Foxtons

London's Estate Agent

Annual Report and Accounts 2013

Foxtons is the leading London estate agency focused on providing services to the residential sales and lettings property market. After consistent growth and increased profitability, Foxtons listed on the London Stock Exchange in September 2013.

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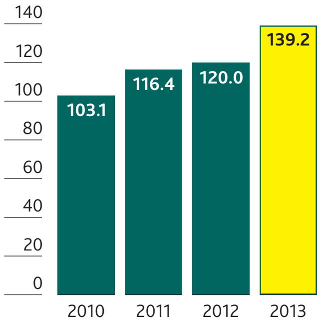
This Annual Report can be found on our website: www.foxtonsgroup.co.uk

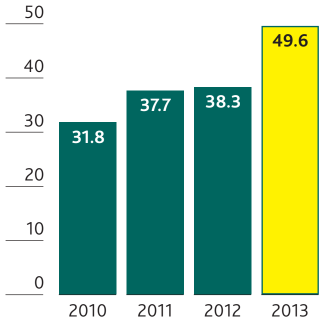
Strong financial performance

Revenue (£m)



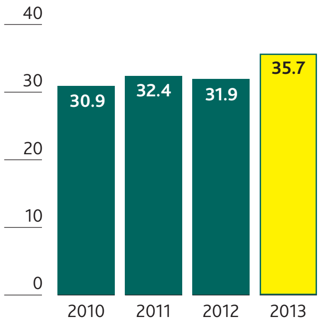
£139.2m
+16.0%

Adjusted EBITDA[1] (£m)



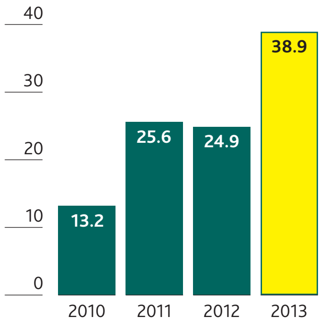
£49.6m
+29.6%

Adjusted EBITDA margin (%)



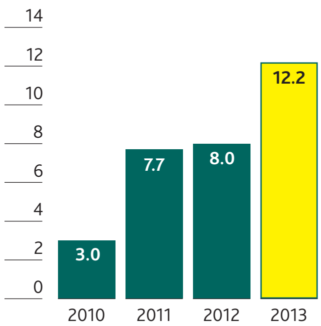
35.7%
+3.8%

Profit before tax (£m)



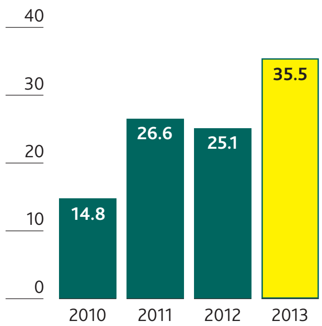
£38.9m
+56.6%

Basic earnings per share (pence)



12.2p
+52.5%

Net free cash flow[2] (£m)



£35.5m
+41.1%

1 Adjusted EBITDA is defined as profit before tax, finance costs, finance income, exceptional items, profit on disposal of assets and costs of the debt repayment incentive scheme (refer to note 5, page 65 for a reconciliation to profit before tax).
2 Net free cash flow is defined as net cash from operating activities less net cash used in investing activities exclusive of exceptional items. (Refer to note 32, page 88 for a calculation of net free cash flow).

Strong levels of growth

It gives me great pleasure to introduce the Group's inaugural statement to Shareholders. 2013 was a notable year in Foxtons development with its successful flotation in September. This success was the result of a sound strategy which has achieved strong growth in revenues and profitability over a period of some years. Growth has been achieved despite somewhat lacklustre macroeconomic conditions and a continuing shortage of property sales transactions throughout the UK, and in London in particular.

Overview

Total revenue and Adjusted EBITDA in 2013 were 16.0% and 29.6% ahead of 2012 respectively. Basic earnings per share grew by 52.5%. It is a testament to the quality of the management team that these results were achieved concurrently with a very successful IPO process.

The strength of the Group's balance sheet improved with the £55 million primary proceeds of the IPO being used to repay fully all outstanding debt. Cash generation continues to be strong which, I am delighted to say, allows the Board to recommend the payment of the first dividend as a listed company.

New branches opening

Central to our growth strategy is the organic expansion of the Foxtons estate agency brand throughout London. Since the start of 2010 we have opened 20 new branches in London, with seven in the last year. We now operate from 44 branches and we plan to continue to expand with the addition of between five and 10 new branches each year. I am pleased to note that all of the new branches opened in 2013 are performing in line with our expectations.

Board and governance

Ahead of the IPO, Foxtons appointed an experienced new Board which I am proud to lead as Chairman. We have already established appropriate Corporate Governance standards and these are discussed fully in the Corporate Governance section on pages 20 to 47.

Dividend – return to Shareholders

The Group's dividend policy is to pay between 35% to 40% of profit after tax with the potential for special dividends to return excess cash to Shareholders. For 2013 a final dividend for the year of 1.70p per share plus a special dividend of 3.74p per share will, subject to Shareholders' approval at the AGM on 21 May 2014, be paid on 30 May 2014, to Shareholders on the register at 2 May 2014. The final dividend is an apportioned payment from the point of IPO to year end.

Summary

Our strategy is designed to deliver profitable growth through targeted organic expansion. Although our growth is not reliant on any significant improvement in the property market, the Group is clearly well positioned to take advantage of any further growth within the property sales market. The Group has performed well; it has a dynamic and dedicated team of people all determined to build further on our success. I would like to take this opportunity to thank them on behalf of the whole Board and with them look forward, with some confidence, to the future.

Garry Watts
Chairman

Delivering on our strategy

I am delighted to be able to report a strong start to Foxtons life as a public company.

Overview of strategy
Our successful IPO in September 2013 leaves the Group debt free with a clear strategy and a great team clearly focused on our overriding objective to deliver profitable growth by expanding our business model throughout the higher-value, higher-volume London property markets.

We have a successful track record of expansion over the last 10 years. I am confident that the new local London markets we have identified for future expansion offer a real opportunity for the Group to benefit from the operational leverage inherent within our centralised business model, which we have been evolving over the last decade.

Review of the year
Group revenue grew 16.0% on 2012 while Adjusted EBITDA improved by 29.6% to £49.6 million, reflecting a high degree of profitability on incremental business. Overall, the Group delivered improved Adjusted EBITDA margins of 35.7% (2012: 31.9%), despite the impact of the significant ongoing costs of expansion and the work involved in the IPO process.

The Group's newly opened branches during the year were delivered on time and to budget and are all performing in line with expectations. As they mature, we can expect the financial contribution they make to grow considerably.

Our organic expansion strategy together with improving market share in our more mature branches helped drive excellent performance in our Foxtons estate agency business. Against more moderate increases in the property sales market, Foxtons achieved growth of 22.5% in property sales volumes driven by its more mature branches and recently opened branches. We also sustained average property sales prices at circa £493k (2012: £475k) demonstrating our continued focus on the higher-volume, higher-value mid-market sector of the London property market. The percentage growth in average revenue was less than the average for London due to our expansion out from the centre and a greater emphasis on New Homes.

Our lettings business, which benefits from a strong base of recurring revenues, continues to provide quality earnings and a healthy balance to naturally more cyclical property sales revenues. In 2013, lettings revenues grew by 5.2% and accounted for 47.7% of total Group revenues.

Alexander Hall Associates Limited (Alexander Hall), the mortgage broking arm of Foxtons, benefited from the beginnings of what we expect to be an improving mortgage market, finishing the year with revenues up 42% on 2012, albeit from relatively low absolute levels.

The Group achieved an operating cash conversion[1] of 83.1% in 2013 (2012: 88.7%). The Group's excellent performance has created cash balances sufficient to propose a final dividend payment of 1.70p per share and a special dividend payment of 3.74p per share (a total payment of £15.4 million).

As well as achieving solid financial results so far this year, Foxtons was proud to win many prestigious awards for its service, training, website and marketing programmes. In October 2013, Foxtons was named as Best Real Estate Agency in the UK at the International Property Awards. These awards demonstrate the dedication and commitment of our people day in, day out to deliver exceptional service to clients.

Looking ahead
Looking ahead, we remain positive about 2014. We have a clear strategy focused on the organic expansion of our branch network, increasing our market share and improving profitability as our larger network benefits from our centralised infrastructure and bespoke technology platform. We have a strong sales pipeline for the start of 2014, our newer branches – opened over the past four years – are maturing well, and we are well on our way to opening a promising group of new branches in 2014. Perhaps most importantly, I believe we have the hardest-working and most talented staff in the industry and are extremely well placed to maximise our growth opportunities.

Michael Brown
Chief Executive Officer

Note 1: Operating cash conversion is defined as the ratio of Adjusted operating cash to Adjusted EBITDA. Adjusted operating cash is Adjusted EBITDA less the movement in working capital and net capital spend.

Foxtons: The market leader

Foxtons Group is the leading London estate agency, offering residential property sales and lettings services through its network of 44 branches. The Group offers independent mortgage advice and other related services through Alexander Hall. Foxtons was founded in 1981 and the first branch opened in Notting Hill Gate in 1982. The Group focuses on the higher-volume, higher-value property markets in London. In 2013 Foxtons revenue was £139 million. The Group's business model enabled it to deliver Adjusted EBITDA margins of 35.7%.

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

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

The Group has a clear strategy to grow profitability by:

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

Organic expansion is a key element of our strategy. We have a successful track record of opening new branches and our plan is to open between five and 10 branches each year.

The Company is in a very strong financial position to successfully execute its strategy by being both debt free and highly cash generative. This combination will also allow the Company to generate significant returns to our Shareholders.

Foxtons is a multi-award-winning estate agency, winning at prestigious events such as the Sunday Times Estate Agency of the Year and International Property Awards, for Best Estate Agency, Lettings Agency, Marketing, Website, Training and many more. These awards acknowledge our work-hard, results-driven attitude and dedication to quality service.

Market

The UK property market in terms of value and volume is concentrated in the south-east of the country. High property density and resilient prices in London and the south-east create a disproportionately valuable market in this area. Based on Land Registry data in 2012, London accounted for 43% of all residential property sales transactions by value in England and Wales. London also supports a very strong lettings market. Foxtons current and medium-term focus is on the London area with a longer-term opportunity in the south-east.

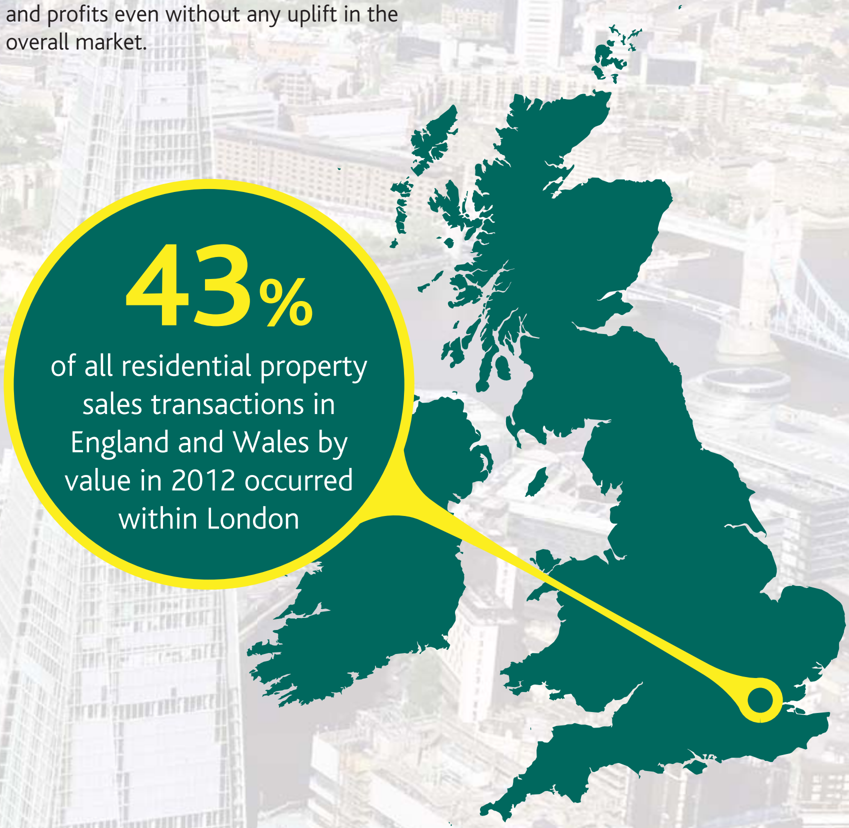
London focus

The limited geographical area of London, combined with low levels of house building and tight planning restrictions on new building or redevelopment of property, have led to a constraint on the supply of residential properties. Excess demand is primarily driven by high levels of economic activity, affluence, domestic and international mobility and population growth, particularly of young adults. London also attracts overseas purchasers who buy residential property either as homes or for investment purposes.

Potential for growth

Foxtons current and future focus is on the higher-volume, higher-value markets of London. As at 31 December 2013, the Group operated 44 offices (42 located in London and two in Surrey). Foxtons currently operates in less than half of its target market and so there is significant scope to expand and to grow revenues and profits even without any uplift in the overall market.

Going forward, Foxtons intends to open between five and 10 new branches each year. Through time we have the opportunity to more than double our current branch network within the M25. Property sales transactions continue to be well short of pre-2008 levels, offering a potential for accelerated growth.

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Foxtons

Strategy

Foxtons has an impressive track record of growing its business by delivering premium service levels, which leads to a loyal client base and improving market share. The Group's strategic aim is to continue to leverage its brand, centralised resources, technology and sales and service culture, in order to drive revenue and profit growth as it expands its branch network through London's higher-volume, higher-value property markets.

Foxtons has five strategic priorities:

Premium service and prices

The Group delivers high-quality service levels, maximising value for clients by selling or letting their properties at the best price through the innovative application of technology, the utilisation of data and by working harder than competitors. Foxtons branches are open 8am to 8pm, 362 days a year, enabling them to work around our clients' busy schedules. 38% of viewings take place outside normal working hours, with 97% of asking prices being achieved. The Group benefits from client loyalty with 70% of our business being repeat business. By maintaining exceptional service levels Foxtons will continue to substantiate its premium prices, drive up levels of repeat business and improve market share. In many of its markets Foxtons is the leading estate agency, often accounting for over 20% of local sales.

Target higher-volume, higher-value residential property markets in London

Foxtons current focus is on the higher-volume, higher-value markets of London which represent a disproportionately valuable property market. Through time we have the potential to more than double the number of existing branches.

Organic expansion under a strong single brand

The Group has a long and successful track record of profitable, organic expansion. Complemented by the Group's well-invested centralised business model, which enables rapid scaling at low incremental cost, new branches typically achieve a cash payback within 19 months of opening with a return on capital of circa 150% in the second year of operation. Future growth will be financed by free cash flow.

Balanced business

The Group places equal importance on its sales and lettings businesses, aiming to achieve a relatively even balance between the financial contributions made by each over time. The Group's lettings business benefits from a strong base of recurring revenues which has supported year-on-year revenue growth and provides valuable protection against naturally more cyclical property sales markets.

Positioned for sales market growth

Residential property sales transaction volumes in London have been depressed since 2008. Over the last four years, Foxtons has almost doubled the size of its branch network, gaining market share and positioning it to benefit from any future growth in sales volumes. Furthermore, the operational leverage inherent in the Foxtons centralised business model means that the incremental contribution of any increase in sales revenues will be higher than current margins.

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Business model

The Group is based around a business model which has been refined over 10 years to create a proven, significant and sustainable competitive advantage.

A single brand with strong identity

The Foxtons brand has been supported by significant levels of expenditure on brand and customer marketing communications programmes over the past 30 years. Foxtons leading property website, Foxtons.co.uk, and "0% commission" campaign, which support each new branch opening, generate strong brand awareness and new business growth. Its distinctive branches and branded MINI fleet reinforce its high street presence and underpin its quality credentials.

Business centralisation

The Group's substantial long-term investment in centralised work groups, business process engineering and technology has created a highly scalable business, delivering unparalleled levels of productivity and service. This centralised approach also delivers significant operational leverage, enabling the Group to expand its branch network at relatively low cost, thereby increasing profit margins.

Innovative application of technology

Foxtons development over the last 30 years has been characterised by the innovative application of technology to estate agency. The Group is recognised as the technology leader in the sector, with sophisticated workflow systems, web applications and content-rich information databases underpinning virtually every aspect of its business model. These systems enable our internal departments to work cohesively together to deliver exceptional levels of service and productivity and have been a key driver in reducing average costs. Foxtons systems also provide vital performance tools for managers, enabling them to monitor employee performance on a real-time basis.

Foxtons has also invested heavily in its website and web-based applications, which are internally developed and maintained, and which have received many industry awards for their innovative features. Foxtons website showcases clients' properties using high-quality images and interactive floorplans and allows users to search for properties using pioneering search criteria. Clients have access to web-based applications, such as the landlord portal, giving them direct access to key tenancy information and documents, and applications that enable documents to be signed and payments to be made online.

Culture and people

Foxtons people are highly motivated to deliver exceptional results for clients. A wide range of incentives ensures that outstanding personal and team results are rewarded and recognised across the Company. Foxtons recruits high-quality individuals and is a true meritocracy. We always promote sales people from within our current pool of employees, ensuring that our best people experience rapid career progression into leadership positions where they can have the greatest positive impact. Our training and development goal is to create the finest estate agents in the industry with a clear focus on professionalism, integrity and work ethic.

Integrated mortgage broker

Foxtons integrated mortgage broker, Alexander Hall, benefits from low-cost sales leads from the estate agency business and has the potential to grow as Foxtons expands and as property sales transactions increase.

A successful year

The Group has had a successful year with growth in revenues across all operating segments flowing through to increased profits and an increased profit margin. The Group has a high operating cash conversion rate and is well positioned to return excess cash to Shareholders.

