on and off balance sheet elements of the business on acquisition. In order to address this risk, the audit team conducted corroborative testing of inputs to the model for discount rates, and challenged the Management team on margins and project synergies within the lettings customer relationship asset.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We obtained an understanding of the processes and controls that the Group has established to address the risk identified with Management override of control, or that otherwise prevent, deter and detect fraud, and how Management monitors those processes and controls.
- Our procedures included journal entry testing (including reconciliation of the topside IFRS 15 adjustments for lettings revenue as noted above to audited system reports), 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 (to ascertain the extent of any potential compliance breaches or potential claims lodged by customers of the FCA regulated mortgage broking business), 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 assess the completeness of claims and legal matters made available to us.
- We did not identify any matters concerning non-compliance with material laws and regulations or material irregularities from the above procedures performed.

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 that non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

*Tim Neathercoat*

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**Tim Neathercoat (Senior Statutory Auditor)**  
For and on behalf of BDO LLP, Statutory Auditor

London, UK

1 March 2022

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

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Continuing operations</b>			
Revenue	2	126,475	93,550
Direct operating costs		(47,933)	(35,449)
Other operating costs		(70,954)	(57,254)
Operating profit		7,588	847
Other losses		(26)	(37)
Finance income	5	37	111
Finance costs	5	(2,046)	(2,277)
<b>Profit/(loss) before tax from continuing operations</b>		<b>5,553</b>	<b>(1,356)</b>
Tax charge	6	(6,893)	(1,835)
<b>Loss for the year from continuing operations</b>		<b>(1,340)</b>	<b>(3,191)</b>
<b>Discontinued operations</b>			
Loss after tax for the year from discontinued operations	7	(4,826)	–
<b>Loss for the year attributable to shareholders of the Company</b>		<b>(6,166)</b>	<b>(3,191)</b>
<b>Earnings/(loss) per share</b>			
<b>From continuing operations</b>			
Basic and diluted loss per share	9	(0.4p)	(1.0p)
<b>Adjusted results</b>			
<b>From continuing operations</b>			
Adjusted operating profit <sup>1</sup>	2	8,942	1,904
Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share <sup>2</sup>	9	6,176	(521)
Adjusted basic and diluted earnings/(loss) per share <sup>3</sup>	9	1.9p	(0.2p)

<sup>1</sup> Adjusted operating profit is an APM and is reconciled to statutory profit/(loss) before tax in Note 2. Adjusted operating profit from continuing operations is presented before charging £1.4 million of adjusted items (2020: £1.1 million) as set out in Note 4.

<sup>2</sup> Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share from continuing operations is presented before charging £1.5 million of adjusted items including associated tax charges (2020: £0.9 million) and £6.1 million of non-cash deferred tax accounting remeasurement charges (2020: £1.8 million), as set out in Note 9.

<sup>3</sup> Adjusted basic and diluted earnings/(loss) per share is an APM and is reconciled to statutory earnings/(loss) per share in Note 9.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Loss for the year attributable to shareholders of the Company	(6,166)	(3,191)
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss (net of tax):</i>		
Changes in fair value of equity instruments at FVOCI	40	–
Other comprehensive income for the period	40	–
Total comprehensive loss for the period	(6,126)	(3,191)
Total comprehensive loss attributable to shareholders of the Company arising from:		
Continuing operations	(1,340)	(3,191)
Discontinued operations	(4,786)	–
	(6,126)	(3,191)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Goodwill	10	17,716	11,420
Other intangible assets	10	107,269	103,542
Property, plant and equipment	11	9,652	10,548
Right-of-use assets	12	43,832	44,444
Contract assets	18	899	350
Interest in associate and investments	14	3,317	1,237
Deferred tax assets	6	1,744	1,904
		<b>184,429</b>	<b>173,445</b>
<b>Current assets</b>			
Trade and other receivables	16	16,011	13,866
Contract assets	18	3,657	1,653
Current tax assets		303	76
Cash and cash equivalents		19,374	36,984
Assets classified as held for sale	7	7,412	–
		<b>46,757</b>	<b>52,579</b>
<b>Total assets</b>		<b>231,186</b>	<b>226,024</b>
<b>Current liabilities</b>			
Trade and other payables	17	(14,485)	(10,309)
Current tax liabilities		–	–
Lease liabilities	12	(8,825)	(10,849)
Contract liabilities	18	(8,231)	(7,659)
Provisions	19	(342)	(367)
Liabilities classified as held for sale	7	(7,412)	–
		<b>(39,295)</b>	<b>(29,184)</b>
<b>Net current assets</b>		<b>7,462</b>	<b>23,395</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	(39,258)	(40,709)
Contract liabilities	18	(1,141)	(1,080)
Provisions	19	(1,486)	(1,216)
Deferred tax liabilities	6	(26,504)	(19,379)
		<b>(68,389)</b>	<b>(62,384)</b>
<b>Total liabilities</b>		<b>(107,684)</b>	<b>(91,568)</b>
<b>Net assets</b>		<b>123,502</b>	<b>134,456</b>
<b>Equity</b>			
Share capital	20	3,301	3,301
Merger reserve	21	20,568	20,568
Other reserves	21	2,653	2,653
Own shares reserve	22	(6,059)	(374)
Retained earnings		103,039	108,308
<b>Total equity</b>		<b>123,502</b>	<b>134,456</b>

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 1 March 2022.  
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 2021

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		3,301	20,568	2,653	(374)	108,308	134,456
Loss for the year attributable to shareholders of the Company		-	-	-	-	(6,166)	(6,166)
Other comprehensive income for the year		-	-	-	-	40	40
Dividends	8	-	-	-	-	(583)	(583)
Own shares acquired in the period	22	-	-	-	(5,697)	-	(5,697)
Credit to equity for share-based payments	26	-	-	-	-	1,452	1,452
Settlement of share incentive plan		-	-	-	12	(12)	-
<b>Balance at 31 December 2021</b>		<b>3,301</b>	<b>20,568</b>	<b>2,653</b>	<b>(6,059)</b>	<b>103,039</b>	<b>123,502</b>

	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 for the year attributable to shareholders of the Company		-	-	-	-	(3,191)	(3,191)
Other comprehensive income for the year		-	-	-	-	-	-
Dividends	8	-	-	-	-	-	-
Share issuance	20, 21	550	20,568	-	-	-	21,118
Own shares acquired in the period	22	-	-	-	(318)	-	(318)
Credit to equity for share-based payments	26	-	-	-	-	1,066	1,066
<b>Balance at 31 December 2020</b>		<b>3,301</b>	<b>20,568</b>	<b>2,653</b>	<b>(374)</b>	<b>108,308</b>	<b>134,456</b>

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## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Operating activities</b>			
Operating profit from continuing operations	2	7,588	847
Operating loss from discontinued operations	2, 7	(5,051)	–
<b>Operating profit from continuing and discontinued operations</b>		<b>2,537</b>	<b>847</b>
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	11, 12	13,047	11,945
Amortisation of intangible assets	10	1,652	847
Held for sale impairment	7	3,227	–
Branch asset impairment	4	468	1,661
Interest in associate impairment	4	681	–
Gain on disposal of property, plant and equipment and right-of-use assets		(1,367)	(460)
Increase/(decrease) in provisions		245	(792)
Share-based payment charges		1,471	1,046
Operating cash flows before movements in working capital		21,961	15,094
Increase in receivables		(2,062)	(620)
Increase in payables		3,756	6
<b>Cash generated by operations</b>		<b>23,655</b>	<b>14,480</b>
Income taxes (paid)/received		(179)	192
<b>Net cash from operating activities</b>		<b>23,476</b>	<b>14,672</b>
<b>Investing activities</b>			
Interest received		15	68
Proceeds on disposal of property, plant and equipment	11	154	220
Proceeds on disposal of interest in associate and investments	14	160	57
Purchases of property, plant and equipment	11	(1,976)	(630)
Purchases of intangibles	10	(2)	(88)
Purchases of investments	14	(3,000)	–
Acquisition of subsidiaries (net of cash acquired)	13	(11,451)	(3,768)
<b>Net cash used in investing activities</b>		<b>(16,100)</b>	<b>(4,141)</b>
<b>Financing activities<sup>1</sup></b>			
Dividends paid	8	(583)	–
Interest paid		(21)	(61)
Repayment of lease liabilities	12	(15,228)	(10,015)
Sub-lease receipts		258	299
Purchase of own shares	22	(5,697)	(318)
Net proceeds from issue of ordinary share capital	20	–	21,117
Proceeds from external borrowings		–	5,000
Repayment of external borrowings		–	(5,050)
<b>Net cash (used in)/generated in financing activities</b>		<b>(21,271)</b>	<b>10,972</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(13,895)</b>	<b>21,502</b>
<b>Cash and cash equivalents at beginning of year<sup>2</sup></b>		<b>36,984</b>	<b>15,482</b>
<b>Cash and cash equivalents at end of year<sup>2</sup></b>		<b>23,089</b>	<b>36,984</b>
<b>Comprised of:</b>			
Cash and cash equivalents at end of the year (continuing operations)		19,374	36,984
Cash included in assets held for sale at end of the year (discontinued operations)	7	3,715	–

<sup>1</sup> All liabilities associated with financing activities are in relation to IFRS 16 lease liabilities, as no external borrowings have been drawn down or repaid during the year. Refer to Note 12 for a reconciliation of lease liabilities.

<sup>2</sup> Total Group balances, which include continuing and discontinued operations.



# NOTES TO THE FINANCIAL STATEMENTS

## 1. Accounting policies, judgements and estimates

### 1.1 General information

Foxtons Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act. 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 of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

On 31 December 2020, International Financial Reporting Standards (IFRS) as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. The Group transitioned to apply UK-adopted International Accounting Standards in its financial statements on 1 January 2021. This transition constituted a change in accounting framework, however, there was no impact on recognition, measurement or disclosure for the years ended 31 December 2020 and 2021 reported as a result of the change in framework.

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2020 and 2021.

### 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.

## Notes to the financial statements (continued)

## 1. Accounting policies, judgements and estimates continued

## 1.6 Going concern

## Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. At 31 December 2021, the Group held a cash and cash equivalents balance relating to continuing operations of £19.4 million (31 December 2020: £37.0 million), had no external borrowings and an undrawn £5.0 million rolling credit facility ('RCF') which has been extended in the year and expires in June 2024.

## Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested using a reverse stress scenario which incorporates a 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 2022 to October 2022 against plan, approximately 1.7 times more severe than that experienced from March 2020 to October 2020 during the spring 2020 Covid-19 lockdown and recovery period.

In the unlikely event of the reverse stress scenario, the Group would have a negative cash position in May 2023, 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 23 for details of the covenants). The going concern assumption is not dependent on the availability of the RCF.

## 1.7 Adoption of new and revised standards

Several amendments and interpretations apply for the first time in 2021, but do not have a material impact on the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>
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:	
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Conceptual Framework	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>

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.

## 1.8 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 over time 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.

**Notes to the financial statements (continued)****1. Accounting policies, judgements and estimates continued****1.8 Revenue recognition continued****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 consolidated 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.

### 1.10 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), or groups of CGUs as applicable, 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 income statement, and is recognised on a straight-line basis on the following basis:

Customer contracts and relationships	Estimated life of the contracts/relationships
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 scrapping 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 income statement.

## Notes to the financial statements (continued)

**1. Accounting policies, judgements and estimates continued****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 income statement.

**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 remeasured 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.

- 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.

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 25 for details of the client monies held by the Group).

### 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 may make 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.

**Notes to the financial statements (continued)****1. Accounting policies, judgements and estimates continued****1.16 Financial instruments continued****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 for 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 Non-current assets held for sale and discontinued operations**

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.



### 1.18 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 26.

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 the consolidated income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

### 1.19 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. The Group's APMs are defined, explained and reconciled to the nearest statutory measure within Notes 2 and 27.

Adjusted operating profit is the measure by which resource allocation and segment performance is monitored.

#### Adjusted items

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share, exclude adjusted items. Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 4 for further information of the adjusted items recognised in the period.

### 1.20 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 10 for further consideration of the carrying value of the brand intangible asset.

**Notes to the financial statements (continued)****1. Accounting policies, judgements and estimates continued****1.20 Critical accounting judgements and key sources of estimation uncertainty continued****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 CGUs and a suitable discount rate in order to calculate present value. The carrying amount of the Foxtons brand is £99 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 10.

**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 generates commission from the letting and management of residential properties and income from interest earned on tenants' deposits.
- (ii) Sales generates commission on sales of residential property.
- (iii) Mortgage broking generates 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 10.

**Adjusted operating profit and adjusted operating profit margin**

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined in Note 1), finance income, finance cost and other gains/losses. As explained in Note 27, this measure is used by the Directors for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit 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 continuing operations results by reportable segment for the year ended 31 December 2021:

### Continuing operations

2021	Notes	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue		74,342	42,673	9,460	126,475
Contribution	27	51,685	22,799	4,058	78,542
Contribution margin	27	69.5%	53.4%	42.9%	62.1%
Adjusted operating profit/(loss)	27	8,904	(1,501)	1,539	8,942
Adjusted operating profit/(loss) margin	27	12.0%	(3.5%)	16.3%	7.1%
Adjusted items					(1,354)
Operating profit					7,588
Other losses					(26)
Finance income	5				37
Finance cost	5				(2,046)
Profit before tax from continuing operations					5,553

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

2021	Continuing operations £'000	Discontinued operations £'000	Group Total £'000
Revenue	126,475	6,842	133,317
Contribution	78,542	3,992	82,534
Contribution margin	62.1%	58.3%	61.9%
Adjusted operating profit/(loss)	8,942	(1,824)	7,118
Adjusted operating profit/(loss) margin	7.1%	(26.7%)	5.3%
Adjusted items	(1,354)	(3,227)	(4,581)
Operating profit/(loss)	7,588	(5,051)	2,537
Other losses	(26)	–	(26)
Finance income	37	1	38
Finance cost	(2,046)	(151)	(2,197)
Profit/(loss) before tax	5,553	(5,201)	352