Operating highlights

- **Increasing volumes**
  - **Sales increased by 22.5%**
  - **Lettings increased by 6.7%**
  - **Mortgage broking increased by 31.9%**
- **Expansion in London continued with seven new branches opened during the year.**

Financial highlights

- **Increasing Group turnover and profitability**
  - **Revenue increased by 16.0%**
  - **Adjusted EBITDA increased by 29.6%**
  - **Adjusted EBITDA margin increased to 35.7% (2012: 31.9%)**
  - **Operating profit before exceptional items increased by 39.9%**
  - **Operating profit after exceptional items increased by 36.9%**
  - **Profit before tax increased by 56.6%**
- **Debt free after utilising the proceeds of the IPO to repay the debt facilities**
- **Record EPS: 52.5% growth on prior year**
- **Continued high cash generation**
- **Closing cash balance of £23.4 million enables a total dividend of £15.4 million equivalent to a final dividend of 1.70p per share and a special dividend of 3.74p per share.**

Segments
The Foxtons Group comprises three business segments – Sales, Lettings and Mortgage Broking. The majority of operations are in the London area with two branches in the adjacent area of Surrey.

Sales revenue was 48.4% of total revenue while lettings revenue was 47.7%, mortgage broking 3.5% and all other 0.4%. This balance across the sales and lettings segments provides financial strength in the Company to withstand fluctuations in the property market. Both estate agency segments are highly profitable. It is expected that mortgage broking operating margins will improve gradually over time as the mortgage market continues to improve, together with the increasing size of the Foxtons branch network.

Successful year
The Group produced a record year in terms of both revenue and profit. Performance accelerated in the second half of the year which provides confidence going forward, with a strong 2014 first quarter sales pipeline.

Organic expansion
The Group has continued its expansion programme, opening seven new branches during the year, bringing the total opened since the start of 2010 to 20 new branches, an increase of 83% on the total number. Foxtons has a small, experienced in-house project team that works with a small number of external professionals to manage the opening of new branches. Organic expansion is seen as a low-risk growth route with many opportunities available within London over the foreseeable future.

Revenue

Sales: During the year, sales commissions increased by 27.0%, which was primarily volume driven by its more mature branches and recently opened branches, with a 22.5% increase in sales units. This metric compares to the total London sales market which increased by circa 9% versus prior year. Average commissions increased by 3.7% versus prior year which reflects underlying London price inflation offset by the increasing importance of New Homes at lower average commissions and lower average sales prices as Foxtons expands out from central London.

Lettings: Lettings revenue increased by 5.2%, which was primarily due to new branch openings with volumes up 6.7%. Approximately two-thirds of lettings revenue comes from new tenancies with the remainder from renewals, property management and interest received on client funds. All of these increased during the year except interest received due to falling rates in the market.

Mortgage broking: An improvement in the mortgage market during the year led to mortgage revenues increasing by 42%. This was primarily volume driven (31.9%) but also due to an increase in average revenues of 7.6%.

Adjusted EBITDA margins

The growth in sales Adjusted EBITDA margin has driven the growth in total Group Adjusted EBITDA margin.

	2013	2012
Sales	**39.1%**	30.2%
Lettings	**34.6%**	34.8%
Mortgage broking	**5.5%**	5.9%
Total Adjusted EBITDA margin	**35.7%**	31.9%

The higher Adjusted EBITDA margin of the Group reflects the improving profitability of new branches plus the operational leverage of expansion. Total revenue increased by 16% versus prior year, while administrative expenses increased at a lower rate of 7%. Higher administrative expenses were primarily due to additional staffing costs plus higher building operating expenses.

Operating profit after exceptional items

Operating profit after exceptional items of £43.0 million (2012: £31.4 million) increased by 36.9% due to:

- Increase of £13.1 million in operating profit before exceptional items to £46.1 million (2012: £33.0 million)
- Partially offset by additional exceptional costs as detailed below:

Exceptional items – £m	**2013**	2012
Property settlement	**–**	1.1
PAYE legal settlement payable	**–**	0.5
One-off IPO costs	**3.2**	–
Total	**3.2**	1.6

Full details of the exceptional items are disclosed in note 11, page 68.

Profit before tax (PBT)

PBT of £38.9 million (2012: £24.9 million) increased substantially by 56.6% for two principal reasons:

- Increase in operating profit before exceptional items of 36.9%; and
- Reduced finance costs through the use of the primary proceeds from the IPO to repay the outstanding debt of the Company (finance costs effectively ended in late September 2013 resulting in a saving of £2.5 million versus prior year).

Taxation

The tax charge for the year increased to £6.8 million (2012: £4.1 million) reflecting:

- Increased profitability;
- Partially offset by the reduction in the UK tax rate; and
- Reduction in the deferred tax provision for intangibles.

The effective rate of tax for 2013 was 17.5% (2012: 16.5%). It is lower than the statutory tax rate of 23.25% for the year primarily due to a reduction in the future statutory tax rate which reduced the deferred tax provision.

Earnings per share
EPS of 12.2p (2012: 8.0p) increased by 52.5% versus prior year reflecting the profitability improvements in the Company together with reduced finance costs during the year. Adjusted EPS (after eliminating exceptional items) of 13.3p (2012: 8.7p) increased by 52.9% versus prior year.

Cash resources
Year end cash increased to £23.4 million (2012: £9.8 million) reflecting improved profitability and early repayment of outstanding debt through the use of the IPO proceeds. This healthy cash balance will allow £15.4 million to be paid, subject to Shareholder approval at the AGM on 21 May 2014, to Shareholders by way of dividends in respect of 2013, comprising a final dividend of 1.70 pence per share and a special dividend of 3.74 pence per share.

Operating cash conversion of 83.1% fell versus prior year (2012: 88.7%) as capital spend increased to £7.4 million (2012: £6.2 million) due to the opening of seven branches plus the Alexander Hall head office in 2013 versus five branches in 2012. In addition, 2013 experienced a strong end to the year with an increase in sales commission debtors.

Due to the continued high cash generation of the Company, no overdraft facilities are in place.

Share premium account
The share premium account increased to £52.7 million during the year reflecting the primary issue of shares above nominal value, offset by directly attributable one-off IPO costs.

Capital contribution
The capital contribution of £2.1 million reflects the net benefit derived from Group tax relief passed down to Foxtons Group plc from its pre-IPO parent company.

Net assets
Net assets increased significantly to £142.4 million (2012: £55.3 million) due to:

- Profit after tax: £32.1 million; and
- Proceeds of share issue on IPO: £55.0 million.

Risk management
The Group has identified its principal risks and uncertainties which are detailed on pages 16 to 17. The Board and senior management continuously review these in the light of any changed circumstances.

Treasury policies and objectives
The Group's treasury policy is designed to reduce financial risk. As the Group is now debt free, financial risk has naturally reduced significantly during the year. In addition, as the Group is totally UK-based there is no foreign currency risk. As a consequence of the above the Group has not had to enter into any financial instruments to protect against risk.

Surplus cash balances are held with UK-based, at least A rated, banks.

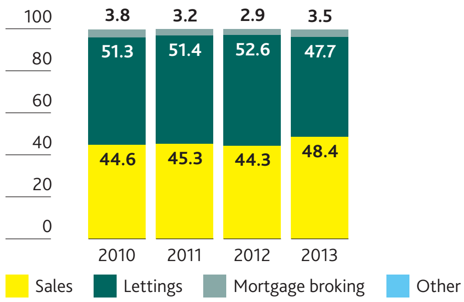
Pensions
The Group does not have any defined benefit schemes in place but is subject to the provisions of auto-enrolment which requires the Company to make certain defined contribution payments for its employees.

Gerard Nieslony
Chief Financial Officer

Measuring our progress

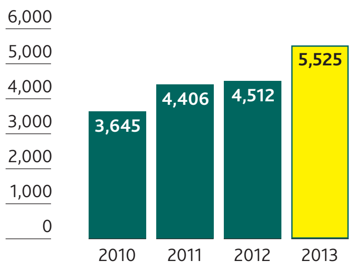
The Group uses a number of KPIs to measure its performance and review the impact of management strategies. The Group continues to review the mix of KPIs to ensure that these best measure our performance against our strategic objectives.

Balanced business (% of total revenue)

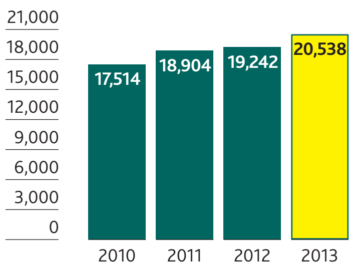


Approximately a 50:50 split across our sales and lettings business segments (Other: less than 1%).

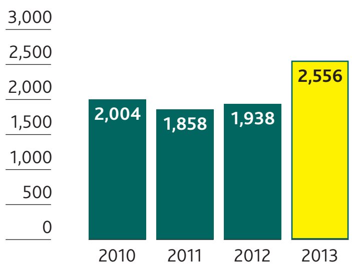
Sales volumes



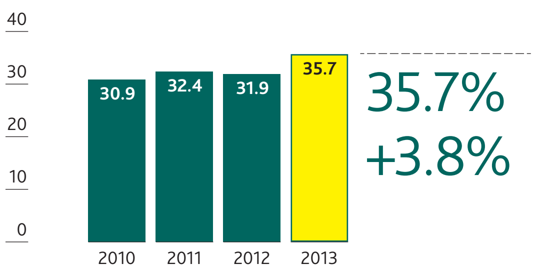
Lettings volumes



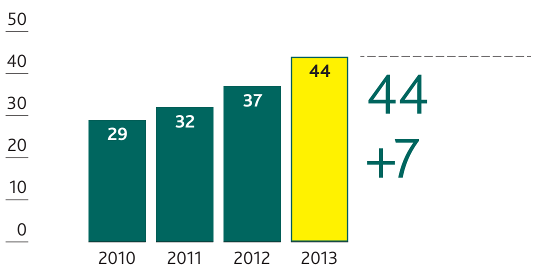
Mortgage volumes



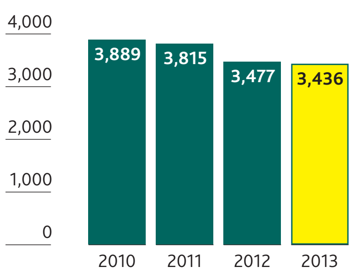
Adjusted EBITDA Margin (%)



Number of branches at year end

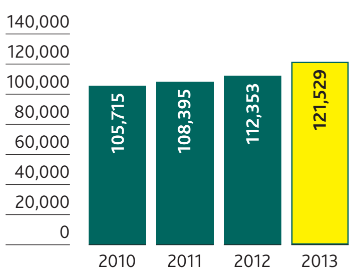


Average revenue per branch (£'000)



Profile of revenue per branch reflects the significant growth in the branch network over the last four years with the new branches being in the early stages of their maturity.

Average revenue per employee (£)



Increasing revenue per employee (based on total employees).

Risk management

The Company takes a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which it operates. As set out in the Corporate Governance section on pages 20 to 47, the Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. The identification of risks, the development of action plans to manage the risks, and the monitoring of progress against agreed KPIs are integral parts of the business process. Our process for identifying and managing risks is set out in detail on page 27 within the Corporate Governance section.

The table below sets out the principal risks and uncertainties facing the business at the date of this Report. These 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.

External factors

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Macroeconomic conditions	Foxtons business is dependent on UK macroeconomic conditions, including the availability of mortgage finance and the residential property market in London and the south-east specifically.		The Board regularly reviews market conditions and forward indicators to assess whether any action is required to reduce costs or vary the pace of office openings. Property sales prices and rents are relatively high in London and are typically considered to be more resilient than elsewhere in the UK, making the value of the London market less volatile overall. The Board endeavours to maintain a generally even balance between its sales and lettings revenues and profits in order to provide protection against volatility within property sales markets.
Government policy	The risk of adverse changes in policy, law or regulations may decrease the number of residential property sales and/or lettings transactions and may increase the cost of Foxtons services.		The Group is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. Foxtons centralised service structure provides it with a flexible platform from which to respond to regulatory change.
Competitor challenge	Foxtons operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working which could give them competitive advantage over Foxtons, including internet portals.		Foxtons continually collects information on competitor activity through its branch network and centralised Business Development teams. Foxtons flat management structure allows this competitor intelligence to be fed back to management accurately and quickly so that the Company can rapidly consider appropriate responses. The Board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that the internet will play a major role in the exchange or completion of sales or lettings transactions without the involvement of an estate agent. However, the challenge of the internet will be kept under review.

Key
- Risk increasing
- No change
- Risk reducing

Internal factors

Risk	Impact on Company	Assessment of change in risk year-on-year	Mitigation of risk
Client monies	Foxtons holds large amounts of client monies, which may be at risk in the event of a banking failure.	No change	The Group holds all client monies in correctly designated client accounts within FCA-approved UK banks (at least A rated).
Potential for fraud	Foxtons operations are susceptible to fraud and bribery, which could lead to financial loss and reputational damage.	No change	Foxtons has implemented an anti-bribery policy and provides appropriate training to all employees. The policy is reviewed on a regular basis and risk assessments are carried out periodically. We currently have procedures in place for whistle blowing. However, a more formal system is to be implemented in 2014.
IT systems	Foxtons business operations are dependent on sophisticated IT systems which could fail, leading to interruption of service or corruption of data.	No change	All key IT systems are closely monitored by internal and external specialist teams. Dedicated in-house IT development and maintenance teams exist to provide rapid response to IT service issues. Business continuity and contingency plans are in place and key systems have resilience built in. Group disaster recovery and business continuity procedures are implemented, regularly tested and reviewed. Upgrade plans on a physically separate location for critical systems are to be implemented.
People	In order to satisfy its expansion plans, Foxtons will need to ensure that sufficient high-quality people are recruited, trained and retained.	No change	Foxtons structured approach to recruitment using internal specialist teams enables it to increase the recruitment of high-quality people quickly, should it become necessary to do so. Foxtons continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Our culture of only promoting from within generates significant staff loyalty within senior and mid-management.

Commitment to integrity and development

We recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing our Corporate Social Responsibility agenda, recognising that it can play a major part in leading and influencing our people and operations.

Integrity
The Group's key strategy is to provide a superior quality of service and consequently integrity is core to the Group's values. Integrity is actively promoted in dealings with employees, Shareholders, customers and suppliers. The Group recognises that reputation is a valuable and fragile asset gained over a substantial period of time. The Group promotes high ethical standards in carrying out its business activities and has clear guidelines for dealing with gifts, hospitality, corruption, fraud and the use of inside information.

Diversity
As a service business we have a particular focus on our people and we are proud of our diversity throughout the Company and our working practices. We recognise that our people are key to the success of the business. Our basic principle is one of meritocracy. We are committed to equal opportunities and the creation of an entirely non-discriminatory working environment. The aim of our diversity policy is to ensure that no job applicant or employee receives less favourable treatment because of gender, marital status, race, age, sexual preference, religion, belief or disability. All decisions are based on the merits of the individual concerned. The Group is dedicated to undertaking its business operations in a way which respects individual human rights, treats individuals with dignity and allows freedom of association. We value the contribution of each and every one of our colleagues and we have created an inspiring working environment where everyone is engaged and motivated.

Our diversity is shown clearly throughout the organisation where 48% of our total staff are female and 25% of our senior staff are female. See table below for full analysis of diversity.

Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board. The table below reveals that 14% of the Board were female at year end.

Training
We are committed to training and developing all of our people to enhance their skills and potential in order to drive the business forward. Our policy is to promote from within. Ongoing training is provided throughout an employee's career in a number of ways, through on-the-job coaching, formal training courses and mentoring. We also sponsor a number of our people in studying for appropriate professional qualifications.

Communication
Emphasis is placed on effective communication regarding matters that may affect employees and the overall performance of the Group. Employee engagement is achieved through a variety of means, including regular briefings and team meetings.

Health and safety
Foxtons takes the health and safety of its employees very seriously with regular meetings chaired by the COO (Nic Budden) and reports back to the Board.

Human rights
This Report does not contain information about any policies of the Company in relation to human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Group's business activities.

End of year figures	Male	Female	Male %	Female %
Directors of parent company	6	1	86%	14%
Senior Managers (note 1)	88	29	75%	25%
All other	501	518	49%	51%
Total	**595**	**548**	**52%**	**48%**

Note 1: Senior managers are defined as direct reports of the CEO and COO plus sales managers and lettings managers.

Greenhouse gas emissions reporting

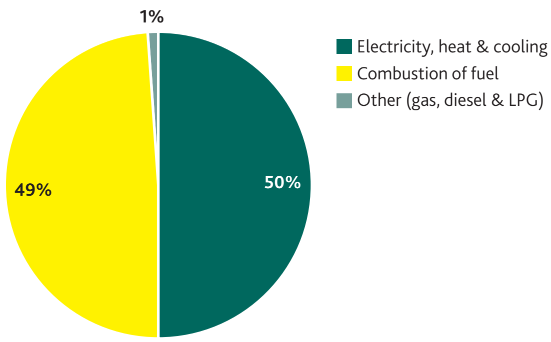
Being a service company our greenhouse gas emissions are minimal. Full disclosure is given below. We have targeted to reduce our emissions per employee by focusing on efficiencies in the Company. In particular, we aim to increase the efficiency of our car fleet which is a major element of our CO_2 emissions.

Foxtons Group plc emission data for period 1 January 2013 to 31 December 2013[1]

Emissions from	Tonnes of CO_2e
Combustion of fuel	2,564
Electricity, heat, steam and cooling purchased for own use	2,569
Other (gas, diesel & LPG)	37
Total footprint	**5,170**
Company's chosen intensity measurement:	
Emissions reported above per employee[2]	4.52

1 As this is the first year of Foxtons Group plc reporting on mandatory greenhouse gas emissions there is no year-on-year comparison.
2 This is based on the average number of employees at Foxtons Group plc for the year.

Total CO_2 by emission type



This is our first greenhouse gas (GHG) emissions report in line with UK mandatory reporting requirements, set out by the Department for Environment, Food and Rural Affairs (DEFRA). The mandatory requirement is for the disclosure of scope 1 and 2 emissions only. These are direct emissions such as heating, vehicle fuel and indirect emissions, for example purchased electricity.

Our total GHG footprint in line with DEFRA's mandatory reporting requirement is 5,170 tonnes CO_2e.

Working within our local communities

Foxtons reputation and role within the local communities we operate in is very important to us. Whether at Company or individual office level, we are actively involved in supporting local communities, schools and charities, as well as larger-scale projects such as sponsoring the annual Hounslow Borough Volunteering Awards, recognising the incredible work of volunteers in the area. We believe this type of engagement offers not only social benefits, but benefits to our people too within the areas they live and work.

The Strategic Report, from pages 1 to 19, has been reviewed and approved by the Board of Directors on 10 March 2014.

Michael Brown
Chief Executive Officer

10 March 2014

Governance


Foxtons

			
	Garry Watts	**Michael Brown**	**Gerard Nieslony**
	Non-Executive Chairman	**Chief Executive Officer**	**Chief Financial Officer**
Appointed to the Board	August 2013	September 2002	August 2013
Committee memberships	Remuneration, Nominations (Chair)	None	None

Garry Watts

Previous appointments: In 1996 Garry joined Medeva plc as Finance Director and in 2000, following a merger with Celltech Chiroscience, he was appointed as Director of Celltech Group plc and became CEO of its Celltech Medeva division. Garry joined SSL International plc in 2001 as Finance Director and was subsequently appointed as its CEO from 2004 to 2010. In addition to his executive roles, Garry was a non-executive member of the board, and chairman of the audit and risk committee, of the UK's Medicines and Healthcare Products Regulatory Agency from 1991 to 2008. Between 2004 and 2008, he was a non-executive director and chairman of the audit committee of Protherics plc.

External appointments: Garry is the Chairman of Spire Healthcare Group UK Limited and of BTG plc, Deputy Chairman of Stagecoach Group plc, and a Non-Executive Director and member of the audit committee of Coca-Cola Enterprises Inc.

Experience: Garry is a chartered accountant and a former partner at KPMG. During 2007 and 2008 he was a member of the Institute of Chartered Accountants' Corporate Governance Committee. Garry is a Fellow of the Institute of Chartered Accountants in England and Wales.

Michael Brown

Previous appointments: Michael started his career as a solicitor at Slaughter and May. Prior to joining Foxtons, Michael spent six years at Enron Europe as General Counsel and latterly as Chief Operating Officer. Michael is a former non-executive director of Fitness First Limited and Teesside Gas Processing Plant Limited.

External appointments: None

Experience: Michael Brown joined Foxtons in September 2002 as Chief Operating Officer of Foxtons and Chief Executive Officer of Alexander Hall. He was appointed as Chief Executive Officer of the Group in 2007 when BC European Capital acquired a majority interest in the Foxtons business.

Gerard Nieslony

Previous appointments: None

External appointments: None

Experience: Gerard Nieslony joined Foxtons in August 1999 as Group Financial Controller and was appointed as Chief Financial Officer in 2013. Prior to joining Foxtons, Gerard spent two years at Kvaerner Oilfield Products Limited as Financial Controller. Prior to Kvaerner Oilfield Products Limited, Gerard spent 10 years at Duracell Batteries, initially as an analyst and subsequently as Manufacturing Financial Manager and then Financial Controller of the Duracell European Technical Centre. Gerard is a qualified accountant and holds a degree in economics from the University of Warwick.

Annette Court

Senior Independent Non-Executive Director

August 2013

Audit, Remuneration, Nominations

Previous appointments: Between 2007 and 2010 Annette was the Chief Executive Officer of the European General Insurance division of the Zurich Financial Services group. Prior to this, from 2001 to 2006 she was Chief Executive Officer of the insurance division, and a member of the group executive management committee, of The Royal Bank of Scotland Group plc.

External appointments: She is a Non-Executive Director and a member of the risk and audit committees of Admiral Group plc and Jardine Lloyd Thompson Group plc and a Director of Skydox Ltd. In addition, she is a business mentor for Merryk & Co. Ltd and sits on the advisory board of StreetGames, a charity that helps disadvantaged young people.

Experience: Annette holds a degree in engineering from the University of Oxford.

Andrew Adcock

Independent Non-Executive Director

August 2013

Audit, Remuneration (Chair), Nominations

Previous appointments: Andrew was, until July 2011, managing partner of Brompton Asset Management and, until 2009, vice-chairman of Citigroup Corporate Finance. He was previously a partner at Lazard LLC.

External appointments: Andrew is Chairman of Majedie Investments plc and a Non-Executive Director of F&C Global Smaller Companies plc, JP Morgan European Growth and Income plc, Kleinwort Benson Group Limited and Kleinwort Benson Bank Limited. He is also a Director of the Courtauld Institute of Art and Chairman of The Samuel Courtauld Trust.

Experience: Andrew has over 30 years of experience in the City of London and holds an MA in law and history of art from the University of Cambridge.

Ian Barlow

Independent Non-Executive Director

August 2013

Audit (Chair), Remuneration, Nominations

Previous appointments: Ian is a past chairman of WSP Group plc. He retired from KPMG LLP in 2008 as Senior Partner, London.

External appointments: He is a Non-Executive Director of Smith & Nephew plc and The Brunner Investment Trust PLC and the lead Non-Executive Director of HM Revenue & Customs. He is also Chairman of The Racecourse Association Limited and a board member of the China-Britain Business Council.

Experience: Ian is a chartered accountant and a chartered tax adviser. He holds an MA in engineering science from the University of Cambridge.

Stefano Quadrio Curzio

Non-independent Non-Executive Director

June 2013 as a Non-Executive Director, prior to IPO on the Board since 2007.

None

Previous appointments: None

External appointments: Stefano joined BC Partners in 1996 as an investment executive and has been a director since 2004. He has served as an investor director of a number of portfolio companies of funds advised by BC Partners.

Experience: Stefano Quadrio Curzio has been involved with the Foxtons business since 2007 when BC European Capital acquired a majority interest. Prior to joining BC Partners, Stefano spent six years at the Boston Consulting Group in London. Stefano holds an MBA from Stanford University and a BA and MA in economics from the University of Cambridge.

Welcome to our first corporate governance report

Dear Shareholders

The Board places significant importance on Corporate Governance and all Directors are fully aware of their duties and responsibilities. Committees in place include Audit, Nominations and Remuneration as required by the UK Corporate Governance Code. The Committees are working effectively with further details included later in this report.

The Company implemented a robust governance structure ahead of admission to the London Stock Exchange in September 2013 to ensure compliance with the UK Corporate Governance Code.

The following are some key points:

- The Board consists of three independent Non-Executive Directors, one Non-Executive Chairman, one non-independent Non-Executive Director and two Executive Directors;
- Each Non-Executive Director has a proven track record in business at a high level and expertise of relevance to the Company;
- The interests of Foxtons Executive Directors as Shareholders are aligned closely with those of other Shareholders;
- The Board and its committee structure, as required for a listed company, have been effectively implemented in practice, with Board committees conducting their duties rigorously and thoroughly. The Non-Executives have provided critical challenge and support to the areas of the Group which they believe are of particular importance;
- We will review regularly and implement as necessary any developments in Corporate Governance best practice and seek to apply them appropriately to Foxtons; and
- The Remuneration Committee utilised Deloitte as remuneration advisers as they were best placed to offer advice prior to and shortly after the IPO. However, as Deloitte are also the Group's Auditor, new advisers will be engaged to provide advice going forward in order to ensure there can be no conflict of interest.

Fair, balanced and understandable

The Board recognises its duty to ensure 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 performance, strategy and business model of the Company.

The Board has placed reliance on the following to form this opinion:

- A verification process dealing with the factual content of the Reports and to ensure consistency across the various sections;
- A common understanding amongst senior management which ensures consistency and overall balance; and
- The Audit Committee reviewed the Annual Report and Accounts and its compliance with the new requirements and recommended their approval by the Board.

Garry Watts
Chairman, Foxtons Group plc

10 March 2014

Board governance

Overview
This Report sets out the Company's governance structure and how it complies with the UK Corporate Governance Code (the "Code"), published in September 2012 by the Financial Reporting Council and highlights areas of focus during the year. The Report also includes items required by the Disclosure and Transparency Rules. The Code is available on the Financial Reporting Council website at www.frc.org.uk.

The disclosures in this Report relate to our responsibilities for preparing the Annual Report (including compliance with the Code to the extent required), our report on the effectiveness of the Group's risk management and internal control systems, and the functioning of our committees.

Compliance with the Code
Since listing, the Company has complied with all the relevant provisions set out in the Code.

The Board
The Board comprises three independent Non-Executive Directors, one Non-Executive Chairman, one non-independent Non-Executive Director and two Executive Directors. A list of the Directors, with brief biographical details, is provided on pages 22 to 23. The Board is responsible for the effective oversight of the Company. It also agrees the strategic direction and governance structure that will help achieve the long-term success of the Company and deliver Shareholder value. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal control. The Board's full responsibilities are included in a schedule of matters reserved for the Board, as set out below and available on our website.

Chairman and Chief Executive Officer
Foxtons has established a clear division between the respective responsibilities of the Non-Executive Chairman of the Board and the Chief Executive Officer. The Non-Executive Chairman is Garry Watts who is responsible for leading the Board's discussions and decision-making. The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors in particular and ensuring constructive relations between Executive and Non-Executive Directors. The Chief Executive Officer is Michael Brown who, through delegation from the Board, is responsible for leading Foxtons operating performance and day-to-day management of the Group. This separation of responsibilities between the Chairman and the Chief Executive Officer, coupled with the schedule of reserved matters described below, ensures that no individual has unfettered powers of decision-making.

The matters reserved for the Board are:

- Agreeing the Group's strategy and objectives;
- Changes to the structure and capital of the Group;
- Approval of the Annual Report and Accounts, Interim Reports and Interim Management Statements;
- Approval of the Group's dividend policy and declaration of dividends;
- Reviewing the effectiveness of the Board;
- Reviewing the effectiveness of internal controls;
- Approving significant expenditure and material transactions and contracts;
- Ensuring a satisfactory dialogue with the Group's Shareholders;
- Appointment and removal of Directors;
- Determining the remuneration policy for the Executive Directors and the Chairman;
- Review of the Company's overall Corporate Governance arrangements;
- Delegation of authority to the Group Chief Executive; and
- Each year, the Board will meet to set annual objectives for the business in line with the current Group strategy. The Board will monitor the achievement of the Company's objectives through monthly Board reports which include updates from the Group Chief Executive (Group CEO), Chief Financial Officer (CFO) and other functions. The Board has a rolling agenda of items that regularly need to be considered by the Board and this agenda will be continually updated to include any topical matters that arise.

Senior Independent Director
The Senior Independent Director (SID) is Annette Court, who is available to Shareholders if they have concerns that cannot be addressed through normal channels. The SID also acts as an internal sounding board for the Chairman and serves as intermediary for the other Directors with the Chairman when necessary. Neither the Chairman nor the SID are employed as Executives of the Group.

Non-Executive Directors
The Company's Non-Executive Directors provide a broad range of skills and experience to the Board which assists both in their roles in formulating the Company's strategy and in providing constructive challenge to the Executive Directors. All of the Non-Executive Directors, except for Stefano Quadrio Curzio, are regarded by the Company as independent Non-Executive Directors within the meaning defined in the Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Stefano Quadrio Curzio is not considered independent due to his position in BC Partners and its relationship with the funds which, prior to IPO, controlled the Company, and now holds shares totalling approximately 22% of the total share capital. Under the terms of the Relationship Agreement, BC European Capital VIII (the BCP fund which indirectly controls Adnams BBPM Holdings' shareholding) has the right to nominate one person to be a Director of Foxtons Group plc for so long as the fund is interested in at least 15% of the Company's ordinary shares.

Board Committees

The Board delegates authority to its Committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The Board has established the following Committees: Audit, Nominations and Remuneration. A report from each Committee is set out on pages 28 to 42. Each Committee reports to, and has its terms of reference approved by, the Board and the minutes of Committee meetings are reviewed by the Board. The terms of reference are available at www.foxtonsgroup.co.uk

Board meetings

2013 was obviously an unusual year given that the Company was listed in September 2013 and for the remainder of the year the current Board held three meetings. In future the Board plans to have six meetings a year with additional ad hoc meetings as required. The Board and its Committees have standing agenda items to cover their proposed business at their scheduled meetings which, in the Board's case, includes a review of the latest financial position and current trading and an analysis of the work being undertaken by its Committees. The Chairman seeks to ensure that the very significant work of the Committees feeds into, and is influenced by the full Board. Most Board meetings also benefit from a presentation by the head of a division and technical and investor relations updates. The Chairman will hold meetings with the Non-Executive Directors without the Executive Directors present, and at least once a year the Senior Independent Director will chair a meeting of the Non-Executive Directors without the Chairman present to discuss the performance of the Chairman.

Attendance from listing to 31 December 2013 for all scheduled Board and Board Committee meetings is given in the table below:

Board/Committee:	Board[1]	Audit	Nominations	Remuneration
Number of meetings held	**3**	**2**	**1**	**1**
Garry Watts	3		1	1
Michael Brown	3			
Gerard Nieslony	3			
Stefano Quadrio Curzio	3			
Ian Barlow	2	2	1	1
Annette Court	3	2	1	1
Andrew Adcock	2	1	1	1

1 Excludes meetings held in relation to the IPO.

Appointment and election of Directors

The Board considers all Directors are effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, all members of the Board will be offering themselves for election at the Company's first Annual General Meeting to be held on Wednesday 21 May 2014.

All of the Directors have service agreements or letters of appointment and the details of their terms are set out in the Remuneration Report. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year other than the relationship agreement mentioned on page 26. Under the relationship agreement BC European Capital VIII has the right to nominate one person to the Board of Foxtons Group plc for so long as its shareholding is at least 15% of the Company's ordinary shares.

Information and professional development

It is considered of great importance that the Non-Executive Directors:

(1) Attain good knowledge of the Company and its business; and

(2) Allocate sufficient time to discharge their responsibilities to Foxtons effectively.

New Directors receive a full, formal and tailored induction on joining the Board, including 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, and regularly meet the heads of the Group's main departments. As well as internal briefings, Directors will attend appropriate external seminars and briefings.

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

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Directors. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances.

Board evaluation and effectiveness

As the Board has only been in existence for a short period of time an evaluation of performance has not been undertaken. The first full evaluation is scheduled for 2014 and will be annual thereafter.

Remuneration

Remuneration is covered in the Remuneration Report on pages 31 to 42 which includes a description of the work of the Remuneration Committee.

Accountability and audit

Financial reporting

The Group has in place a comprehensive financial review cycle, which includes a detailed annual budgeting process where budgets are prepared for approval by the Board. The Group uses a number of KPIs to measure both operational and financial activity within the business. Depending on the measure, these are reported and reviewed on a weekly or monthly basis. In addition, management receives a weekly and monthly pack of 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. A re-forecast of the current year numbers is carried out quarterly. Management monitors the publication of new reporting standards.

Internal control and risk management

The Board has responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard Shareholders' investments and the Group's assets and for reviewing the effectiveness of this system. As part of preparing for operating in a listed environment, a review of the existing controls in place was performed and additional controls were implemented to ensure compliance with the UK Corporate Governance Code. The Directors confirm that these processes have been in place since the date of listing and up to the date of approval of the Annual Report and Accounts. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. Key elements are:

- A system for planning, reporting and reviewing performance as described above;
- The Group has established processes for the identification, review and mitigation of risks that are reviewed regularly by the Executive team. These have been reviewed by the Audit Committee including the Group's compliance programmes which support these and reflect the Group's commitment to conduct its business responsibly and in accordance with all relevant laws and regulations. The Board has reviewed the Company's strategic risks arising from the processes described; and
- The Group has in place comprehensive financial controls which are well established and documented. On the basis of the above and following the guidance in "Internal Control: Guidance to Directors" per the Turnbull Report, the Board, advised by the Audit Committee, has concluded that the systems of internal control are effective.

The Board, having reviewed the effectiveness of the system of internal control, can confirm that necessary actions have been taken to remedy any significant failings or weaknesses identified.

Whistle blowing

Through initial induction and ongoing training the Group encourages staff to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise. A more formal whistle blowing system is being implemented.

Relations with Shareholders

Responsibility for Shareholder relations rests with the Chairman, Chief Executive and Head of Investor Relations. They ensure that there is effective communication with Shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major Shareholders.

The Board aims to present a balanced and clear view of the Group in communications with Shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important. We intend to communicate with Shareholders in a number of different ways. The formal reporting of our full and half year results will be a combination of presentations, group calls and one-to-one meetings. The full and half-year reporting will be followed by investor meetings in a variety of locations where we have institutional Shareholders. We will also regularly meet with existing and prospective Shareholders to update them on our latest performance or to introduce them to the Company and periodically arrange a visit to the business to give analysts and major Shareholders a better understanding of how we manage our business. These visits and meetings are principally undertaken by the CEO, COO, CFO and Head of Investor Relations with any relevant material being uploaded to the corporate website so being available to all Shareholders.

The Board intends to receive regular updates on the views of its Shareholders from the Head of Investor Relations and its brokers, which will be a standing agenda item for all Board meetings. In addition, the Senior Independent Director is available to meet Shareholders if they wish to raise issues separately from the arrangements as described above.

Annual General Meeting

The Company's first AGM since listing will be held at 10 am on 21 May 2014 at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Full details of the meeting are set out in the Notice of Annual General Meeting sent with this Report. All Shareholders have the opportunity to attend and vote at the AGM and those Shareholders unable to attend are encouraged to vote using the proxy card enclosed with this Report, or electronically, by following the instructions set out in the Notice of Meeting. All documents relating to the AGM are available on the Company's website at: www.foxtonsgroup.co.uk.

The AGM is the Company's principal forum for communication with private Shareholders. In addition to the formal business, there will be a presentation by the CEO, COO and CFO on the performance of the Company and its future development. The Chairman of the Board and the Chairman of the Committees, together with the Executive Directors, will be available to answer Shareholders' questions at the AGM.

Nominations Committee

Chairman: Garry Watts

Other members: Ian Barlow, Andrew Adcock, Annette Court

Biographies are detailed on pages 22 and 23.

Welcome to the Company's first Nominations Committee Report.

All of the members of the Committee are Non-Executive Directors.