Other information	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Depreciation and amortisation				
Continuing operations	(8,192)	(5,276)	(119)	(13,587)
Discontinued operations	–	(1,112)	–	(1,112)
Group total	(8,192)	(6,388)	(119)	(14,699)

**Notes to the financial statements (continued)****2. Business and geographical segments continued**

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2020:

**Continuing operations**

2020	Notes	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
<b>Revenue</b>		57,291	28,180	8,079	93,550
Contribution	27	40,241	14,079	3,781	58,101
Contribution margin	27	70.2%	50.0%	46.8%	62.1%
<b>Adjusted operating profit/(loss)</b>	27	6,335	(5,849)	1,418	1,904
Adjusted operating profit/(loss) margin	27	11.1%	(20.8%)	17.6%	2.0%
Adjusted items	4				(1,057)
<b>Operating profit</b>					847
Other losses					(37)
Finance income	5				111
Finance cost	5				(2,277)
<b>Loss before tax from continuing operations</b>					(1,356)
<b>Other information</b>					
Depreciation and amortisation from continuing operations		(7,645)	(5,026)	(121)	(12,792)

For the year ended 31 December 2020 no operations were classified as discontinued operations.

**3. Income and expenses**

Profit from continuing operations for the year is stated after charging/(crediting):

	2021 £'000	2020 £'000
Short term leases	1,328	915
Depreciation of property, plant and equipment	2,269	2,582
Depreciation of right-of-use assets	9,913	9,363
Amortisation of intangible assets	1,405	847
Adjusted items (refer to Note 4)	1,354	1,057
Loss/(gain) on disposal of property, plant and equipment and right-of-use assets	148	(460)
Impairment loss on trade receivables	114	28
Employee costs	74,112	61,599
Covid-19 related Government support	–	(4,782)

During 2021, the Group has made no use of government support, including no use of the Coronavirus Job Retention Scheme (CJRS) or business rates relief, with the Group voluntarily paying £1.5 million of branch business rates in the period.

In 2020, the Group, received £4.8 million of Covid-19 related Government support 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. Additionally, in 2020 the Group benefitted from £2.1 million of business rates relief as part of the Covid-19 support package to businesses.

### Auditor's remuneration

The remuneration of the auditor is split as follows:

	2021 £'000	2020 £'000
The audit of the Company	203	142
The audit of the Company's subsidiaries	90	80
<b>Total audit fees</b>	<b>293</b>	<b>222</b>
Audit-related assurance services	33	30
Other assurance services	5	5
<b>Total non-audit fees</b>	<b>38</b>	<b>35</b>

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 number of employees (including Executive Directors) relating to continuing operations were:

	2021 Number of employees	2020 Number of employees
Sales Staff	750	679
Administrative Staff	411	399
	<b>1,161</b>	<b>1,078</b>

Their aggregate remuneration charged in the year relating to continuing operations comprised:

	2021 £'000	2020 £'000
Wages and salaries	64,399	53,330
Social security costs	7,226	6,357
Share-based payments	1,581	1,046
Defined contribution pension costs	906	866
	<b>74,112</b>	<b>61,599</b>

The following table details the aggregate remuneration charged in the year relating to by the Executive Directors and Non-Executive Directors.

	2021 £'000	2020 £'000
Wages and salaries	2,476	2,270
Short term non-monetary benefits	59	55
Share-based payments	1,168	739
Pension benefits	77	76
	<b>3,780</b>	<b>3,140</b>

## Notes to the financial statements (continued)

## 4. Adjusted items

Adjusted operating profit, adjusted operating profit 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 27. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2021 £'000	2020 £'000
Property related credit <sup>1</sup>	(908)	(1,078)
Branch asset impairment charge <sup>2</sup>	468	1,661
Impairment of interest in associate <sup>3</sup>	681	–
Transaction related costs <sup>4</sup>	633	–
Reorganisation costs	480	474
	<b>1,354</b>	<b>1,057</b>

<sup>1</sup> Property related credit relates to a re-estimation of the provision for adjusted items resulting in a charge of £612k (2020: £831k), £1,404k credit from net gain on the disposal and/or lease modifications of IFRS 16 balances relating to vacant branches (2020: £247k) and £116k (2020: £nil) of other income.

<sup>2</sup> The branch impairment charge relates to plant, property and equipment £181k (2020: £500k) and right-of-use assets £287k (2020: £1,161k) as disclosed in Note 11 and 12 respectively.

<sup>3</sup> The impairment of interest in associate relates to an impairment of the carrying value of an interest in associate as disclosed in Note 14.

<sup>4</sup> Transaction related costs relate to costs involved with the acquisition of D&G, and subsequent disposal of the D&G Sales business.

Net cash outflow from adjusted items during the year totalled £1.0 million (2020: £0.8 million). Future cash outflows from adjusted items charged between 2018 and 2021 are expected to total £2.2 million.

## 5. Finance income and costs

The components of finance income and finance costs recognised in the continuing operations income statement are:

	2021 £'000	2020 £'000
<b>Finance income</b>		
Interest income on bank deposits	13	68
Interest income on leasing arrangements	24	43
<b>Total finance income</b>	<b>37</b>	<b>111</b>
<b>Finance costs</b>		
Other interest payable	(21)	(61)
Interest on lease liabilities	(2,025)	(2,216)
<b>Total finance costs</b>	<b>(2,046)</b>	<b>(2,277)</b>
<b>Net finance cost</b>	<b>(2,009)</b>	<b>(2,166)</b>

## 6. Taxation

### Recognised in the group income statement

The components of the tax charge/(credit) recognised in the Group income statement are:

	2021 £'000	2020 £'000
<b>Current tax</b>		
Current period UK corporation tax	176	–
Credit in respect of prior periods	(18)	(257)
<b>Total current tax charge/(credit)</b>	<b>158</b>	<b>(257)</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	344	118
Impact of change in tax rate	6,060	1,764
Adjustment in respect of prior periods	(44)	210
<b>Total deferred tax charge</b>	<b>6,360</b>	<b>2,092</b>
<b>Tax charge on loss on ordinary activities from continuing and discontinued operations</b>	<b>6,518</b>	<b>1,835</b>
Less: discontinued operations tax credit	375	–
<b>Tax charge on loss on ordinary activities from continuing operations</b>	<b>6,893</b>	<b>1,835</b>

Corporation tax for the year ended 31 December 2021 is calculated at 19% (2020: 19%) of the estimated taxable profit for the period.

Following the announcement made in the Chancellor's Spring Budget regarding an increase to the UK corporate tax rate from 19% to 25% from 1 April 2023, the Finance Bill 2021 was substantively enacted on 24 May 2021. As IFRS requires 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 accordingly and the impact has been reflected within the consolidated financial statements. The impact of the change in tax rate has been adjusted out of earnings for the purposes of calculating adjusted earnings per share due to its distortive nature, refer to Note 9.

### Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 19% (2020: 19%), because of the following factors:

	2021 £'000	2020 £'000
Profit/(loss) before tax from continuing operations	5,553	(1,356)
Tax at the UK corporation tax rate (see above)	1,055	(258)
Tax effect of expenses that are not deductible/income that are not taxable in determining taxable profit	495	261
Other short-term timing differences – share options	161	135
Adjustment in respect of previous periods	(62)	(47)
Impact on deferred tax of change in tax rate	6,060	1,764
Recognition of a deferred tax asset	(816)	(20)
<b>Tax charge on loss on ordinary activities</b>	<b>6,893</b>	<b>1,835</b>
<b>Effective tax rate</b>	<b>124.1%</b>	<b>(135.3%)</b>

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

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £20k (2020: £20k credit) and relates to deferred tax arising on share based payment schemes.

## Notes to the financial statements (continued)

## 6. Taxation continued

## 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:

	2021 £'000	2020 £'000
Deferred tax assets	1,744	1,904
Deferred tax liabilities	(26,504)	(19,379)
Net deferred tax	(24,760)	(17,475)

Deferred tax liabilities relate to the intangible assets of the Foxtons brand and purchased customer contracts and relationships, which have an indefinite life and a range of definite lives respectively. The 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 customer contracts and relationships 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 2019	199	40	1,817	(16,830)	(14,774)
(Charge)/credit to profit or loss	59	27	(254)	(1,927)	(2,095)
Credit to equity	–	20	–	–	20
Additions through business combinations	(4)	–	–	(622)	(626)
At 31 December 2020	254	87	1,563	(19,379)	(17,475)
(Charge)/credit to profit or loss	4	(165)	(96)	(6,103)	(6,360)
Charge to equity	–	(20)	–	–	(20)
Additions through business combinations	(48)	(28)	123	(1,022)	(975)
Transfer to held for sale assets	–	–	70	–	70
At 31 December 2021	210	(126)	1,660	(26,504)	(24,760)

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 £1.7 million (2020: £1.6 million) has been recognised in relation to tax losses brought forward. This relates to £3.6 million (2020: £1.1 million) of unused tax losses in Foxtons Intermediate Holdings Limited at 31 December 2021 and to £2.8 million (2020: £7.1 million) of unused tax losses generated during 2021 in Foxtons Limited and Foxtons Group plc.

Foxtons Intermediate Holdings Limited has £38.4 million of unused losses (2020: £38.5 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. Discontinued operations and assets/liabilities classified as held for sale

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

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

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

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

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the D&G sales business, a disposal group, has been presented as a discontinued operation. The assets and liabilities of the disposal group were classified as assets held for sale on 10 November 2021.

### Discontinued operations: Income statement

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

	2021			2020 £'000
	Before adjusted items £'000	Adjusted items £'000	After adjusted items £'000	
<b>Revenue</b>	<b>6,842</b>	<b>–</b>	<b>6,842</b>	<b>–</b>
Direct operating costs	(2,855)	–	(2,855)	–
Other operating costs	(5,811)	–	(5,811)	–
<b>Adjusted operating loss</b>	<b>(1,824)</b>	<b>–</b>	<b>(1,824)</b>	<b>–</b>
Held for sale impairment loss	–	(3,227)	(3,227)	–
<b>Operating loss</b>	<b>(1,824)</b>	<b>(3,227)</b>	<b>(5,051)</b>	<b>–</b>
Other losses	–	–	–	–
Finance income	1	–	1	–
Finance costs	(151)	–	(151)	–
<b>Loss before tax</b>	<b>(1,974)</b>	<b>(3,227)</b>	<b>(5,201)</b>	<b>–</b>
Tax credit	375	–	375	–
<b>Loss for the year from discontinued operations attributable to shareholders of the Company</b>	<b>(1,599)</b>	<b>(3,227)</b>	<b>(4,826)</b>	<b>–</b>
<b>Earnings/(loss) per share</b>	<b>Before adjusted items</b>	<b>After adjusted items</b>		
Basic and diluted loss per share from discontinued operations	(0.5p)	(1.5p)	–	

## Notes to the financial statements (continued)

**7. Discontinued operations and assets/liabilities classified as held for sale continued****Discontinued operations: Cash flows**

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

	2021 £'000	2020 £'000
Net cash outflow from operating activities	(1,045)	–
Net cash outflow from investing activities	(172)	–
Net cash outflow from financing activities	(1,117)	–
<b>Net cash outflow</b>	<b>(2,334)</b>	<b>–</b>

**Assets held for sale**

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

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

The held for sale impairment charge of £3.2 million recognised is derived as follows:

	2021 £'000
<b>Net assets classified as held for sale (before impairment charge)</b>	<b>3,227</b>
Consideration for sale	–
<b>Held for sale impairment charge</b>	<b>(3,227)</b>

**8. Dividends**

	2021 £'000	2020 £'000
Interim dividend for the year ended 31 December 2021: 0.18p (2020: Nil) per ordinary share	583	–
	<b>583</b>	<b>–</b>

For 2021, the Board has proposed a final dividend of 0.27p per ordinary share (£0.8 million) to be paid on 24 June 2022.

## 9. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the earnings/(loss) for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

	Continuing operations		Total Group (continuing and discontinued operations)	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
<b>Loss for the purposes of basic and diluted earnings/(loss) per share</b>	<b>(1,340)</b>	<b>(3,191)</b>	<b>(6,166)</b>	<b>(3,191)</b>
Adjusted for:				
Adjusted items (including associated taxation) <sup>1</sup>	1,456	906	4,683	906
Deferred tax remeasurement (due to UK corporation tax rate change)	6,060	1,764	6,060	1,764
<b>Adjusted earnings/(loss) for the purposes of adjusted earnings/(loss) per share</b>	<b>6,176</b>	<b>(521)</b>	<b>4,577</b>	<b>(521)</b>

<sup>1</sup> Adjusted items relating to continuing operations of £1,354k (2020: £1,057k) per Note 4, and associated tax charge of £102k (2020: £151k charge), resulting in an after tax charge of £1,456k (2020: £906k). Adjusted items relating to discontinued operations of £3,227k (2020: £nil) per Note 7, less £nil associated tax charge (2020: £nil), resulting in an after tax cost of £3,227k (2020: £nil).

Number of shares	2021	2020	2021	2020
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	324,045,184	313,816,658	324,045,184	313,816,658
Effect of potentially dilutive ordinary shares	4,647,390	2,224,672	4,647,390	2,224,672
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	328,692,574	316,041,330	328,692,574	316,041,330
<b>Loss per share (basic and diluted)<sup>1</sup></b>	<b>(0.4p)</b>	<b>(1.0p)</b>	<b>(1.9p)</b>	<b>(1.0p)</b>
<b>Adjusted earnings/(loss) per share (basic and diluted)<sup>2</sup></b>	<b>1.9p</b>	<b>(0.2p)</b>	<b>1.4p</b>	<b>(0.2p)</b>

<sup>1</sup> The diluted loss per share is equal to the basic loss per share due to the potentially dilutive share awards resulting in a reduction in the loss per share and being anti-dilutive.

<sup>2</sup> The 2020 comparators have been restated to reflect the impact of the 2020 deferred tax remeasurement on the adjusted loss to enable year-on-year comparability.

Refer to Note 7 for the calculation of the earnings/(loss) per share for discontinued operations.

## Notes to the financial statements (continued)

## 10. Goodwill and other intangible assets

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

2020	Goodwill £'000	Brand £'000	Software £'000	Customer contracts and relationships £'000	Total £'000
<b>Cost</b>					
At 1 January 2020	19,168	99,000	2,489	494	121,151
Additions	–	–	88	–	88
Transfer	–	–	30	–	30
Acquired through business combinations	2,071	–	–	3,276	5,347
At 31 December 2020	21,239	99,000	2,607	3,770	126,616
<b>Accumulated amortisation and impairment losses</b>					
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
<b>Net carrying value</b>					
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

## 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.

	2021 £'000	2020 £'000
Lettings goodwill	17,719	11,420
Brand asset – sales and lettings	99,000	99,000
	116,719	110,420

- Lettings goodwill is allocated to the lettings group of CGUs 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 relevant sales and lettings groups of CGUs. 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 relevant sales and lettings CGUs 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 group of CGUs 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% (2020: 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 and incorporates lease debt held under IFRS 16. The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

The pre-tax discount rate used to discount lettings cash flows used in the assessment of lettings goodwill is 11.5% (2020: 10.9%). The pre-tax discount rate used to discount aggregated sales and lettings cash flows used in the assessment of the brand asset is 11.5% (2020: 11.1%).

## Notes to the financial statements (continued)

## 10. Goodwill and other intangible assets continued

## 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, while 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 £65.7 million (2020: £57.5 million) or 36% (2020: 35%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard. Sales revenue is to recover by 2026 to the levels experienced in 2016, which equates to an average increase of 5.1% over the forecast period. Lettings revenue is assumed to grow at an average rate of 3.1% 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 3.8% to 2.5%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2016 levels by 2026 with an average 2.5% increase over the forecast period, lettings revenue growth is limited to 2.1% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £4.9 million.

## 11. Property, plant and equipment

2021	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>					
At 1 January 2021	34,796	10,321	187	–	45,304
Additions	500	1,456	3	17	1,976
Acquired through business combination	609	337	1	–	947
Disposals	(234)	(295)	(153)	–	(682)
Transfer to assets held for sale	(610)	(484)	–	–	(1,094)
At 31 December 2021	35,061	11,335	38	17	46,451
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2021	25,053	9,521	182	–	34,756
Depreciation	1,789	639	2	–	2,430
Disposals	(154)	(74)	(152)	–	(380)
Impairment charge	181	–	–	–	181
Transfer to assets held for sale	(88)	(100)	–	–	(188)
At 31 December 2021	26,781	9,986	32	–	36,799
<b>Net carrying value</b>					
At 31 December 2021	8,280	1,349	6	17	9,652
At 1 January 2021	9,743	800	5	–	10,548

Assets with a net book value of £302k were disposed of during the year. Proceeds of £154k gave rise to a loss on disposal of £148k.

2020	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
<b>Cost</b>					
At 1 January 2020	34,565	14,835	694	51	50,145
Additions	332	298	–	–	630
Acquired through business combinations	–	9	–	–	9
Disposals	–	–	(529)	(21)	(550)
Transfer	–	–	–	(30)	(30)
Fully depreciated assets/other	(101)	(4,821)	22	–	(4,900)
At 31 December 2020	34,796	10,321	187	–	45,304
<b>Accumulated depreciation and impairment losses</b>					
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	(122)	(4,852)	40	–	(4,934)
At 31 December 2020	25,053	9,521	182	–	34,756
<b>Net carrying value</b>					
At 31 December 2020	9,743	800	5	–	10,548
At 1 January 2020	11,695	1,162	112	51	13,020

## 12. 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 11).

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 2020	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
Additions	4,642	4,931	9,573
Acquired through business combinations	4,633	732	5,365
Lease modifications	551	–	551
Disposals	(426)	(166)	(592)
Depreciation	(7,383)	(3,234)	(10,617)
Impairment charge	(287)	–	(287)
Assets transferred to held for sale	(4,044)	(561)	(4,605)
At 31 December 2021	38,409	5,423	43,832

## Notes to the financial statements (continued)

## 12. Leases continued

## Lease liabilities

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2020	51,714	4,150	55,864
Additions	1,217	2,162	3,379
Acquired through business combinations	582	–	582
Disposals	(331)	(137)	(468)
Interest charge	2,111	105	2,216
Payments	(8,145)	(1,870)	(10,015)
At 31 December 2020	47,147	4,411	51,558
Additions	4,642	4,931	9,573
Acquired through business combinations	4,765	732	5,497
Lease modifications	(310)	–	(310)
Disposals	(514)	(168)	(682)
Interest charge	2,015	160	2,175
Payments	(11,173)	(4,055)	(15,228)
Liabilities transferred to held for sale	(3,964)	(536)	(4,500)
At 31 December 2021	42,608	5,475	48,083
Current	6,550	2,275	8,825
Non-current	36,060	3,198	39,258

The difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.9 million, is recognised as an adjusted item as disclosed in Note 4.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £15.2 million were made (2020: £10.0 million) and the remaining net movement of £11.8 million (2020: £5.7 million) was non-cash in nature.

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

	2021 £'000	2020 £'000
<b>Maturity analysis – contractual undiscounted cash flows from continuing operations</b>		
Within one year	11,491	12,735
In the second to fifth years inclusively	31,306	30,771
After five years	13,023	15,240
	<b>55,820</b>	<b>58,746</b>

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 2021, the Group had a commitment of less than £0.1 million in relation to short-term leases.



**Amounts recognised in the profit or loss**

The following are the amounts recognised in profit or loss during the year, in respect of the leases held by the Group as a lessee:

	2021 £'000			2020 £'000		
	Continuing operations	Discontinued operations	Total Group	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	9,913	704	10,617	9,363	–	9,363
Impairment of right-of-use assets	287	–	287	1,161	–	1,161
Interest expense on lease liabilities	2,025	150	2,175	2,216	–	2,216
Expenses relating to short-term leases	1,328	179	1,507	915	–	915
Total amount recognised in profit or loss	13,553	1,033	14,586	13,655	–	13,655

**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:

	2021 £'000	2020 £'000
Finance income under finance sub-leases recognised in the period	24	43

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:

	2021 £'000	2020 £'000
Within one year	190	283
In the second to fifth years inclusive	580	276
After five years	150	–
	920	559

**Notes to the financial statements (continued)****13. Business combinations****D&G**

On 1 March 2021, the Group acquired 100% of the share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies (collectively, 'D&G Group'), thereby obtaining control. The acquired subsidiary companies were Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited.

D&G Group is a high quality London estate agent operating two core businesses being a lettings business letting residential properties, representing approximately 60% of total revenues from 2,900 tenancies, and a sales business selling residential properties on behalf of clients. The acquisition was in line with the Group's strategy of acquiring businesses with high quality lettings portfolios. The consideration paid by Foxtons for the D&G Group was £15.5 million with a cash balance left in the business of £3.9 million which was in excess of its working capital requirements and known liabilities.

As set out in Note 7, on 11 February 2022, the acquired lettings customer contracts and relationships were transferred from Douglas & Gordon Limited to Foxtons Limited by way of a distribution in specie at net book value. Immediately after the transfer, the D&G sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited, for nominal consideration of £2.