The Committee met once during the year with attendance disclosed on page 26.

Roles and responsibilities

The main responsibilities of the Committee are to assist the Board with succession planning and with the selection process for the appointment of new Directors, both Executive and Non-Executive, including the Chairman, and to have oversight of senior management succession planning.

This involves:

- Evaluating the balance and skills, knowledge and experience on the Board and identifying the capabilities required for a particular appointment;
- Overseeing the search process; and
- Evaluating an annual succession planning report from the CEO in relation to senior management.

The full terms of reference of the Committee are available on our website at www.foxtonsgroup.co.uk.

The Group's policy on diversity is detailed within our Corporate Social Responsibility report on page 18.

Main activities

During the short period since IPO, the Committee had one meeting with the principal work being to review its terms of reference and set out an agenda for 2014.

G Watts

Garry Watts
Chairman of the Nominations Committee

10 March 2014

Audit Committee

Chairman: Ian Barlow

Other members: Annette Court, Andrew Adcock

Biographies are detailed on pages 22 and 23.

Welcome to the Company's first Audit Committee Report.

All members of the Committee were appointed in August 2013. Each member is an independent Director and deemed to be financially literate by virtue of their business experience with the Chairman, Ian Barlow, being a chartered accountant and chartered tax adviser. The Committee met twice during the year with attendance disclosed on page 26.

Role and responsibilities
The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of the Shareholders with regard to the integrity of the financial reporting, audit, risk management and internal controls. This comprises:

Financial reporting
- Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements; and
- Receiving the annual and half yearly financial statements and any public financial announcements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable.

External audit
- Approving the appointment and nominating the reappointment of the external Auditor and their terms of engagement and fees;
- Considering the scope of work to be undertaken by the external Auditor and reviewing the results of that work;
- Reviewing and monitoring the independence of the external Auditor and approving their provision of non-audit services; and
- Reviewing the effectiveness of the external Auditor.

Internal controls
- Ensuring compliance with the UK Corporate Governance Code;
- Reviewing whether the Company should have an internal audit function; and
- Overseeing the Group's procedures for detecting fraud.

Risk management
- Monitoring the effectiveness of the risk management systems and processes; and
- Assessing and advising the Board on the internal financial, operational and compliance controls.

Governance processes
The Audit Committee usually invites the full Board, plus the COO and the external Auditor, to attend each meeting. Other members of management attend as and when requested. The Committee held a private session with the external Auditor without members of management being present at the February 2014 meeting.

Main activities
During 2013, in the short period since IPO, the Committee had two meetings, with the principal work being:

- Adopting the Committee's terms of reference; these are set out on our website at: foxtonsgroup.co.uk;
- Reviewing drafts of the 2013 Annual Report and Accounts;
- Reviewing the quarter 3 Interim Management Statement;
- Reviewing the Group's accounting policies and key accounting judgements with particular focus on:
  - Accounting for intangibles and the annual impairment review, where there is very significant headroom;
  - Revenue recognition including the deferred lettings provision for which policy and practice is considered appropriate and is unchanged from previous periods; and
  - Capitalisation of expenditure principally on new branches where the policy is unchanged as set out in the accounting policy notes to the accounts.
- Reviewing the need for an internal audit function, concluding that this is not presently required because of the simplicity of the Group's centralised business model combined with existing assurance activity in the key control areas. This will be reviewed annually;
- Agreeing the Audit Committee rolling agenda for 2014;
- Agreeing the policy for approval of non-audit services provided by the external Auditor – details are on our website: www.foxtonsgroup.co.uk;
- Considering the risk assessment, mitigation actions and assurance activities produced by management;
- Receiving a report on the IT function and how its risks are managed with particular focus on IT security; and
- Reviewing and approving the external audit plan.

In February 2014, the Committee had one further meeting which covered the following:

- Reviewing the Annual Report and Accounts for 2013 and recommending to the Board their adoption as 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 are factually correct;
- Receiving the external Auditor's Report to the Audit Committee;
- Reviewing the effectiveness and recommending the reappointment of the external Auditor; and
- Reviewing the effectiveness of the whistle blowing policy (see pages 17 and 27).

External Auditor

The external Auditor, Deloitte LLP, has audited the accounts of the Group since 2009 under the same partner, Richard Muschamp. No tender has been conducted since their appointment. As a FTSE 250 group, we will comply with the new provisions being introduced by Order of the Competition Commission requiring an audit tender at least every 10 years and our approach to this will be considered during 2014. There are no contractual obligations on the Company which restrict the choice of Auditor.

As noted, we reviewed the effectiveness of the external Auditor. We did this by:

- Reviewing their proposed plan for the 2013 audit;
- Discussing the results of their audit including their views on material accounting issues and key judgements and estimates and their audit report;
- Considering the robustness of the audit process;
- Reviewing the quality of people and service provided by Deloitte; and
- Confirming their independence and objectivity.

We concluded that we were satisfied with their performance and independence and recommended their reappointment.

Non-audit services

Total non-audit services provided by Deloitte LLP for the year ended 31 December 2013 were £1.1 million (2012: £0.1 million). Clearly 2013 was an unusual year due to the involvement of Deloitte in the IPO process (IPO fees: £0.9 million).

The details of our policy are set out on our website www.foxtonsgroup.co.uk. In brief, there are certain services termed "excluded services" that are not permitted to be provided by the external Auditor. Excluded services refers to the situation where the Auditor could audit their own work or work to which they have contributed. All other non-audit services provided by the external Auditor are subject to prior approval by the Audit Committee. The Audit Committee approves in advance an annual budget for tax compliance services and will delegate authority. The Committee also delegates authority to the Chief Financial Officer for engagements, other than excluded services, that individually do not exceed £50,000 and cumulatively for the year will not exceed £100,000. Any engagement where the fee is contingent must always be approved in advance by the Audit Committee.

Annual evaluation of the Audit Committee's performance

As the Audit Committee has only been in existence for a short period of time, an evaluation of performance has not been undertaken. The first full evaluation is scheduled for 2014 and will be annually thereafter.

Ian Barlow

Ian Barlow
Chairman of the Audit Committee

10 March 2014

Annual statement from the Remuneration Committee Chairman

On behalf of the Board, I am pleased to present our first Remuneration Report since listing in September 2013, which has been prepared in accordance with the relevant provisions of the Listing Rules, section 421 of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). This Report is set out in two parts:

- **Policy Report** – This sets out our Remuneration Policy for all Directors of the Group and will be subject to a binding Shareholder vote at our 2014 AGM.
- **Annual Report on Remuneration** – This sets out how our Directors were paid in 2013 and how we will apply our Policy in 2014. There will be an advisory Shareholder vote on this section of the Report at the 2014 AGM.

Our approach to remuneration

In the second half of 2013, we undertook a full review of our remuneration framework to ensure that, post listing, it was aligned with best practice while continuing to attract and secure the right people. The result is a framework which delivers market competitive packages that are aligned with the interests of our Shareholders.

For the avoidance of doubt, as a Committee, we are mindful of the need to pay no more than is necessary to attract and retain high-quality talent and have kept the remuneration framework simple and transparent to ensure full alignment with our business operating model. A significant portion of the remuneration packages for our Executive Directors is linked to the medium and long-term performance of the Group and incorporates our key performance indicators including earnings performance, organic expansion and a sustainable increase in Shareholder value.

Remuneration decisions in respect of 2013

No bonus or LTIP arrangements were put in place for the 2013 financial year due to the uncertainty created by the IPO process. As a result, total remuneration paid to the Executives Directors in 2013 was £0.8 million lower than in 2012. 2014 will therefore be the first year the new arrangements set out on page 39 apply.

Remuneration decisions for 2014

On IPO, the CEO's basic salary was reduced from £650k to £420k as part of the restructuring of his remuneration package to bring it more in line with typical listed practice. In keeping with that philosophy, we are proposing that his salary will be increased in line with inflation by 2.7% to £431,340 for 2014.

Prior to IPO, the CFO's package was very heavily focused on variable pay. However, following our remuneration review the Committee determined that his package should be re-balanced to bring it more in line with typical listed practice. This process began by increasing his salary from £110k to £200k on listing. We completed this process by further increasing his salary to £275k from 1 January 2014, thus bringing his total package in line with the market.

The report that follows gives full details of all aspects of Directors' remuneration in line with latest guidance and requirements. In summary, the Chairman will receive fees at an annualised rate of £175,000. The CEO will receive an annualised salary of £431,340 and the CFO will receive an annualised salary of £275,000. No performance related payments were made or awards granted in respect of 2013.

At our forthcoming AGM, we will be seeking Shareholder approval for a below Board long-term share plan. Individuals who are key to the success of Foxtons will be invited to participate in this plan on a periodic basis. No Executive Director will participate in this plan.

Looking to the future

Our new remuneration framework ensures that we are now well placed to incentivise and motivate our Executive Directors to achieve the business objectives of the Group and thereby to continue our strong performance since listing.

We value all feedback from Shareholders and hope to receive your support at the forthcoming AGM.

Andrew Adcock

Andrew Adcock
Chairman of the Remuneration Committee

10 March 2014

Policy Report (non-audited)

This Remuneration Policy will come into legal effect from 21 May 2014 subject to Shareholder approval at the 2014 AGM, although in practice the Policy has been applied since 1 January 2014.

Policy table for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum	Performance framework

Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver Foxtons strategy.	• Fixed cash amount paid monthly.
		• A number of factors are taken into account when setting salary, including:
		  • Scope and responsibilities of role;
		  • Skills, experience and circumstances of individual;
		  • Appropriate market data; and
		  • Pay and conditions elsewhere in Foxtons.
		• Salary levels are typically reviewed on an annual basis.
			• Although the Committee does not consider it appropriate to set a defined maximum limit on pay increases, the intention is that ordinarily the Executive Directors' increases will be in line with those given to our employees whose pay is non-commission based.
			• Increases may be made above this in certain circumstances, including:
			  • Progression within the role;
			  • Increase in scope and responsibility of the role; and
			  • Increase in experience where an individual has been recruited on a lower salary initially.
				N/A

Benefits	To provide Executive Directors with market competitive benefits consistent with the role.	• Various cash/non-cash benefits are provided to Executive Directors which may include a company car (or cash equivalent), life assurance, private medical insurance, health club membership and other benefits as appropriate. • Executive Directors would also be able to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the Company.	• Although the Committee does not consider it appropriate to set a maximum benefits level, they are set at an appropriate level for the specific nature of the role.	N/A

Policy table for Executive Directors (continued)

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Retirement benefits	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	• Pension contributions are made to a personal pension scheme or cash allowances in lieu of contributions paid.	• 20% of base salary.	N/A
Annual bonus	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.	• Payments are typically made in cash based on annual performance against targets set and assessed by the Committee. The Committee may determine that an element of the bonus is deferred into shares. • All payments are at the discretion of the Committee who can therefore adjust them to ensure payouts are reflective of performance.	• Usual maximum of 125% of base salary. • Absolute maximum of 150% of base salary provided for in plan rules.	• Performance measures are determined with reference to Foxtons key strategic business objectives for the year. • No less than 50% of the bonus will be dependent on financial measures and the remainder will be based on non-financial measures that are aligned to the strategic priorities of the business. • At threshold performance, 25% of the maximum pays out. Below this level of performance, no bonus pays out.

LTIP	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives over the longer term.	• Usually a contingent award of shares or grant of nil cost options is made annually.
		• Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period.
		• In certain circumstances such as an individual engaging in misconduct or a material misstatement of results, the Committee has discretion to:
		  • Reduce or cancel unvested awards;
		  • Delay vesting;
		  • Impose additional conditions; and
		  • Amend performance conditions.
			• Usual maximum of 150% of base salary.
			• Absolute maximum of 200% of base salary provided for in plan rules.
				• At least 50% of the LTIP will be based on financial measures with the remainder based on share price related measures.
				• For threshold levels of performance, 25% of the award will vest. Below this level of performance, the award will not vest. 100% of the award will vest for maximum performance. Vesting between these points will be on a straight-line basis.

Discretion

The Committee reserves the right to make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) that are not in line with the Policy set out above where the terms of the payment were agreed:

(i) before the Policy came into effect; or

(ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

For these purposes "payments" includes the Committee satisfying awards of variable remuneration and an award over shares is "agreed" at the time the award is granted.

The Committee will operate the annual bonus and LTIP in accordance with the relevant plan rules. The Committee retains discretion as to the operation and administration of these plans as follows:

Annual bonus

- The Committee may settle an award in shares; and
- The Committee may amend the performance targets applying to an award in exceptional circumstances if the new performance targets are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance targets.

LTIP

- The Committee may settle an award in cash;
- The Committee may amend the performance conditions applying to an award in exceptional circumstances if the new performance conditions are considered fair and reasonable and are neither materially more nor materially less challenging than the original performance conditions; and
- In the event of a variation of share capital, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award, the Committee may adjust the number of shares or the option price.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major Shareholders.

Takeover or other corporate event

For LTIP awards, on a takeover or other corporate event, generally the performance period will end on the date of the event. The Committee will determine the extent to which performance conditions have been achieved at this point taking into account relevant factors given the shortened period. Such early vesting would generally be on a time pro-rata basis.

Alternatively, in certain circumstances the Committee may allow awards to continue in line with the original terms of the LTIP.

The Committee has the discretion to take other action as appropriate if other events occur which may have an effect on awards.

In the event that all-employee plans are operated, they would be expected to vest on a takeover or other corporate event and those which have to meet requirements to benefit from tax benefits would vest in accordance with those requirements.

Minor changes

The Committee may make minor amendments to the Policy set out above (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining Shareholder approval for that amendment.

Performance measures and target setting

The annual bonus is based on both financial and non-financial performance measures which are aligned with Foxtons annual strategic plan.

The LTIP is based on a combination of financial and share price measures chosen to motivate and reward Directors for the successful achievement of long-term sustainable performance and to ensure maximum alignment with Shareholders.

Targets for both incentive plans are set on an annual basis by the Committee and take into account a number of internal and external reference points including historic performance, internal expectations and broker forecasts.

Policy table for Chairman and Non-Executive Directors

Purpose and link to strategy	Operation	Other items

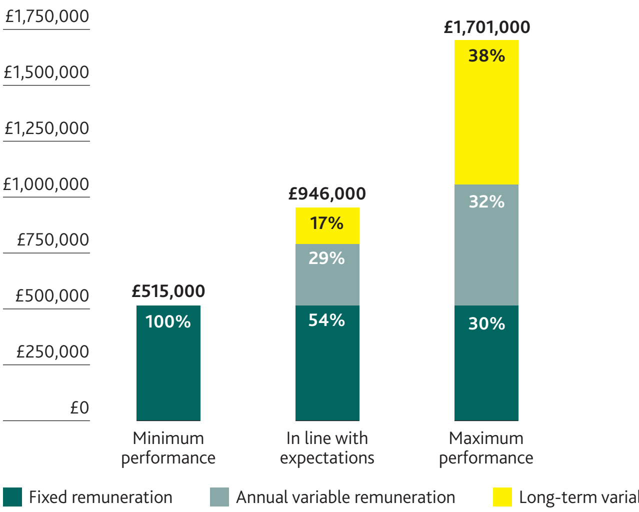
To enable Foxtons to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	• The Chairman is paid an all-inclusive fee for all Board responsibilities.
	• Non-Executive Directors receive a basic Board fee.
	• Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a Committee.
	• The Committee reviews the fees paid to the Chairman and the Board reviews the fees paid to Non-Executive Directors, periodically. The Committee or the Board (as the case may be) may increase the fees, and any such increases will take into account factors including:
	  • Scope and responsibility of the role; and
	  • Appropriate market data.
	• No Director plays a role in determining their own remuneration.
		• The fees set out in this table are the sole element of Chairman and Non-Executive Director remuneration.

The Committee does not consider it appropriate to set a maximum limit on increases in the fees of the Chairman and Non-Executive Directors. However, the fees have been and will be set within the aggregate limits set out in the Company's Articles of Association as approved by Shareholders.

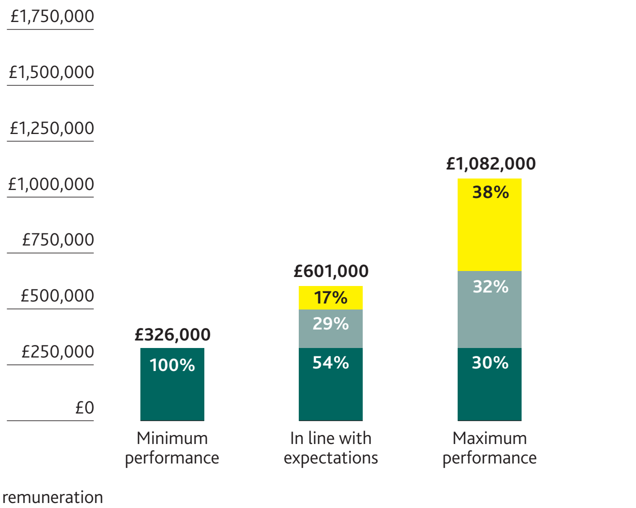
Illustrations of Remuneration Policy

The charts below illustrate the application of the Remuneration Policy set out in the Policy table for the Executive Directors.

CEO



CFO



The assumptions used for these charts are as follows:

Levels of performance		Assumptions
Fixed pay	All scenarios	• Total fixed pay comprises base salary, benefits and pension. • Base salary – effective as at 1 January 2014. • Benefits – effective as at 1 January 2014. • 15% of base salary pension contributions.
Variable pay	Minimum performance	• No payout under the annual bonus. • No vesting under the LTIP.
	Performance in line with expectations	• 50% of the maximum potential payout under the annual bonus (i.e. 62.5% of salary). • 25% vesting under the LTIP (i.e. 37.5% of salary).
	Maximum performance	• 100% of the maximum potential payout under the annual bonus (i.e. 125% of salary). • 100% vesting under the LTIP (i.e. 150% of salary).

LTIP awards have been shown at face value with no share price growth, dividends or discount rate assumptions.

Approach to remuneration on recruitment

Overarching principle

In order to maintain Foxtons competitive advantage, it is important that we are able to recruit Directors of the calibre required to successfully deliver our strategic priorities.

Recruitment of Executive Directors

When determining the remuneration arrangements of a new appointment to the Board (including internal promotions), the Committee would seek to apply the following principles:

- Although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent;
- The remuneration package of a new Executive Director will be consistent with the Policy table set out above. However, at recruitment, the Committee would retain the discretion to flex the balance between annual and long-term incentives and the measures used to assess performance for these elements, with the intention that a significant portion would be delivered in shares;
- The maximum level of variable remuneration is 350% of salary (excluding buy outs), in line with the Policy as set out in the table above;
- It may be necessary to "buy out" remuneration arrangements forfeited on leaving a previous employer on appointment. Such payments or awards could include cash as well as performance and non-performance related share awards, and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be equivalent to the value forfeited;
- An Executive Director may initially be hired on a contract requiring 24 months' notice which then reduces pro-rata over the course of the first year of the contract, to requiring 12 months' notice;
- Appropriate relocation costs and support may be provided as appropriate; and
- Where an Executive Director is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following Foxtons acquisition of or merger with another company, legacy terms and conditions would be honoured.

The Committee retains discretion to make appropriate remuneration decisions outside the standard Policy to meet the individual circumstances of recruitment when:

- An interim appointment is made to fill an Executive Director role on a short-term basis; and
- Exceptional circumstances require that the Chairman or a Non-Executive Director takes on an executive function on a short-term basis.

Recruitment of Chairman and Non-Executive Directors

On the appointment of a new Chairman or Non-Executive Director, the fee will normally be consistent with the Policy set out above. Where specific cash or share arrangements are delivered to the Chairman or Non-Executives, these will not include share options or any other performance related elements.

Service contracts

The current service contracts of the CEO and CFO can be terminated by not less than 12 months' and six months' notice respectively given in writing by either party to the contract.

The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of 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.

Policy on payment for loss of office

Where an Executive Director leaves employment, the Committee's approach to determining any payment for loss of office will normally be based on the following principles:

- The Committee's objective is to find an outcome which is in the best interests of both Foxtons and its Shareholders while taking into account the specific circumstances of cessation of employment;
- The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations (i) not being in contradiction with the Policy set out in this Report, or (ii) if so, not having been entered into on a date later than 27 June 2012, in accordance with the relevant legislation; and
- Other than in circumstances where the Company is entitled to terminate employment summarily, if the employment of an Executive Director is terminated with immediate effect, a payment in lieu of notice may be made which would not exceed 12 months' base salary for the current CEO and six months' base salary for the current CFO. This payment may be subject to mitigation if alternative employment is taken up during this period.

The treatment of outstanding incentive awards will be governed by the relevant plan rules as set out in the table below:

Plan	Automatic Good Leaver categories	Treatment for Good Leavers	Treatment for all other reasons for leaving
Annual bonus	• Death • Ill-health, injury or disability • Employing company being transferred to a person which is not a Group member • Transfer of undertaking • Any other reason, except summary dismissal, as the Committee determines	• The participant will normally retain their entitlement to the bonus to the extent that the performance targets have been met. • Bonuses will normally be subject to time pro-rating to reflect the period in employment, although the Committee has the discretion to vary this. • The Committee may determine that the bonus payment is calculated and made, at their discretion, at cessation instead of at the end of the performance period.	• All other leavers will forfeit their entitlement to an annual bonus payment.
LTIP	• Death • Ill-health, injury or disability • Employing company being transferred to a person which is not a Group member • Transfer of undertaking • Any other reason, except gross misconduct, as the Committee determines	• Awards will normally vest on a time-apportioned basis taking into account the achievement of the relevant performance conditions at the vesting date. • The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. • On death, the Committee may exercise discretion to allow awards to vest, as soon as practicable, taking into account performance achieved. • On vesting, shares will be transferred to the participant as soon as practicable. For options, participants will have up to six months from the date of vesting to exercise their awards.	• Awards will normally lapse in full (unless otherwise determined by the Committee).

In the event that a buyout award is made on recruitment, the leaver provisions would be determined at the time of the award.

Differences in remuneration policy for Executive Directors compared with other employees
As for our Executive Directors, the remuneration for the majority of our employees is weighted towards variable pay. However, unlike our Executive Directors, where their variable pay is linked to a mixture of short- and long-term Group wide performance measures, the majority of our employees' remuneration is linked to individual / team performance measured over the shorter term. This is consistent with their focus on the selling and letting of properties within particular geographical areas. Selected individuals may be chosen to participate in a below Board long-term share plan as and when appropriate. No Executive Director will participate in this plan.

Consideration of employment conditions elsewhere in Foxtons
Although pay and employment conditions elsewhere in the Company are taken into account to ensure the relationship between the pay of Executive Directors and employees remains appropriate, the Committee does not consult with employees when formulating the Remuneration Policy set out in this Report.

Consideration of Shareholder views
The Committee takes an active interest in Shareholder views and these help shape the structure of the Directors' remuneration arrangements at Foxtons. The Committee also monitors published Shareholder guidelines and will incorporate further best practice features as appropriate.

Annual report on remuneration

Foxtons Group plc listed on the London Stock Exchange on 20 September 2013. As such, there are a number of disclosures for which we are only required to report "part-year" figures. However, given the introduction of the new remuneration disclosure regulations, and the spirit of transparency that they are trying to achieve, we have set out full-year numbers wherever possible.

We are committed to maintaining an open and transparent dialogue with our Shareholders and hope that the level of disclosure we have provided this year will ensure that decisions made on remuneration are fully explained, thereby helping us to build a positive relationship with our Shareholders.

Implementation for 2014 (non-audited)

Base salary

As explained in the Remuneration Committee Chairman's statement set out above, prior to IPO we reviewed the salaries of our Executive Directors against other companies comparable to Foxtons. The results of that review are set out below.

	2013 salary*	2014 salary
Michael Brown	£420,000	£431,340
Gerard Nieslony	£200,000	£275,000

* From September 2013. Prior to this date Michael Brown's basic salary was £650,000 and Gerard Nieslony's was £110,000.

Benefits

For 2014, Executive Directors will be provided with a company car (or cash equivalent), health club, life assurance and private medical insurance.

Annual bonus

In recent years, Foxtons business model has generated high levels of revenue growth and profitability. Through our focus on higher-volume, higher-value markets combined with the real competitive advantage that our business model provides we will continue to strive to achieve high levels of profitability. For this reason, Adjusted EBITDA is an important measure of annual performance.

The remainder of the bonus will be based on non-financial targets which will be aligned to the key strategic priorities of Foxtons for that year. These may change from year to year to respond to the dynamic market in which we operate.

We have a proven track record of expansion. Consequently, opening new branches will create significant opportunities for the Group. For 2014, the opening of new branches on time and within budget is key to the successful delivery of our ambitious growth plan and so has been included as an important component of the annual bonus.

For 2014, 80% of the bonus opportunity will be dependent on Foxtons annual Adjusted EBITDA performance compared to our internal plan. The non-financial element, representing the remaining 20% of the total bonus, will be dependent on the planned number of new branches opening on time and to budget during the year.

Shareholders will recognise that we operate in a very competitive market and so we will not be disclosing prospective bonus performance targets for reasons of commercial sensitivity. We will, however, provide a full retrospective rationale each year of why bonuses were paid to ensure that Shareholders can clearly identify the close link between pay and performance at the Group.

LTIP

To ensure a focus on the longer-term performance of Foxtons, we will be making LTIP awards for the first time in 2014. We have given careful consideration to the appropriate measures by which to assess performance while being mindful that we need to align our Executive Directors as closely as possible with the Shareholder experience.

For 2014, 70% of the LTIP will be based on Earnings Per Share (EPS) performance. We believe that this is an important measure of the Group's financial performance and so will incentivise Executive Directors towards the sustainable long-term growth of the business.

Following careful consideration to ensure that this element of the award is sufficiently stretching to incentivise superior performance, the Committee has set the targets as follows for 2014:

	Basic EPS growth required over the three-year performance period
Threshold (25% vesting)	19%
Maximum (100% vesting)	44%

There will be straight-line vesting between these performance points.

The remaining 30% of the 2014 award will be based on relative Total Shareholder Return performance against the FTSE 250 (excluding financial services and oil & gas companies). We have chosen TSR as a measure as we believe that this is aligned to Shareholder value creation and is a very transparent measure.

The relative TSR targets for 2014 will be as follows:

	Relative TSR performance against the comparator group over the three-year performance period
Threshold (25% vesting)	Median
Maximum (100% vesting)	Upper quartile

There will be straight-line vesting between these performance points.

Pension

For 2014, contributions of 15% of salary will be made to the Executive Directors' personal pension schemes. Alternatively, a cash allowance equal to this value may be paid.

Non-Executive Director fees

For 2014, the fees for the Chairman and Non-Executive Directors will be as follows:

Chairman of Company	£175,000
Basic fee for other Non-Executive Directors	£60,000

Single total figure of remuneration (audited)

The tables below set out the total remuneration for the Directors for 2012 and 2013. The figures disclosed for the Non-Executive Directors are only in respect of their services since appointment on 23 August 2013.

£'000	2013 Salary and fees	Benefits	Bonus	LTIP	Pension	Payments in lieu of pension	Other[1]	Total
Executive								
Michael Brown	**589**	**19**	**–**	**–**	**–**	**16**	**–**	**624**
Gerard Nieslony	**134**	**7**	**–**	**–**	**9**	**–**	**–**	**150**
Non-Executive								
Garry Watts	**62**	**–**	**–**	**–**	**–**	**–**	**25**	**87**
Ian Barlow	**21**	**–**	**–**	**–**	**–**	**–**	**25**	**46**
Annette Court	**21**	**–**	**–**	**–**	**–**	**–**	**25**	**46**
Andrew Adcock	**21**	**–**	**–**	**–**	**–**	**–**	**25**	**46**
Stefano Quadrio Curzio	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
FA Corp Sarl	**15**	**–**	**–**	**–**	**–**	**–**	**–**	**15**
Total	**863**	**26**	**–**	**–**	**9**	**16**	**100**	**1,014**

£'000	2012 Salary and fees	Benefits	Bonus	LTIP	Pension	Total
Executive						
Michael Brown	650	18	660	–	–	1,328
Gerard Nieslony	110	6	107	–	1	224
Non-Executive						
Garry Watts	–	–	–	–	–	–
Ian Barlow	–	–	–	–	–	–
Annette Court	–	–	–	–	–	–
Andrew Adcock	–	–	–	–	–	–
Stefano Quadrio Curzio	–	–	–	–	–	–
FA Corp Sarl	56	–	–	–	–	56
Yagnish Chotai	14	–	–	–	–	14
Matthew Turner	9	–	–	–	–	9
Total	839	24	767	–	1	1,631

Notes to the table

The benefits paid in respect of 2012 and 2013 related to the provision of a car for Michael Brown and a car allowance for Gerard Nieslony.

The 2012 bonus was paid under the provisions of the "Debt Repayment Incentive Scheme" which is no longer in existence. Under this scheme management were paid a bonus based on early repayments of the debt which existed in the Company at the time.

No bonus or LTIP payments were made in respect of 2013. 2014 will be the first year of operation for the annual bonus and LTIP described on page 39.

1 On listing, the Non-Executive Directors and Chairman agreed to acquire shares from their own funds. Foxtons agreed to partially match their investments by issuing additional shares to them at a subscription price of £0.01 per share. Accordingly 10,869 shares each were issued to Garry Watts, Annette Court, Andrew Adcock and Ian Barlow.

Statement of Directors' shareholding and share interests (audited)

We strongly believe that Directors should have sizeable shareholdings in Foxtons to ensure that they are as closely aligned as possible with the Shareholder experience. As such, Executive Directors are required to hold Foxtons shares equal to two times their gross base salary.

Since no share awards had been granted to Executive Directors as at 31 December 2013, at that date they held no shares that were subject to continued employment or performance conditions.

The tables below show the Directors' current share ownership as against the guidelines as at 31 December 2013:

	Shareholding guideline (% of basic salary)	Actual share ownership (number of shares)	Actual share ownership (% of base salary)*
Michael Brown	**200%**	**22,730,022**	**12120%**
Gerard Nieslony	**200%**	**666,512**	**557%**

* The shareholding as a percentage of basic salary has been calculated based on the share price at listing of £2.30 per share.

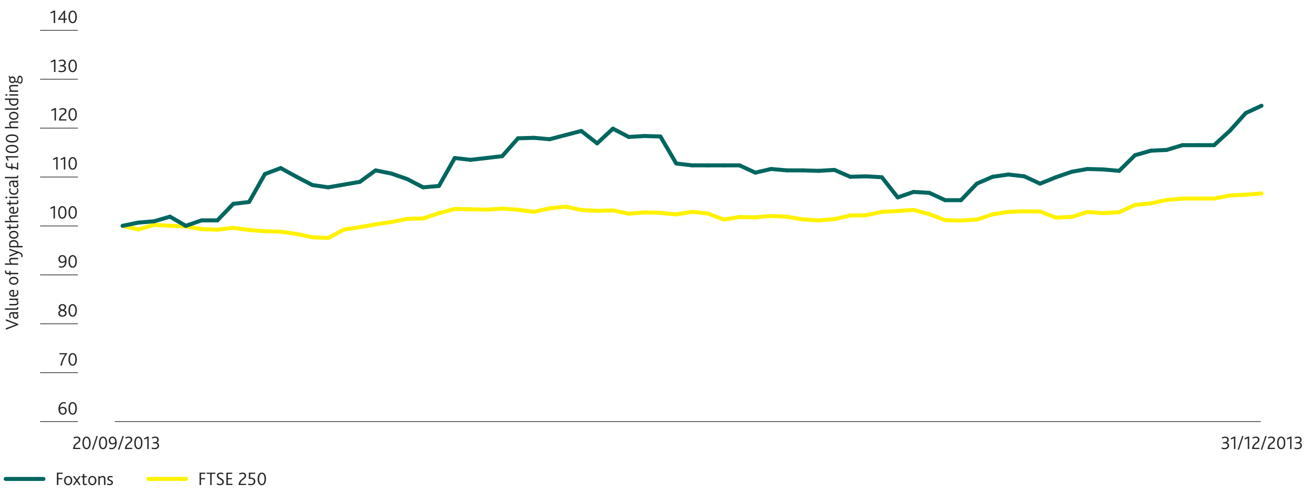
The table below shows the Non-Executive Directors' shareholdings as at 31 December 2013:

	Shares held as at 31 December 2013
Garry Watts	**43,477**
Ian Barlow	**86,955**
Annette Court	**32,608**
Andrew Adcock	**43,477**
Stefano Quadrio Curzio	**nil**

Performance graph and table (non-audited)

The chart below illustrates Foxtons TSR performance against the FTSE 250 since listing because Foxtons is a constituent of that index. Note that this does not represent either the comparator group or the time period against which performance is assessed under the LTIP.

Total shareholder return



The table below shows the total remuneration paid to the CEO in 2013. Note that this relates to the whole of the 2013 financial year and so is not directly comparable to the period used above for TSR purposes.

	2013 £'000
CEO single figure of remuneration	**624**
Annual bonus payout (% of maximum)	**N/A**
LTIP vesting (% of maximum)	**N/A**

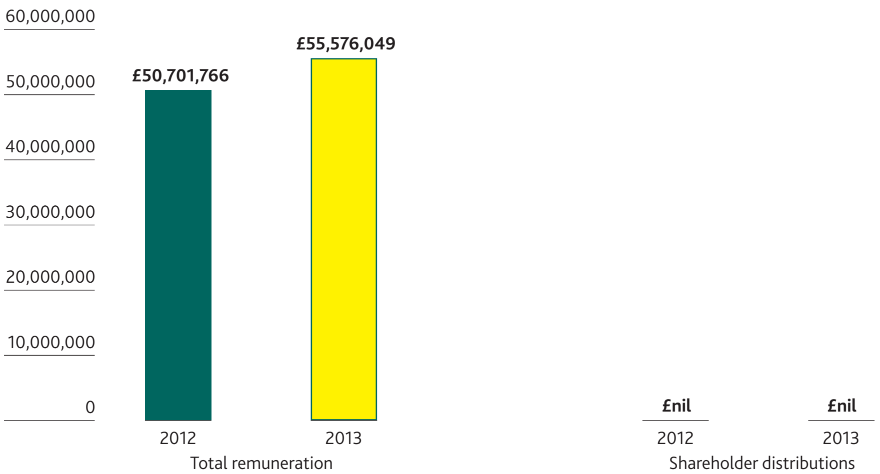
Percentage change in remuneration of Director undertaking the role of Chief Executive Officer (non-audited)

The table below illustrates the percentage change in salary, benefits and annual bonus for the CEO as against all other employees who do not participate in Foxtons commission arrangements and whose remuneration structures are thus comparable to the Executive Directors.

	% change in base salary (2013/2012)	% change in benefits (2013/2012)	% change in annual bonus (2013/2012)
CEO	(9.3)%	+3.6%	n/a
All other employees (at Head office)	+0.9%	(5.0)%	n/a

Relative importance of spend on pay (non-audited)

The charts below illustrate the year-on-year change in total remuneration for all employees and total Shareholder distributions. Since Foxtons only listed in September 2013, no distributions have yet been made to Shareholders.



Consideration by Directors of matters relating to Directors' remuneration (non-audited)

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy of the Group and for reviewing compliance with the Policy. During 2013, the Remuneration Committee consisted of the following Directors as from their dates of appointment to the Board: Andrew Adcock (Chairman), Ian Barlow, Annette Court and Garry Watts.

In addition, the CEO, COO and CFO attended Committee meetings to provide valuable input. No individual was present when their own remuneration was being discussed.

Deloitte LLP, who have voluntarily signed up to the Remuneration Consultants' Code of Conduct, provided advice on executive remuneration in 2013 and their total fees for advice provided to the Remuneration Committee were £89,750.

Deloitte also provided audit services to the Group in 2013. Deloitte's advice is developed with use of established methodologies and the advisers are not involved in the decision-making process. Advisory partners and staff have no involvement in audit and are not involved in the preparation of audited information. The Committee is satisfied that the remuneration advice it receives from Deloitte is independent. Notwithstanding this, in line with best practice, the Committee has concluded that during 2014 alternative advisers should be appointed.