From the date of acquisition to 31 December 2021, the D&G Group as a whole (continuing and discontinued operations) contributed £16.8 million of revenue, £1.9 million of adjusted operating profit and £1.5 million of loss before tax to the total Group. If the combination had taken place at the beginning of the year, the total Group's revenue for the period would have been £2.8 million higher and profit before tax £0.1 million higher, excluding future synergies and amortisation of acquired intangible assets.

**Assets acquired and liabilities assumed**

A purchase price allocation exercise has been completed which identified £5.4 million of acquired intangible assets primarily relating to lettings customer contracts and relationships, which are identifiable and separable, and will be amortised over 15 years. £6.3 million of goodwill has arisen on acquisition and is primarily attributable to synergies, new customers, the acquired workforce and business expertise.

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

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

The acquired goodwill has been allocated for impairment testing purposes to the Group's lettings CGU which are expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

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

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

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

### Purchase consideration

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

Gross purchase consideration was £15.5 million, with £13.9 million paid in March 2021 and £1.1 million paid in July 2021. Consideration paid in the year, net of cash acquired, was £11.1 million and is included in cash flows from investing activities. Additionally, £0.5 million of contingent cash consideration was paid on 1 March 2022 as part of the purchase agreement with the previous owners of the D&G Group, this contingent cash consideration is included within trade and other payables, and was due if the Group did not make any claims on the breach of any agreed warranties over a twelve month period after the acquisition date.

### Prior period acquisitions

As disclosed in the 2020 Annual Report, the Group completed the acquisition of Aston Rowe Holdings Limited and its subsidiary company Aston Rowe Limited (collectively, Aston Rowe). Further consideration of £0.4 million was paid during 2021 representing the settlement of deferred and contingent consideration, recognised within trade and other payables in the prior period.

### Analysis of cash flows on acquisition

	Total £'000
Cash consideration	(13,903)
Deferred and contingent consideration paid in relation to current and prior year acquisitions	(1,420)
Cash acquired in subsidiaries	3,872
<b>Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)</b>	<b>(11,451)</b>
Transaction costs of the acquisition (included in cash flows from operating activities)	(464)
<b>Net cash flow on acquisitions</b>	<b>(11,915)</b>

Transaction costs amounting to £0.5 million are not included as part of consideration transferred and have been recognised as an adjusted item as disclosed in Note 4.

## Notes to the financial statements (continued)

## 14. Interest in associate and investments

As at 31 December 2021, the closing balance of 'Interest in associate and investments' totalled £3.3 million (2020: £1.2 million), made up of an interest in associate of £nil (2020: £0.9 million) and equity investments at fair value through other comprehensive income totalling £3.3 million (2020: £0.3 million).

## Interest in associate

During the year, the Company disposed of a minority holding in Propoly Online Limited, an online integrated lettings platform business, for a consideration totalling £0.2 million. Propoly Online Limited is a private entity that is not listed on any public exchange.

Name	Country of incorporation and operation	2021 £'000	2020 £'000
Propoly Online Limited	United Kingdom	–	920

	2021 £'000	2020 £'000
Opening balance	920	957
Additions	–	–
Share of results	(26)	(37)
Impairment	(681)	–
Disposal	(213)	–
Closing balance	–	920

The Company recognised a £0.7 million impairment charge prior to the disposal to reflect the fair value of the investment. This impairment charge has been recognised as an adjusted item as disclosed in Note 4.

Prior to disposal, the Company held a seat on the Board of Directors of the associate and was able to exercise significant influence over the business, and as such accounted for its interest in Propoly Online Limited using the equity method.

## Equity investments through fair value through other comprehensive income (FVOCI)

The Group has two minority holdings in Global Property Ventures Limited and PD Innovations Limited, both unlisted entities.

	2021 £'000	2020 £'000
Opening balance	317	317
Acquired through business combinations	194	–
Additions	3,000	–
Movement in fair value	40	–
Assets transferred to held for sale	(234)	–
Closing balance	3,317	317

During the year, the Group invested £3.0 million in PD Innovations Limited, trading as Boomin, which has been classified as a Level 3 FVOCI financial asset. Boomin is the next generation property website, which furthers the Group's ambition to remain at the forefront of technological transformation in the property sector.

The Group also acquired an investment in OnTheMarket plc as part of the acquisition of the D&G Group, which was classified as a Level 1 FVOCI financial asset as at acquisition. This investment, which forms part of the D&G sales business disposal group, was classified as held for sale, on 10 November 2021 and disposed of on 11 February 2022.

The FVOCI investments are made up of unlisted equity instruments and are carried at fair value, with any fair value movements taken to OCI. Refer to Note 23 for information about methods and assumptions used in determining fair value.

## 15. Subsidiaries

Investments in subsidiaries as at 31 December 2021 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 <sup>1</sup>	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%
Foxtons Ruby Limited <sup>2</sup>	United Kingdom	Holding company	100%	100%
Douglas & Gordon Limited <sup>3</sup>	United Kingdom	Estate agency	100%	100%
Douglas & Gordon (2) Limited <sup>3</sup>	United Kingdom	Holding company	100%	100%
Royston Estate Agents Limited <sup>3</sup>	United Kingdom	Dormant	100%	100%

<sup>1</sup> Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.

<sup>2</sup> Previously Douglas & Gordon Estate Agents Limited.

<sup>3</sup> Entities disposed of on 11 February 2022, refer to Note 7 for further details.

All subsidiaries, with the exception of Alexander Hall Associates Limited and Douglas & Gordon Limited, have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Alexander Hall Associates Limited registered office is 137-144 High Holborn, London WC1V 6PL and Douglas & Gordon Limited registered office is 212 New Kings Road, London, SW6 4NZ.

### 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 Ruby Limited	09903325

The Company will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 December 2021 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, the Company will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

The following UK subsidiary undertakings are 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
Royston Estate Agents Limited	06237518

## Notes to the financial statements (continued)

## 16. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	10,870	11,728
Less: Expected credit loss allowance	(2,053)	(2,015)
Net trade receivables	8,817	9,713
Prepayments	4,405	1,722
Other receivables	2,789	2,431
	16,011	13,866

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 2021	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)	5,145	1,470	654	519	3,082	10,870
Expected credit loss rate	1%	5%	10%	14%	58%	19%
Expected credit loss allowance (£'000)	(58)	(79)	(63)	(73)	(1,780)	(2,053)

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)

The movements in the expected credit loss allowance is set out below.

	Expected credit loss allowance £'000
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)
Amounts acquired through business combinations	(173)
Amounts provided for during the period	(164)
Amounts utilised during the period	66
Amounts transferred to held for sale assets	233
At 31 December 2021	(2,053)

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 27 days (2020: 35 days).

## 17. Trade and other payables

	2021 £'000	2020 £'000
Trade creditors	2,928	1,385
Social security and other taxes	2,971	2,335
VAT	1,148	1,373
Contingent and deferred consideration	530	399
Accruals	6,342	4,415
Other creditors	566	402
	<b>14,485</b>	<b>10,309</b>

The Directors consider that the carrying amount of trade payables approximates fair value. The average trade creditor days as at 31 December 2021 were 24 days (31 December 2020: 34 days).