Andrew Adcock

Andrew Adcock
Chairman of the Remuneration Committee

10 March 2014

Directors' report

Corporate structure
Foxtons Group plc is a public company limited by shares, incorporated in England and Wales and its shares are traded on the main market of the London Stock Exchange.

The Board
The names, roles and biographical details of the Directors of the Company at the date of this report are given on pages 22 and 23. FA Corp Sarl was a Corporate Director until resignation on 26 June 2013.

The Company shall appoint (disregarding any alternate Directors) no fewer than two and no more than 12 Directors. The appointment and replacement of Directors may be made as follows:

- The Shareholders may by ordinary resolution elect any person who is willing to act to be a Director;
- The Board may elect any person who is willing to act to be a Director. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for election;
- Each Director is required under the Articles of Association to retire from office at the third Annual General Meeting after the Annual General Meeting at which he or she was last elected or re-elected although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the principles of best Corporate Governance, the Board intends that each Director will submit himself or herself for re-election on an annual basis;
- The Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with; and
- There are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors, or is prohibited by law from being a Director.

Dividends
The Board recommends a final dividend of 1.70p per share in respect of the 2013 financial year and a special dividend of 3.74p per share representing a total return to Shareholders of approximately £15.4 million. Shareholders will be asked to approve the dividend at the Annual General Meeting on 21 May 2014, for payment on 30 May 2014 to ordinary Shareholders whose names are on the register on 2 May 2014.

Post balance sheet events
There are no material post balance sheet events to report.

Future developments in the business of the Company
Information in respect of likely future developments in the business of the Company can be found in the Strategic Report on pages 1 to 19 and forms part of this report by reference.

Corporate Governance
A report on Corporate Governance and compliance with the UK Corporate Governance Code is set out on pages 24 to 42 and forms part of this report by reference.

Health and safety
An overview of health and safety is provided in the Strategic Report on page 18 and forms part of this report by reference.

Greenhouse gas emissions
Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility statement on page 19 and forms part of this report by reference.

Political donations
No political donations were made in 2013 (2012: nil).

Employee policies and involvement
Foxtons operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. Applications for employment are fully considered on their merits, and employees are given appropriate training and equal opportunities for career development and promotion. The Group places considerable value on the involvement of its employees, which is reflected in the principles of Foxtons Corporate Practice and its 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.

Directors' indemnity

The Company has granted third-party indemnities 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 addition, Directors and officers of the Company and its subsidiaries are covered by Directors' & Officers' liability insurance.

The names of the Company's Directors who served during the year, together with their biographical details and other information, are shown on pages 22 and 23.

Directors' interests

Details of interests in the ordinary shares of the Company of those Directors who held office at 31 December 2013 are given below:

Name of Director	**Ordinary shares held as at 31 December 2013**	Percentage of issued share capital
Executive		
Michael Brown	**22,730,022**	8.06%
Gerard Nieslony	**666,512**	0.24%
Non-executive		
Garry Watts	**43,477**	0.02%
Andrew Adcock	**43,477**	0.02%
Ian Barlow	**86,955**	0.03%
Annette Court	**32,608**	0.01%

No Director has any other interest in the share capital of the Company whether pursuant to any share plan or otherwise. No changes in Directors' interests have occurred between 31 December 2013 and 10 March 2014.

Each of Michael Brown and Gerard Nieslony have executed a Lock-Up Deed, pursuant to which they have agreed, subject to certain customary exceptions, that during the period from September 2013 to September 2014 they will not dispose of the ordinary shares held by them at IPO. There is also a requirement for Michael Brown, Gerard Nieslony and the COO, Nic Budden, to continuously hold shares to the value of at least two times their respective gross basic salaries.

Major interests in shares

As at 10 March 2014, Foxtons had been notified of the following interests representing 3% or more of the issued ordinary share capital of the Company:

Institution	Number of shares	%
Adnams BBPM Holdings	62,970,059	22.32
Caledonia Investments	23,751,286	8.42
Michael Brown	22,730,022	8.06
BlackRock Investment Mgt (UK)	21,801,102	7.73
Fidelity Worldwide Investment	15,350,251	5.44
Old Mutual Global Investors	15,304,747	5.42
Blackrock Financial Management Ltd	11,078,743	3.93
Capital Research Global Investor	9,610,590	3.41
JP Morgan Asset Management UK Ltd	8,712,718	3.09

Share capital

The rights attaching to the Company's ordinary shares, being the only share class of the Company, are set out in the Company's Articles of Association (the "Articles"), which can be found at www.foxtonsgroup.co.uk.

Subject to the recommendation of the Board, holders of ordinary shares may receive a dividend. On liquidation, holders of ordinary shares may share in the assets of the Company. At any general meeting, on a show of hands every member who is present shall have one vote and on a poll every member present, in person or by proxy, shall have one vote for every share of which they are the holder. Holders of ordinary shares are also entitled to receive the Company's Annual Report and Accounts (or a summarised version) and, subject to certain thresholds being met, may requisition the Board to convene a general meeting (GM) or propose resolutions at AGMs. None of the ordinary shares carry any special rights with regard to control of the Company.

There are no restrictions on transfers of ordinary shares other than:

- Certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- Pursuant to the Company's Share Dealing Code whereby the Directors and designated employees require approval to deal in the Company's shares; and

- Where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Company is not aware of any arrangements between Shareholders that may result in restrictions on the transfer of securities or voting rights.

Powers of Directors
The general powers of the Directors are set out in Article 108 of the Articles. It provides that the business of the Company shall be managed by the Board which may exercise all the powers of the Company whether relating to the management of the business of the Company or not. This power is subject to any limitations imposed on the Company by applicable legislation. It is also limited by the provisions of the Articles and any directions given by special resolution of the Shareholders of the Company which are applicable on the date that any power is exercised.

Amendment to the Company's Articles of Association
The Company may alter its Articles of Association by special resolution passed at a general meeting of Shareholders.

Authority for the Company to purchase its own shares
Prior to the IPO, the Company was granted authority by its Shareholders to purchase up to 28,217,646 of its ordinary shares. As at the date of this report, no ordinary shares have been purchased under this authority and, therefore, the Company may purchase up to 28,217,646 ordinary shares under its existing authority. This authority will expire at the conclusion of the 2014 Annual General Meeting unless revoked, varied or renewed prior to that meeting. A resolution will be proposed at the 2014 Annual General Meeting that the Company be authorised to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority and will lapse at the conclusion of the 2015 Annual General Meeting.

Authority to allot shares
Prior to the IPO, the Company was granted a general authority by its Shareholders to allot shares up to an aggregate nominal amount of £940,588 and, in addition, an authority to allot shares up to an aggregate nominal amount of £1,881,176 in connection with a rights issue or other pre-emptive offer. The Company also received authority to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £141,088. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2014 Annual General Meeting unless revoked, varied or renewed prior to that meeting. Resolutions will be proposed at the 2014 Annual General Meeting to renew these authorities.

Going concern
The financial position of the Group, its cash flows and liquidity position are set out in the Business review section. Furthermore, note 28, page 82 to the consolidated 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.

In September 2013, the Company's shares were admitted to trading on the main market of the London Stock Exchange. Concurrently with this admission process, the Company implemented a placing of new ordinary shares. Pursuant to this placing, 23,956,520 ordinary shares were issued, representing 8.49% of the Group's post admission issued share capital, raising gross proceeds of £55 million. The primary proceeds were then used to repay the outstanding debt of the Company leaving it debt free post IPO. As a consequence, the Directors believe the Group is now in a very strong financial position due to its profitable operations and strong cash generation and that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions and in accordance with the Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 published by the UK Financial Reporting Council.

Auditor

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

(a) So far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

(b) The Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Your attention is drawn to the Notice of Annual General Meeting accompanying this Annual Report which sets out the resolutions to be proposed at the forthcoming Annual General Meeting. The meeting will be held at Chiswick Park on 21 May 2014 at 10am.

On behalf of the Board

Michael Brown
Chief Executive Officer

Gerard Nieslony
Chief Financial Officer

10 March 2014

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

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

In preparing the Group 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors, whose names and functions are listed on pages 22 and 23, confirms that:

- To the best of their knowledge, the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- To the best of their knowledge, the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Company on a consolidated and individual basis, together with a description of the principal risks and uncertainties that it faces; and
- They consider, having taken advice from the Audit Committee, that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Michael Brown
Chief Executive Officer

Gerard Nieslony
Chief Financial Officer

10 March 2014


alexander hall

Financial statements

Opinion on financial statements of Foxtons Group plc

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 2013 and of the Group's profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 32 and the parent company balance sheet and related notes 33 to 38. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRS as adopted by the European Union. 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 (United Kingdom Generally Accepted Accounting Practice).

As required by the Listing Rules, we have reviewed the Directors' statement contained within the Directors' Report on page 45, that the Group is a going concern. We confirm that:

- We have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- We have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and other intangible assets The Group's assessment of impairment of goodwill and other intangible assets is a judgemental process which requires estimates of future cash flows and associated discount rates and growth rates.	We have used internal valuation specialists to assess the appropriateness of the discount calculation model. We have challenged management's key assumptions relating to the estimated future cash flows, growth rates and the discount rate applied to the separate cash-generating units through benchmarking against comparator businesses, comparison against the prevailing Group cost of capital and our understanding of the future prospects of the business, with particular focus on assessment of forecasts against historical forecast accuracy.
Revenue recognition in respect of lettings commission A significant volume of lettings contracts include break clauses. The Group recognises revenue from lettings commission based on its estimate of the period of the tenant's occupation of the lease. This requires management judgement in respect of the likelihood of a break clause being exercised.	We have tested the controls in relation to the lettings business cycle and reporting systems used. We have challenged management's judgement of the likelihood of a break clause being exercised by reference to historic average lease lengths, including reviewing a sample of lettings contracts, to assess that the overall level of revenue recognised at the year end was within a tolerable threshold.

The Audit Committee's consideration of these risks is set out on page 29.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be £1.8m, which is below 5% of profit before tax, and below 2% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £36,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit
Our Group audit scope covers 100% of the Group companies, all of which are UK legal entities with the procedures performed entirely by the central audit team using a statutory materiality appropriate for the entity. At the parent entity level, we also tested the consolidation process.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters or our review.

Corporate Governance Statement
Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report
Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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

Scope of the audit of the financial statements

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

Richard Muschamp (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2013

Continuing operations	Notes	**2013 £'000**	2012 £'000
Revenue			
Sales		**67,416**	53,084
Lettings		**66,360**	63,089
Mortgage broking		**4,938**	3,478
Other income		**467**	304
Total revenue		**139,181**	119,955
Administrative expenses		**(93,054)**	(86,973)
Operating profit before exceptional items		**46,127**	32,982
Exceptional items	11	**(3,155)**	(1,588)
Operating profit		**42,972**	31,394
Finance income	9	**104**	115
Finance costs	10	**(4,128)**	(6,634)
Profit before tax		**38,948**	24,875
Tax	12	**(6,800)**	(4,101)
Profit and total comprehensive income for the year	6	**32,148**	20,774
Earnings per share			
Basic and diluted (pence per share)	14	**12.2**	8.0
Adjusted basic and diluted (pence per share)	14	**13.3**	8.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Goodwill	15	**19,168**	19,168
Other intangible assets	15	**99,000**	99,000
Property, plant and equipment	16	**21,337**	18,131
Deferred tax assets	20	**666**	537
		140,171	136,836
Current assets			
Trade and other receivables	18	**12,731**	10,715
Prepayments		**6,768**	6,630
Cash and cash equivalents	26	**23,352**	9,774
		42,851	27,119
Total assets		**183,022**	163,955
Current liabilities			
Trade and other payables	22	**(10,388)**	(10,028)
Current tax liabilities		**(5,558)**	(3,171)
Obligations under finance leases	19, 21	**–**	(310)
Provisions	23	**(157)**	(127)
Deferred revenue		**(4,671)**	(4,322)
		(20,774)	(17,958)
Net current assets		**22,077**	9,161
Non-current liabilities			
Borrowings	19	**–**	(67,165)
Obligations under finance leases	19, 21	**–**	(80)
Deferred tax liabilities	20	**(19,800)**	(23,500)
		(19,800)	(90,745)
Total liabilities		**(40,574)**	(108,703)
Net assets		**142,448**	55,252
Equity			
Share capital	24	**2,822**	–
Other capital reserve		**2,582**	–
Share premium	25	**52,727**	–
Retained earnings		**84,317**	55,252
Total equity		**142,448**	55,252

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 10 March 2014.

Signed on behalf of the Board of Directors

Gerard Nieslony
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Notes	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2012		–	–	–	55,252	55,252
Total comprehensive income for the year		**–**	**–**	**–**	**32,148**	**32,148**
Bonus issue of shares	24	**5,164**	**–**	**–**	**(5,164)**	**–**
Operation of ratchet	24	**(2,582)**	**2,582**	**–**	**–**	**–**
Issue of share capital – IPO		**240**	**–**	**54,761**	**–**	**55,001**
IPO issue costs charged directly to equity		**–**	**–**	**(2,034)**	**–**	**(2,034)**
Capital contribution (group relief)	12	**–**	**–**	**–**	**2,081**	**2,081**
Balance at 31 December 2013		**2,822**	**2,582**	**52,727**	**84,317**	**142,448**

	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2012	–	–	–	34,478	34,478
Total comprehensive income for the year	–	–	–	20,774	20,774
Capital reduction	–	–	(32,000)	32,000	–
Dividends	–	–	–	(32,000)	(32,000)
Issue of share capital	–	–	32,000	–	32,000
Balance at 31 December 2012	–	–	–	55,252	55,252

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2013

	Note	**2013 £'000**	2012 £'000
Net cash from operating activities	26	**37,090**	29,140
Investing activities			
Interest received		**104**	115
Proceeds on disposal of property, plant and equipment		**457**	514
Purchases of property, plant and equipment		**(7,390)**	(6,236)
Net cash used in investing activities		**(6,829)**	(5,607)
Financing activities			
Dividends paid		**–**	(32,000)
Interest paid		**(2,611)**	(4,645)
Repayments of borrowings		**(68,683)**	(22,000)
Repayments of obligations under finance leases		**(390)**	(852)
Proceeds on issue of shares		**55,001**	32,000
Net cash used in financing activities		**(16,683)**	(27,497)
Net increase/(decrease) in cash and cash equivalents		**13,578**	(3,964)
Cash and cash equivalents at beginning of year		**9,774**	13,738
Cash and cash equivalents at end of year		**23,352**	9,774

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.

2. Adoption of new and revised standards

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (any other standards not listed below have been applied in these financial statements):

IFRS 9	*Financial Instruments*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IAS 28 (amended)	*Investments in Associates and Joint Ventures*
IAS 27 (amended)	*Separate Financial Statements*
IFRS 10, IFRS 12 and IAS 27 (amended)	*Investment Entities*
IAS 32 (amended)	*Offsetting Financial Assets and Financial Liabilities*
IAS 36 (amended)	*Recoverable Amount Disclosures for Non-Financial Assets*
IAS 39 (amended)	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

The Directors of the Company (the "Directors") expect that the adoption of the standards listed above will not have a material impact. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3. Significant accounting policies

Compliance with International Financial Reporting Standards
The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS includes the standards and interpretations approved by the International Accounting Standards Board ("IASB") including International Accounting Standards ("IAS") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

This is the Group's first set of consolidated financial statements that comply with IFRS. Please refer to note 31 for the disclosures required by IFRS 1, *First-Time Adoption of International Financial Reporting Standards*.

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2012 and 2013.

Basis of preparation
These financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

3. Significant accounting policies (continued)

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 to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors' Report on page 45.

Business combinations
Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of comprehensive income as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date.

Goodwill
Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). 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 acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGUs") expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets
Intangible assets other than goodwill that are acquired by the Group, representing the acquired Foxtons brand name, are stated at cost less accumulated impairment losses. The brand name is considered to have an indefinite economic life because of the institutional nature of the brand name, 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.

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, net of discounts (if any) and VAT. Revenue is generated from the Group's operations which are wholly based in the UK.

3. Significant accounting policies (continued)

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

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

(1) Securing the letting for the landlord including rent collection; and

(2) Managing the letting on behalf of the landlord.

Commissions earned on the above services are recognised as follows:

(1) Commissions on securing the letting are recognised immediately subject to a deferral of revenue in recognition of the following:

 (a) percentage of contracts have break clauses and may require a refund if the tenant breaks early; and

 (b) the Group is contracted to provide a rent collection service for the estimated duration of the outstanding tenancies, and the related fees are recognised on a straight-line basis over that period.

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

Commission earned on financial services is recognised when insurance policies go on risk and 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, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group earns interest income on own funds which is shown as finance income. It also earns interest on client funds which, as required by IAS 18, is included within Lettings revenue. See note 30.

Borrowing costs
All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Finance leases
Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases.

Finance lease payments are apportioned between interest and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest on obligations under finance leases is recognised in the consolidated statement of comprehensive income.

3. Significant accounting policies (continued)

Operating leases
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Exceptional items
As permitted by IAS 1: Presentation and Disclosure, certain items are presented separately in the consolidated statement of comprehensive income as exceptional where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Examples of items which may give rise to disclosure as exceptional items are property settlement costs, IPO costs and legal expenses. See note 11, page 68.

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. 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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 reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment are 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
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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets 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). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

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 cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of comprehensive income.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets
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 and are initially measured at fair value plus transaction costs.

All financial assets, other than cash and cash equivalents, are classified as loans and receivables.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Significant accounting policies (continued)

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income.

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.

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.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at Fair Value Through Profit and Loss' or 'other financial liabilities'.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Effective interest method
The effective interest method is used in calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate 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.

Derecognition of financial liabilities
The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they 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 can be made of the amount of the obligation.

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.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, 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.

Critical judgements in applying the Group's accounting policies
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.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

Initial recognition and useful economic life of the brand
The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings 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. The excess earnings methodology was used to value this intangible asset, employing the following key assumptions in the valuation:

- Cash flow forecasts for the years 2009 to 2013;
- Revenue growth rate after 2013 of 2% per annum;
- Contributory asset charges of (0.05)%, 1.4% and 1.6% for the working capital, fixed assets and workforce, respectively;
- Discount rate of 25%; and
- Tax amortisation benefit of 25 years.

Whilst these assumptions are all judgemental in nature, the Company believes they are all reasonable in the context of the facts and circumstances at the time, and thus the valuation and conclusion of indefinite life is appropriate. See note 3 "Accounting Policies – intangible assets".

The Directors also identified and considered other intangible assets in connection with the acquisition but concluded that they were immaterial in the context of the overall Group.

Key sources of estimation uncertainty
The 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 on the following page.

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of goodwill and intangible assets
Determining whether goodwill and intangible assets are impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated, and the group of CGUs to which intangible assets (i.e. the Foxtons brand) have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and intangible assets at each balance sheet date was £118 million. There have been no impairments to the value of goodwill and intangible assets. See note 15 for details of the tests for impairment.

5. 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) Sales, (ii) Lettings and (iii) Mortgage Broking.

The Sales segment generates commission on sales of residential property. The Lettings segment earns fees from the letting and management of residential properties and income from interest earned on tenants' deposits. As these two 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 used is headcount in each segment.

The Mortgage Broking segment receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Income/costs not allocated to an operating segment primarily relate to solicitors' referral fees and rental of unused office space.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Adjusted EBITDA represents the profit for the period earned by each segment before allocation of depreciation, finance income, finance costs, exceptional items and debt repayment incentive scheme expense. This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance.

All revenue for the Group is generated from within the UK and there is no intra-group revenue.

Segment revenues and results
The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2013:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	**67,416**	**66,360**	**4,938**	**138,714**	**467**	**139,181**
Adjusted EBITDA	**26,376**	**22,983**	**270**	**49,629**	**3**	**49,632**
Depreciation						**(3,687)**
Profit on disposal of property, plant and equipment						**(41)**
Exceptional items						**(3,155)**
Debt repayment incentive scheme[1]						**223**
Finance income						**104**
Finance costs						**(4,128)**
Profit before tax						**38,948**

1 The debt repayment incentive scheme was introduced in the capital reorganisation of March 2010 in order to incentivise management to repay the senior debt as quickly as possible. The scheme was limited to a maximum payment of £5 million plus employers' national insurance. The whole of this amount has been recorded as a charge to comprehensive income in the four years ended 31 December 2013.

5. Business and geographical segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment for the combined year ended 31 December 2012:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Combined £'000
Revenue	53,084	63,089	3,478	119,651	304	119,955
Adjusted EBITDA	16,049	21,966	207	38,222	78	38,300
Depreciation						(3,603)
Profit on disposal of property, plant and equipment						126
Exceptional items						(1,588)
Debt repayment incentive scheme						(1,841)
Finance income						115
Finance costs						(6,634)
Profit before tax						24,875

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in note 15.

6. Profit and total comprehensive income for the period

Profit and total comprehensive income for the period has been arrived at after charging/(crediting):

	2013 £'000	2012 £'000
Operating leases	**10,801**	9,752
Depreciation of property, plant and equipment	**3,495**	3,152
Depreciation – finance leases	**192**	451
Loss/(gain) on disposal of property, plant and equipment	**40**	(125)
Impairment loss on trade receivables	**1,749**	2,131
Staff costs (see note 8)	**55,711**	50,702

7. Auditor's remuneration

	2013 £'000	2012 £'000
Fees payable to the Company's Auditor and its associates for the audit of the Company's annual accounts		
Fees payable to the Company's Auditor and its associates for other services to the Group		
The audit of the Company	**49**	18
The audit of the Company's subsidiaries	**86**	62
Total audit fees	**135**	80
Taxation compliance services	**46**	75
Other taxation advisory services	**159**	194
Other assurance services	**3**	5
Corporate finance services	**878**	–
Other services	**48**	–
Total non-audit fees	**1,134**	274

Details of the Company's policy on the use of Auditors 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 30. No services were provided pursuant to contingent fee arrangements. The corporate finance services figure relates to a one-off expense for services in relation to the IPO.

8. Staff costs

The average monthly number of full-time equivalent employees (including Executive Directors) was:

	2013 Number	2012 Number
Sales	**722**	667
Administration	**423**	401
	1,145	1,068

Their aggregate remuneration comprised:

	2013 £'000	2012 £'000
Wages and salaries	**50,124**	45,364
Social security costs	**5,587**	5,338
	55,711	50,702

9. Finance income

	2013 £'000	2012 £'000
Interest income on bank deposits	**104**	115
Total	**104**	115

10. Finance costs

	2013 £'000	2012 £'000
Interest on loans	**4,111**	6,537
Interest on obligations under finance leases	**7**	22
Commitment fee	**10**	62
Other interest and similar charges payable	**–**	13
Total	**4,128**	6,634

11. Exceptional items

The following table provides a breakdown of exceptional items:

	2013 £'000	2012 £'000
Exceptional expense		
IPO costs	**3,155**	–
Property settlement	**–**	1,118
PAYE legal settlement payable	**–**	470
Total exceptional items	**3,155**	1,588

None of the above costs are deductible for tax so there is no tax impact of exceptional items in 2013 or 2012.

One-off IPO costs
In September 2013, Foxtons Group plc floated on the London Stock Exchange. One-off IPO costs totalled £5.2 million of which £3.2 million was charged to the income statement and £2.0 million charged to the share premium account as being directly related to the newly issued shares. See note 25.

Property settlement
Foxtons Limited was contractually committed, as part of the sale of the business in 2007, to redeveloping its Notting Hill Gate branch, which would have involved significant capital expense and disruption to the operations of the branch. Management decided not to proceed with the project and a £1.1 million settlement was made with the landlord. Additional project costs were also expensed in the latter half of 2012, including design costs.

PAYE legal settlement payable
On 4 April 2011, a legal settlement was agreed for inadequate professional advice given to Foxtons Limited prior to the sale of the business in 2007 in relation to historical accounting for PAYE taxes, for which the original claim was submitted during 2010. The total settlement was for £3.0 million, of which £1.2 million was initially repaid to the vendors of Foxtons Operational Holdings Limited pursuant to the terms of the tax deed of covenant in force from 2007, resulting in a net credit to Foxtons Limited's profit and loss account of £1.8 million in 2010. The total sum ultimately repayable to the vendors was £1.7 million, but due to uncertainty over whether corporation tax would be payable on this amount a sum of £470,000 was initially withheld. Subsequently, once the tax position was resolved with no tax being due on the original amount, the £470,000 became payable to the vendors in 2012.

12. Tax

	2013 £'000	2012 £'000
Current tax		
Current period UK corporation tax	**10,767**	6,007
Group relief paid for	**–**	800
Adjustments in respect of prior periods	**(138)**	(1,181)
Total current tax	**10,629**	5,626
Deferred tax		
Origination and reversal of temporary differences	**(1,127)**	479
Impact of change in tax rate	**(2,869)**	(1,963)
Adjustment in respect of prior periods	**167**	(41)
Total deferred tax	**(3,829)**	(1,525)
Tax on profit on ordinary activities	**6,800**	4,101

Corporation tax for the year ended 31 December 2013 is calculated at 23.25% (year ended 31 December 2012: 24.5%) of the estimated taxable profit for the period.

On 1 April 2012, the UK corporate tax rate was reduced from 26% to 24% (rather than 25% as previously announced). From 1 April 2013, the UK corporate tax rate fell to 23%.

The Finance Act 2013 provides for a reduction in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. As a result, the opening deferred tax balances for the year ending 31 December 2013 have been revised from 23% to 20% (as most temporary differences are expected to reverse after 1 April 2015), creating a deferred tax credit in the year ending 31 December 2013.

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit with the exception of group relief claimed by Foxtons Limited from Adnams BBPM Holdings Limited (Foxtons Group plc's immediate parent prior to completion of the IPO). In the year ended 31 December 2013, the Group received tax losses which generated group relief of £2.1 million. A nominal payment of £57k was made for this and the net benefit has been treated as a capital contribution (see consolidated statement of changes in equity).

The charge for the period can be reconciled to profit in the consolidated statement of comprehensive income as follows:

	2013 £'000	2012 £'000
Profit before tax	**38,948**	24,875
Tax at the UK corporation tax rate (see above)	**9,047**	6,094
Tax effect of expenses that are not deductible in determining taxable profit	**1,836**	792
Capital allowances in excess of depreciation	**(16)**	–
Offset of losses brought forward	**(44)**	–
Other short-term timing differences	**(56)**	–
Adjustment in respect of previous periods – current tax	**(138)**	(1,181)
Adjustment in respect of previous periods – deferred tax	**167**	(41)
Impact on deferred tax of change in tax rate	**(2,869)**	(1,963)
Origination and reversal of timing differences	**(1,127)**	–
Group relief paid in excess of tax rate	**–**	400
Tax on profit on ordinary activities	**6,800**	4,101

13. Dividends

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders in the period:		
Year ended 31 December 2012: 172p per special ordinary share	–	32,000
	–	32,000

For 2013, the Board recommends a final dividend of 1.70p per ordinary share (£4.8 million) and a special dividend of 3.74p per ordinary share (£10.6 million) to be paid in May 2014. These financial statements do not reflect this dividend payable.

The dividend payment in 2012 relates solely to special ordinary shares held by Mizuho. Simultaneously, funds advised by BC Partners subscribed for £32.0 million of A-ordinary shares in the Company and the special ordinary shares were converted into deferred shares. The resulting share premium was subsequently subject to a capital reduction. See consolidated statement of changes in equity and note 24.

14. Earnings per share

	2013 £'000	2012 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	**32,148**	20,774
Adjusted for:		
Exceptional items (see note 11)	**3,155**	1,588
Adjusted earnings	**35,303**	22,362
Number of shares		
Weighted average number of ordinary and A-ordinary shares for the purposes of basic and diluted earnings per share	**264,586,475**	258,219,948
Basic and diluted earnings per share (in pence per share)	**12.2**	8.0
Adjusted earnings per share (in pence per share)	**13.3**	8.7

Given the changes in capital structure prior to the IPO, the weighted average number of shares for 2012 is based on the shares in issue immediately pre IPO as per the requirements of IAS 33: Earnings Per Share.

15. Intangible assets

(a) Goodwill

	£'000
Cost and carrying amount	
At 1 January 2012, 31 December 2012 and 2013	**19,168**

Goodwill for the years ended 31 December 2012 and 2013 has been allocated to segments as follows: Sales £9,819, Lettings £9,349 and Mortgage Broking (£nil).

(b) Other intangible assets

	Brand £'000
Cost and carrying amount	
At 1 January 2012, 31 December 2012 and 2013	**99,000**

The goodwill and other intangible assets recognised arose on the acquisition of Foxtons Intermediate Holdings Limited and its subsidiaries.

The recoverable amount of the above has been calculated using value in use determined from cash flow projections from formally approved budgets and forecasts covering a two year period for each cash-generating unit. The key assumptions in determining the cash flows are expected changes in sales and lettings volumes and direct costs to be incurred during the forecast period. These assumptions are based upon a combination of past experience of recently observable trends and expectations of future changes in the market. To evaluate the recoverable amount of each CGU or group of CGUs, a terminal value has been assumed from the third year and includes a growth rate in the cash flows of 2% for the year ended 31 December 2013 (year ended 31 December 2012: 2%) into perpetuity. The discount rates used reflect the risks specific to the CGUs.

The brand asset has been tested for impairment by aggregating the value in use amounts computed in the goodwill impairment test for each CGU, being the aggregation of Sales and Lettings. This grouping of CGUs represents the lowest level at which management monitors the brand internally, and reflects the way in which the brand asset is viewed as relating to the Sales and Lettings segments as a whole, rather than being allocated to each segment on an arbitrary basis.

The calculated value in use for Sales is £340 million (2012: £170 million), for Lettings £296 million (2012: £191 million) and for the aggregation of Sales and Lettings is £636 million (2012: £361 million). The rate used to discount cash flows from Sales is 10.45% (2012: 11.86%), from Lettings is 9.95% (2012: 11.86%) and from the aggregation of Sales and Lettings is 10.20% (2012: 11.86%).

The headroom taken from the calculation was significant, with Sales at £286 million (2012: £151 million), for Lettings £335 million (2012: £176 million) and for the aggregation of Sales and Lettings, £522 million (2012: £228 million). There have been no indicators of impairment for either goodwill or the brand asset during the periods presented.

16. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2013	**16,010**	**6,733**	**2,184**	**1,973**	**26,900**
Additions	**6**	**818**	**839**	**5,727**	**7,390**
Disposals	**(402)**	**–**	**(1,161)**	**–**	**(1,563)**
Reclassification/transfer	**5,600**	**1,380**	**–**	**(6,980)**	**–**
At 31 December 2013	**21,214**	**8,931**	**1,862**	**720**	**32,727**

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Accumulated depreciation					
At 1 January 2013	**4,105**	**3,638**	**1,026**	**–**	**8,769**
Charge for the period	**1,891**	**1,277**	**519**	**–**	**3,687**
Disposals	**(192)**	**–**	**(874)**	**–**	**(1,066)**
At 31 December 2013	**5,804**	**4,915**	**671**	**–**	**11,390**

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount					
At 31 December 2013	**15,410**	**4,016**	**1,191**	**720**	**21,337**
At 31 December 2012	11,905	3,095	1,158	1,973	18,131

The Group has finance leases with the following carrying values:

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount of finance leases					
At 31 December 2013	**–**	**–**	**–**	**–**	**–**
At 31 December 2012	–	–	387	–	387

16. Property, plant and equipment (continued)

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2012	13,206	5,568	2,589	388	21,751
Additions	41	608	677	4,910	6,236
Disposals	–	(5)	(1,082)	–	(1,087)
Reclassification/transfer	2,763	562	–	(3,325)	–
At 31 December 2012	16,010	6,733	2,184	1,973	26,900

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Accumulated depreciation					
At 1 January 2012	2,443	2,341	1,080	–	5,864
Charge for the period	1,662	1,299	642	–	3,603
Disposals	–	(2)	(696)	–	(698)
At 31 December 2012	4,105	3,638	1,026	–	8,769

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £000
Carrying amount					
At 31 December 2012	11,905	3,095	1,158	1,973	18,131
At 1 January 2012	10,763	3,227	1,509	388	15,887

The Group has finance leases with the following carrying values:

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount of finance leases					
At 31 December 2012	–	–	387	–	387
At 1 January 2012	–	–	1,176	–	1,176

17. Subsidiaries

A list of the investments in subsidiaries is included below:

Name	Place of incorporation and operation	Principal activity	Proportion of ownership interest %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited	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%

18. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**13,997**	12,272
Allowance for doubtful debts	**(1,749)**	(2,131)
Net trade receivables	**12,248**	10,141
Other debtors	**483**	574
	12,731	10,715

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date.

Amounts invoiced to customers are due immediately, albeit in the case of lettings they may be collected over time through initial rental payments received. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 180 days because historical experience has been that receivables that are past due beyond 180 days are not recoverable. Allowances against doubtful debts are recognised against trade receivables between 30 days and 180 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty and an analysis of the counterparty's current financial position.

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.

Trade receivables disclosed above include amounts which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Trade debtor days and comparative debtor days at the year end were 32 days (2012: 31 days).

18. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

Foxtons Group plc	Allowance for doubtful debts £000
At 1 January 2012	(2,340)
Charged to the consolidated statement of comprehensive income during the period	(710)
Amounts utilised during the period	919
At 31 December 2012	(2,131)
Charged to the consolidated statement of comprehensive income during the period	**(521)**
Amounts utilised during the period	**903**
At 31 December 2013	**(1,749)**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

	2013			2012		
Ageing of receivables	**Gross trade receivables £'000**	**Impairment £'000**	**Net trade receivables £'000**	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000
0 – 30 days	**8,439**	**–**	**8,439**	7,233	–	7,233
30 – 60 days	**2,578**	**–**	**2,578**	1,236	–	1,236
61 – 90 days	**705**	**–**	**705**	679	–	679
91+ days	**2,275**	**(1,749)**	**526**	3,124	(2,131)	993
	13,997	**(1,749)**	**12,248**	12,272	(2,131)	10,141

19. Borrowings

	2013 £'000	2012 £'000
Secured borrowing at amortised cost		
Loans		
Senior debt	–	26,650
Subordinated debt	–	40,515
Finance lease liabilities (see note 21)	–	390
	–	67,555
Total borrowings		
Amounts due for settlement within 12 months	–	310
Amounts due for settlement after 12 months	–	67,245

(i) The principal features of the Group's borrowings were as follows:

Loans were secured by debentures with a fixed and floating charge over the assets of the Company, Foxtons Intermediate Holdings Limited, Foxtons Operational Holdings Limited and Foxtons Limited. These companies provided cross guarantees over their assets as security against the loans.

The senior debt was repayable via an annual cash sweep of excess cash with the balance remaining due in 2015. The cash sweep was dependent on cash generation during the year. During 2012, the Group repaid £22 million of senior debt, being:

- £443,610 – Mandatory repayment under the cash sweep provisions (relates to the year ended 31 December 2011); and
- £21,536,390 – Voluntary repayment at par.

For 2012, a cash sweep was not payable due to the significant voluntary repayments during the year.

The subordinated debt was owned by FSFV Limited (which is wholly owned by funds advised by BC Partners).

During 2013, the Group made further voluntary repayment totalling £10m before full repayment of the senior and subordinate debt was made using the proceeds from the share issue on listing.

Interest was payable on these loans at the rate of LIBOR plus margin and mandatory costs as prescribed in the loan agreement. An element of the subordinated margin was non-cash and rolled up into the loan.

The loans were variable interest rate debt with repayment periods not exceeding five years.

(ii) Finance lease liabilities are secured by the assets leased.