## 18. Contract assets and liabilities

### Contract assets

At 31 December 2021, the Group recognised contract assets of £4.6 million (31 December 2020: £2.0 million), as summarised and explained below.

	2021 £'000	2020 £'000
Sales: Off plan new homes commission	236	621
Lettings: Unbilled commission	4,320	1,382
	<b>4,556</b>	<b>2,003</b>

#### - Sales: Off plan new homes commission

As explained in Note 1, commissions for sales of new homes purchased off-plan 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.

#### - Lettings: Unbilled commission

Commission for securing a letting for the landlord representing unbilled commission revenue due to the Group for the non-cancellable contract period.

## Notes to the financial statements (continued)

## 18. Contract assets and liabilities continued

The table below summarises the movement in the contract assets in the period.

	2021 £'000	2020 £'000
At 1 January	2,003	1,533
Contract assets recognised in revenue	2,894	1,221
Contract assets invoiced	(2,103)	(1,058)
Acquired through business combination	1,955	307
Movement in expected credit loss provision	(193)	–
At 31 December	4,556	2,003

**Contract liabilities**

At 31 December 2021, the Group recognised contract liabilities of £9.4 million (31 December 2020: £8.7 million) as summarised and explained below.

	2021 £'000	2020 £'000
Lettings: Securing a letting for the landlord	6,942	6,614
Lettings: Rent collection service	1,352	1,235
Other amounts deferred	1,078	890
	9,372	8,739

- **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 charges have been raised for future periods where the landlord has the ability to cancel the contracts.

- **Lettings: Rent collection service**

The contract liabilities relate to charges raised 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 1.6 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.

	2021 £'000	2020 £'000
Current contract assets	3,657	1,653
Non-current contract assets	899	350
<b>Total contract assets</b>	<b>4,556</b>	<b>2,003</b>
Current contract liabilities	8,231	7,659
Non-current contract liabilities	1,141	1,080
<b>Total contract liabilities</b>	<b>9,372</b>	<b>8,739</b>



## 19. Provisions

	Provision for adjusted items £'000	Legal and other provisions £'000	Total £'000
At 1 January 2021	1,531	52	1,583
Increase in provision	848	–	848
Acquired through business combinations	–	770	770
Reversal of provision	(236)	(17)	(253)
Utilisation of provision	(350)	–	(350)
Liabilities transferred to held for sale	–	(770)	(770)
At 31 December 2021	1,793	35	1,828

The balances are analysed as follows:

	2021 £'000	2020 £'000
Current	342	367
Non-current	1,486	1,216
	1,828	1,583

### 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 up to six years (2020: three years).

During the period a net provision charge of £0.6 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. In the year £0.8 million of property related provisions were recognised upon acquisition of the D&G Group, these provisions were subsequently classified as held for sale.

## 20. Share capital

	2021 £'000	2020 £'000
<b>Authorised, allotted, issued and fully paid:</b>		
<b>Ordinary shares of £0.01 each</b>		
At 1 January	3,301	2,751
Issuance of share capital	–	550
At 31 December	3,301	3,301

At 1 January 2021, the Company had 330,097,758 ordinary shares (1 January 2020: 275,104,391). As at 31 December 2021, the Company has 330,097,758 ordinary shares (2020: 330,097,758).

**Notes to the financial statements (continued)****21. Merger reserve and other reserves**

	2021 £'000	2020 £'000
Merger reserve	20,568	20,568
Capital redemption reserve	71	71
Other capital reserve	2,582	2,582
	<b>23,221</b>	<b>23,221</b>

During the period, there were no movements in either the merger reserve, capital redemption or other capital reserve. Refer to Note 34 for further details of the other capital reserve.

**22. Own shares reserve**

	2021 £'000	2020 £'000
Balance at 1 January	374	56
Acquired during the year	5,697	318
Utilised during the year	(12)	–
Balance at 31 December	<b>6,059</b>	<b>374</b>

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term share incentive schemes (see Note 26). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2021 was 2,775 (2020: 24,314).

During the year 10,461,898 (2020: 663,798) shares with a total value of £5,696,622 (2020: £318,525) have been repurchased by the Company through a share buyback programme and are held in treasury at 31 December 2021. The number of ordinary shares held by the Company at 31 December 2021 was 11,125,696 (2020: 663,798).

**23. Financial instruments****Categories of financial instruments**

The categories of financial instruments, including contract assets and liabilities, held by the Group are as follows:

	2021 £'000	2020 £'000
<b>Financial assets</b>		
FVOCI financial assets	3,317	317
Cash and bank balances	19,374	36,984
Financial assets recorded at amortised cost	16,162	14,147
<b>Financial liabilities</b>		
Financial liabilities recorded at amortised cost	(18,386)	(14,105)
Lease liabilities	(48,083)	(51,558)

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

### Fair value hierarchy

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

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-market observable)

The Group held £0.2 million of financial instruments categorised as Level 1 or 2 by IFRS 13 'Fair Value Measurement', relating solely to OnTheMarket plc, which are part of the held for sale disposal group at 31 December 2021.

The Group held £3.3 million of Level 3 financial instruments relating solely to unlisted shares in PD Innovations Limited and Global Property Ventures Limited at 31 December 2021. The Group determines that using cost is an appropriate estimate of fair value of the unlisted equity securities after consideration of the relevant accounting standards and the relevant indicators available at the reporting date.

The only changes in Level 3 financial assets for the year ended 31 December 2021 relates to the £3.0 million investment in PD Innovations Limited by the Group.

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while 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 2021, the threshold was £231k (2020: £195k), for which the entity is in compliance.

### Gearing ratio

The Group's gearing ratio, calculated as net debt divided by equity, at each period end is as follows:

	2021 £'000	2020 £'000
Net debt <sup>1</sup>	–	–
Equity	123,502	134,456
Gearing ratio	–	–

<sup>1</sup> Net debt is defined as external borrowings, excluding lease liabilities.

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.

**Notes to the financial statements (continued)****23. Financial instruments continued****Interest rate risk management**

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see Note 25).

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 2021 would increase/decrease by £1.0 million/£0.1 million (year ended 31 December 2020: increase/decrease by £1.2 million/£0.5 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 25) 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 £5.0 million RCF (31 December 2020: £5.0 million) due to expire in June 2024 with there being no drawdown on the facility at 31 December 2021 or at 31 December 2020. The Group expects to renew the facility, or access a similar facility, following expiry to manage liquidity risk.

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 have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be unwound on those liabilities.

31 December 2021	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	(10,366)	(10,366)	(10,366)	—	—	—	—
Contract liabilities <sup>1</sup>	(8,020)	(8,020)	(6,878)	(1,034)	(106)	(2)	—
Lease liabilities	(48,083)	(55,820)	(11,491)	(10,146)	(7,940)	(7,092)	(19,151)
	(66,469)	(74,206)	(28,735)	(11,180)	(8,046)	(7,094)	(19,151)

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 <sup>1</sup>	(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)

<sup>1</sup> This amount excludes £1.4 million (2020: £1.6 million) of non-contractual contract liabilities.

## 24. 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.

	2021 £'000	2020 £'000
Short-term employee benefits	2,535	2,325
Post-employment benefits	77	76
Share-based payments	1,168	739
	3,780	3,140

### Other transactions

As set out in Note 7, on 11 February 2022, the D&G sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO, a previous director of Douglas & Gordon Limited, and Lochlan constituting related parties.

**Notes to the financial statements (continued)****25. Client monies**

At 31 December 2021, client monies held within the Group in approved bank accounts amounted to £100.2 million (31 December 2020: £85.2 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited's and Douglas & Gordon 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.

**26. Share-based payments**

An income statement charge of £1.6 million (2020: £1.0 million), which includes related national insurance contributions, 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)**

The Company introduced the RSP in 2020 for Executive Directors and Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to service 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, 2,012,591 shares (2020: 3,515,174) with a fair value of £1.2 million (£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.

	2021		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	15,227,648	79.03p	11,712,474	102.75p
Granted during the period	2,012,591	nil	3,515,174	nil
Forfeited during the period	—	nil	—	—
Lapsed during the period	—	—	—	—
Exercised during the period	(43,478)	nil	—	—
Outstanding at the end of the period	17,196,760	69.98p	15,227,648	79.03p
Exercisable at the end of the period	128,876	nil	172,354	nil

The options outstanding at 31 December 2021 had a weighted average remaining contractual life of six years (2020: six years).

Of the share options outstanding at the end of the period, there are 11,240,120 (2020: 11,240,120) share options with an exercise price of 105.67p; 300,000 (2020: 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 15.05% (2020: 13.8%) which management expects to be the prevailing rate at the time the options are exercised.

## 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 up to 70% of the cumulative balance annually for the first three years of the plan, with 100% of the residual value paid out at the end of the four-year period. Refer to the Directors' Remuneration Report on page 85 for further information.

The fair value of shares awarded under these schemes is based on the Group's 30-day average share price in the period up to the end of the financial year in which the shares were granted.

	2021 Number of awards
Outstanding at beginning of period	—
Granted during the period	455,766
Forfeited during the period	—
Exercised during the period	—
Outstanding at the end of the period	455,766

At 31 December 2021 the awards had an average remaining life of two years (2020: three years). There is no exercise price for these awards. The weighted average fair value of awards at 31 December 2021 was £0.44 per share (2020: £0.48). Of the awards outstanding at the end of the period, nil were exercisable.

## Notes to the financial statements (continued)

## 27. Alternative performance measures

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

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

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

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.

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 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 continuing operations revenue and contribution is presented below.

31 December 2021	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	74,342	42,673	9,460	126,475
Less: Directly attributable salary costs	(22,620)	(19,797)	(5,402)	(47,819)
Less: Bad debt (charges)/credits	(37)	(77)	-	(114)
Contribution	51,685	22,799	4,058	78,542
Contribution margin	69.5%	53.4%	42.9%	62.1%

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 <sup>1</sup>	(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%

<sup>1</sup> Includes £2.5 million of Government support relating to CJRS passed through to furloughed employees recognised against direct operating costs.



**d) Adjusted earnings/(loss) per share**

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

The measure is derived by dividing profit/(loss) after tax, adjusted for adjusted items and the impact of remeasuring deferred tax balances as a result of UK corporate tax rate changes, by the weighted average number of ordinary shares in issue during the financial period. 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 9 for a reconciliation between earnings/(loss) per share and adjusted earnings/(loss) per share.

**e) Net free cash flow**

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

	2021 £'000	2020 £'000
<b>Net cash from operating activities</b>	<b>23,476</b>	<b>14,672</b>
Less: Repayment of IFRS 16 lease liabilities	(15,228)	(10,015)
<b>Investing activities</b>		
Interest received	15	68
Proceeds on disposal of property, plant and equipment	154	220
Proceeds on disposal of investments	160	57
Purchases of property, plant and equipment	(1,976)	(630)
Purchases of intangibles	(2)	(88)
<b>Net cash used in investing activities</b>	<b>(1,649)</b>	<b>(373)</b>
<b>Net free cash inflow</b>	<b>6,599</b>	<b>4,284</b>

**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.

	2021 £'000	2020 £'000
Cash and cash equivalents	19,374	36,984
Less: External borrowings	–	–
<b>Net cash</b>	<b>19,374</b>	<b>36,984</b>

**28. Events after the reporting period**

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

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

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 £'000	2020 £'000
<b>Non-current assets</b>			
Investment in subsidiaries	31	38,266	36,998
Deferred tax asset		349	293
		<b>38,615</b>	<b>37,291</b>
<b>Current assets</b>			
Trade and other receivables	32	35,095	23,303
Cash and cash equivalents		3,311	20,962
		<b>38,406</b>	<b>44,265</b>
<b>Current liabilities</b>			
Trade and other payables	33	(8,909)	(6,449)
		<b>(8,909)</b>	<b>(6,449)</b>
<b>Net current assets</b>		<b>29,497</b>	<b>37,816</b>
<b>Net assets</b>		<b>68,112</b>	<b>75,107</b>
<b>Equity</b>			
Share capital	20	3,301	3,301
Merger reserve	21	20,568	20,568
Other reserves	21	2,653	2,653
Own shares reserve	22	(6,059)	(374)
Retained earnings		47,649	48,959
<b>Equity attributable to owners of the Company</b>		<b>68,112</b>	<b>75,107</b>

The Company reported a loss for the financial year ended 31 December 2021 of £2.2 million (2020: £1.5 million).

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 1 March 2022.

Signed on behalf of the Board of Directors



Richard Harris  
Chief Financial Officer

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2021</b>		<b>3,301</b>	<b>(374)</b>	<b>20,568</b>	<b>2,653</b>	<b>48,959</b>	<b>75,107</b>
Loss and total comprehensive loss for the year		–	–	–	–	(2,185)	(2,185)
Dividends	8	–	–	–	–	(583)	(583)
Own shares acquired in the period	22	–	(5,697)	–	–	–	(5,697)
Credit to equity for share-based payments		–	–	–	–	202	202
Capital contribution given relating to share-based payments	26	–	–	–	–	1,268	1,268
Settlement of share incentive plan			12			(12)	–
<b>Balance at 31 December 2021</b>		<b>3,301</b>	<b>(6,059)</b>	<b>20,568</b>	<b>2,653</b>	<b>47,649</b>	<b>68,112</b>

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 January 2020</b>		<b>2,751</b>	<b>(56)</b>	<b>–</b>	<b>2,653</b>	<b>49,411</b>	<b>54,759</b>
Loss and total comprehensive loss for the year		–	–	–	–	(1,498)	(1,498)
Dividends	8	–	–	–	–	–	–
Share issuance	20, 21	550	–	20,568	–	–	21,118
Own shares acquired in the period	22	–	(318)	–	–	–	(318)
Credit to equity for share-based payments		–	–	–	–	99	99
Capital contribution given relating to share-based payments	26	–	–	–	–	947	947
<b>Balance at 31 December 2020</b>		<b>3,301</b>	<b>(374)</b>	<b>20,568</b>	<b>2,653</b>	<b>48,959</b>	<b>75,107</b>

At 31 December 2021, retained earnings were fully distributable.