The weighted average interest rates paid during the period were as follows:

	2013 %	2012 %
Senior debt	**5.5**	5.6
Subordinated debt	**10.5**	10.6
Finance lease liabilities (see note 21)	**2.9**	2.9

20. 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:

	2013 £'000	2012 £'000
Deferred tax assets	**666**	537
Deferred tax liabilities	**(19,800)**	(23,500)
	(19,134)	(22,963)

Deferred tax liabilities primarily relate to the intangible asset, the Foxtons brand, which has an indefinite life. This deferred tax liability will not reverse unless the Foxtons brand is impaired, in which case the liability would be released to profit and loss, or sold by the Group, which would result in a cash outflow.

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

Foxtons Group plc	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 1 January 2012	685	(516)	93	(24,750)	(24,488)
(Charge)/credit to profit or loss	(336)	(120)	1	1,980	1,525
At 31 December 2012	349	(636)	94	(22,770)	(22,963)
(Charge)/credit to profit or loss	**(29)**	**982**	**(94)**	**2,970**	**3,829**
At 31 December 2013	**320**	**346**	**–**	**(19,800)**	**(19,134)**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered through future taxable profits.

No deferred tax asset has been recognised in respect of £1.2 million of unused tax losses in Alexander Hall Associates Limited at 31 December 2013 (31 December 2012: £1.3 million) as it is not considered probable that there will be future taxable profits available.

21. Obligations under finance leases

	Minimum lease payments	
	2013 £'000	2012 £'000
Amounts payable under finance leases:		
Within one year	**–**	310
In the second to fifth years inclusive	**–**	80
After five years	**–**	–
Total minimum lease payments	**–**	390

During the year the balance on finance leases was fully repaid. The average lease term on inception was three years. For the year ended 31 December 2013, the average effective borrowing rate was 2.9% (year ended 31 December 2012: 2.9%). Interest rates were fixed at the contract date. All leases were on a fixed repayment basis and no arrangements were entered into for contingent rental payments. The lease agreement terms included a hire purchase option for the Group to purchase the assets held under finance leases at the end of the lease term or prior to the end of the lease term by paying all of the amounts payable to the lessor per the lease agreement.

22. Trade and other payables

	2013 £'000	2012 £'000
Trade creditors and accruals	**2,162**	2,208
Social security and other taxes	**2,672**	2,769
VAT	**1,892**	1,445
Accruals	**3,502**	2,968
Other creditors	**160**	638
	10,388	10,028

The Directors consider that the carrying amount of trade payables approximates their fair value. The average trade creditor days as at 31 December 2013 were 23 days (31 December 2012: 25 days).

23. Provisions

Foxtons Group plc	Sales provision £'000	Other provisions £'000	Total £'000
At 1 January 2013	**63**	**64**	**127**
Utilisation of provision	**–**	**(19)**	**(19)**
Increase in provision	**–**	**49**	**49**
At 31 December 2013	**63**	**94**	**157**

At each consolidated balance sheet date all provisions are classified as current liabilities.

Sales provision
This relates to the repayment of commissions within Alexander Hall Associates Limited which are expected to be used within the following four years.

Other provisions
These are incurred in the ordinary course of business and may be analysed as follows:

- **OFT provision:** As at 31 December 2013: £6k (31 December 2012: £18k) relates to a case brought against Foxtons Limited by the OFT that resulted in the court deciding that Foxtons Limited's renewal commission terms were not clear and a provision was established for potential claims.
- **Complaints provision:** As at 31 December 2013: £88k (31 December 2012: £47k) relates to unresolved client complaints which may result in compensation.

24. Share capital

	2013 £	2012 £
Allotted, issued and fully paid:		
9,222,141 ordinary shares of £0.00000136 each	**–**	13
64,554,990 A-ordinary shares of £0.00000136 each	**–**	88
18,556,942 deferred shares of £0.00000136 each	**–**	25
282,176,468 ordinary shares of £0.01 each	**2,821,765**	–
	2,821,765	126

24. Share capital (continued)

	Ordinary shares number	Ordinary shares	A-ordinary shares	Special ordinary shares	Deferred shares
At 1 January 2012	73,777,131	£13	£88	–	–
18,556,942 A-ordinary shares converted to special ordinary shares	–	–	£(25)	£25	–
18,556,942 A-ordinary shares issued	–	–	£25	–	–
18,556,942 special ordinary shares converted to deferred shares	–	–	–	£(25)	£25
At 31 December 2012	73,777,131	£13	£88	–	£25
Shares cancelled	–	–	–	–	£(25)
Consolidation of shares	–	£88	£(88)	–	–
Being nominal value £0.00000136 each	73,777,131	£101	–	–	–
Subdivision of shares – 136 shares for each share nominal value £0.00000001	10,033,689,816	£101	–	–	–
Bonus issue of shares	516,429,883,310,184	£5,164,298	–	–	–
Total	516,439,917,000,000	£5,164,399	–	–	–
Consolidation of shares 1,000,000 into one share at £0.01 each	516,439,917	£5,164,399	–	–	–
Operation of ratchet – shares cancelled	(258,219,969)	£ (2,582,199)	–	–	–
Shares immediately prior to IPO	258,219,948	£2,582,200	–	–	–
Primary issue of shares at nominal value of £0.01 each	23,956,520	£239,565	–	–	–
At 31 December 2013 – Ordinary shares at £0.01 each	**282,176,468**	**£2,821,765**	**–**	**–**	**–**

Prior to IPO the shares were sub-divided, 136 shares for each existing share. A bonus issue was then undertaken and the resulting total number of shares consolidated with every million shares converting into a single share of £0.01 each. A ratchet mechanism in the Company's previous articles of association resulted in the entitlements arising from management's shareholding increasing to 25% from the previous 12.5% of the Company's income, capital and voting rights. This increased entitlement resulted from the value of the Group at the time of its IPO. Following the operation of the ratchet, the number of ordinary shares in issue reduced to 258,219,948. The IPO primary issue of shares added 23,956,520 to bring the total number of shares in issue to 282,176,468.

25. Share premium account

	Share premium £'000
Balance at 1 January 2012	**–**
Issue of share capital	**32,000**
Capital reduction	**(32,000)**
Balance at 31 December 2012	**–**
Premium arising on issue of equity shares	**54,761**
One-off IPO costs charged directly to equity	**(2,034)**
Balance at 31 December 2013	**52,727**

26. Notes to the cash flow statement

	2013 £'000	2012 £'000
Operating profit	**42,972**	31,394
Adjustments for:		
Depreciation of property, plant and equipment	**3,687**	3,603
Gain on disposal of property, plant and equipment	**40**	(125)
(Decrease)/increase in provisions	**30**	(42)
IPO costs incurred	**3,155**	–
Operating cash flows before movements in working capital	**49,884**	34,830
Increase in receivables	**(2,153)**	(925)
Increase in payables	**709**	2,309
Cash generated by operations	**48,440**	36,214
Expensed IPO costs paid	**(3,155)**	–
IPO costs paid taken directly to equity	**(2,034)**	–
Income taxes paid	**(6,161)**	(7,074)
Net cash from operating activities	**37,090**	29,140

Cash and cash equivalents

	2013 £'000	2012 £'000
Cash and cash equivalents	**23,352**	9,774

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 approximately equal to their fair value. Cash and cash equivalents excludes client monies. See note 30.

At 31 December 2012, a sum of £455,958 was held in an escrow account. This money was held in escrow pending HMRC finalising the Group's corporation tax computations for 2010. Finalisation would determine whether the money should be paid as tax to HMRC or returned to the vendors of Foxtons Operational Holdings Limited in accordance with the warranties relating to the original sale in 2007. These monies were subsequently paid to the vendors in January 2013.

27. Operating lease arrangements

The Group as lessee

	2013 £'000	2012 £'000
Lease payments under operating leases recognised as an expense in the period	**10,801**	9,752

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

	2013 £'000	2012 £'000
Within one year	**9,810**	10,319
In the second to fifth years inclusive	**27,359**	30,400
After five years	**29,155**	33,679
	66,324	74,398

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

The Group as lessor

	2013 £'000	2012 £'000
Lease receipts under operating leases recognised in the period	**317**	317

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

	2013 £'000	2012 £'000
Within one year	**317**	317
In the second to fifth years inclusive	**1,091**	1,168
After five years	**660**	900
	2,068	2,385

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

28. Financial instruments

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, 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 2013, the threshold was £120,000, which is immaterial to the Group.

Gearing ratio
The gearing ratio at each period end is as follows:

	2013 £'000	2012 £'000
Loans	**–**	(67,165)
Cash and cash equivalents	**23,352**	9,774
Net funds/(debt)	**23,352**	(57,391)
Equity	**142,448**	55,252
Net debt to equity ratio	**(16)%**	104%

Equity includes all capital and reserves of the Group that are managed as capital.

Categories of financial instruments

	2013 £'000	2012 £'000
Financial assets		
Cash and bank balances	**23,352**	9,774
Loans and receivables	**12,713**	10,715
Financial liabilities		
Financial liabilities recorded at amortised cost	**(7,717)**	(74,814)

Financial risk management objectives
The Group closely monitors cash requirements to ensure sufficient funds are held for the operations of the Group.

Interest rate risk management
The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see note 30) offset by borrowings (if any). The Group had borrowed funds at LIBOR plus margin interest rates. The Group did not have in place any financial instruments to hedge against interest rate movements as the Group expected interest rates to remain low.

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 2013 would increase/decrease by £0.2 million (year ended 31 December 2012: decrease/increase by £nil). This increase in variability is due to the Company now being debt free so that there is no natural hedge against client deposits. This contrasts to the prior year where the Group's exposure to interest rates on its client funds was offset partially by interest paid on variable rate borrowings.

28. Financial instruments (continued)

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 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 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 funds (see note 30) are held with three reputable financial institutions. 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 up to £85k each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium 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.

Liquidity and interest risk tables
The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the balance sheet date. The contractual maturity is based on the earliest date on which the Group may be required to pay.

	Weighted average effective interest rate %	Less than 1 month £'000	1-3 months £'000	3 months to 1 year £'000	1-5 years £'000	5+ years £'000	Total £'000
31 December 2013							
Senior debt	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	–	–	–
Finance lease liability	–	–	–	–	–	–	–
		–	–	–	–	–	–
31 December 2012							
Senior debt	5.5%	–	–	1,466	28,477	–	29,943
Subordinated debt	10.5%	–	–	2,227	52,922	–	55,149
Finance lease liability	2.9%	26	78	207	80	–	391
		26	78	3,900	81,479	–	85,483

The inclusion of information on non-derivative financial assets is necessary to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

28. Financial instruments (continued)

The Group's non-derivative financial assets consist of cash and trade and other receivables, both of which are non-interest bearing. The Group's expected maturity for its non-derivative financial assets is less than one month as trade receivables are payable on exchange.

	Less than 1 month £'000
31 December 2013	
Cash and cash equivalents	**23,352**
Trade and other receivables	**12,731**
	36,083
31 December 2012	
Cash and cash equivalents	9,774
Trade and other receivables	10,715
	20,489

Financial instruments that are measured at fair value in the condensed financial statements require disclosure of fair value measurements by level based on the following fair value measurement hierarchy:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market date (that is, unobservable inputs).

The significant inputs required to fair value all of the Group's financial instruments are observable. The Group only holds Level 2 financial instruments and therefore does not hold any financial instruments categorised as either Level 1 or Level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts to year-end market rates or rates as appropriate to the instrument.

Management considers that the book value of financial assets and liabilities recorded at amortised cost and their fair value are approximately equal.

The book value and fair value of the Group's financial assets, liabilities and derivative financial instruments are as follows:

	2013 £'000	2012 £'000
Cash and cash equivalents	**23,352**	9,774
Trade and other receivables	**12,731**	10,715
Trade and other payables	**(10,388)**	(10,028)
Loans and other borrowings	**–**	(67,165)

Fair values have been arrived at by discounting future cash flows, assuming no early redemption, or by revaluing forward currency contracts to period-end market rates or rates as appropriate to the instrument.

29. Related party transactions

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

Trading transactions
During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	2013 £'000	2012 £'000
Interest on loan		
FSFV Limited	**3,185**	4,180
Mizuho Corporate Bank Ltd	**428**	1,223
Agency fee		
Mizuho Corporate Bank Ltd	**42**	60
Commitment fee		
Mizuho Corporate Bank Ltd	**10**	63

The following amounts were outstanding at the balance sheet date:

	Amounts owed to related parties	
	2013 £'000	2012 £'000
FSFV Limited	**–**	(40,515)
Mizuho Corporate Bank Ltd	**–**	(13,735)
Michael Brown	**–**	(14)

Since October 2010, FSFV Limited ("**FSFV**") has held 100% of the subordinated debt. FSFV is wholly-owned by funds advised by BC Partners. Funds advised by BC Partners also ultimately hold 22.3% of the equity in the Company via Adnams BBPM Holdings Limited. During the year ended 31 December 2013, principal repayments of £42.2 million were made on the subordinated debt (year ended 31 December 2012: nil).

Mizuho held part of the senior debt and during the year ended 31 December 2013 the outstanding debt was fully repaid, with payments totalling £13.7 million (year ended 31 December 2012: £11.4 million). Mizuho owned 25% of the share capital of the Company until 14 March 2012, at which point it realised its interest.

Michael Brown is a Director of the Company.

Security arrangements on these loans are discussed in note 19.

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. Key management personnel are defined as the Chief Executive Officer and the Chief Financial Officer of the Group as well as the Chief Operating Officer of Foxtons Limited and the Chief Executive Officer of Alexander Hall Associates Limited.

	2013 £'000	2012 £'000
Directors' remuneration – short-term employee benefits	**1,364**	2,422
Remuneration of the highest-paid Director	**624**	1,328

30. Client monies

At 31 December 2013, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £81.1 million (31 December 2012: £77.0 million). Neither this amount nor the matching liabilities to the clients concerned is included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

Client funds are protected by the Financial Services Compensation Scheme ("FSCS") under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

31. Restatement of prior periods to IFRS

These are the Group's first consolidated financial statements prepared in accordance with IFRS as adopted by the EU. The accounting policies set out in note 3 have been applied in preparing the financial statements for all periods.

The last consolidated financial statements prepared under UK Generally Accepted Accounting Principles ("UK GAAP") for the Group were for the period ended 31 December 2012. The date of transition to IFRS for the Group was 1 January 2012.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, sets out the transitional rules for when IFRS are applied for the first time. The Group is required to select accounting policies in accordance with IFRS valid at its first IFRS reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. The Group did not elect to use any optional exemptions. IFRS 3 has been adopted effective 30 March 2010.

	Note	2012 £'000	2011 £'000
Total equity under UK GAAP		33,411	22,719
Adjustments to equity to conform with IFRS:			
Goodwill	31(i)	(58,469)	(65,348)
Other intangibles	31(i)	99,000	99,000
Revenue recognition	31(ii)	4,203	3,809
Net taxation impact	31(iii)	(22,893)	(25,702)
Total equity under IFRS		55,252	34,478

	Note	2012 £'000
Profit for the year under UK GAAP[1]		10,693
Adjustments to equity to conform with IFRS:		
Goodwill amortisation	31(i)	7,723
Revenue recognition	31(ii)	392
Net taxation impact	31(iii)	1,966
Profit for the year under IFRS[1]		20,774

1 The requirement under IFRS 1 is to reconcile total comprehensive income. However, the consolidated financial statements under UK GAAP did not present total comprehensive income and the Group has reported no other comprehensive income under IFRS. Thus only profit for the year has been reconciled.

31. Restatement of prior periods to IFRS (continued)

The balance sheet prepared under IFRS at the date of transition is presented below:

Balance sheet – 1 January 2012

	£'000
Non-current assets	
Goodwill	19,168
Other intangible assets	99,000
Property, plant and equipment	15,887
Deferred tax assets	778
	134,833
Current assets	
Trade and other receivables	11,317
Prepayments	5,103
Cash and cash equivalents	13,738
	30,158
Total assets	164,991
Current liabilities	
Trade and other payables	(7,793)
Current tax liabilities	(4,620)
Obligations under finance leases	(563)
Provisions	(169)
Borrowings	(739)
Deferred revenue	(4,248)
	(18,132)
Net current assets	12,026
Non-current liabilities	
Borrowings	(86,459)
Obligations under finance leases	(656)
Deferred tax liabilities	(25,266)
	(112,381)
Total liabilities	(130,513)
Net assets	34,478
Equity	
Share capital	–
Retained earnings	34,478
Total equity	34,478

31. Restatement of prior periods to IFRS (continued)

Adjustments made under IFRS
Below is a summary of the adjustments made to convert the Group results from UK GAAP to IFRS:

(i) Goodwill and other intangibles
Under UK GAAP, goodwill is amortised over its expected useful economic life. Under IAS 38: Intangible Assets, goodwill is no longer amortised, but instead is held at its carrying value on the balance sheet and tested annually for impairment. In addition, IAS 38: Intangible Assets requires other intangible assets arising on acquisitions after the transition date to be separately identified and amortised over their useful economic life to the extent they are finite-lived. Indefinite-lived intangibles are held at carrying value on the balance sheet and tested annually for impairment.

The UK GAAP goodwill amortisation charge in the years ended 31 December 2010, 2011 and 2012 has been reversed along with the impairment of goodwill recognised in 2012 under UK GAAP which did not arise under IFRS. The intangible asset arising from the acquisition on 30 March 2010 has been recognised as having an indefinite life and there have been no impairments to its value identified from annual reviews performed.

(ii) Revenue recognition
Under UK GAAP the Group deferred all of the potentially refundable commission earned on lettings contracts until the expiry of the refund right. Under IFRS the Group has adopted an accounting policy of estimating the proportion of potentially refundable commission at any point in time and recognising the balance immediately because management considers this better reflects the Group's earnings activities. This leads to revenue generally being recognised earlier as compared with UK GAAP.

(iii) Net taxation impact
The above taxation adjustment includes the related taxation impacts of the IFRS adjustments for the recognition of intangibles and the adjustment for revenue recognition.

32. Net free cash flow

Net free cash flow is used as a measure of financial performance and is highlighted on page one. It is defined as net cash from operating activities less net cash used in investing activities exclusive of exceptional items.

	Notes	**2013 £'000**	2012 £'000
Net cash from operating activities	26	**37,090**	29,140
Investing activities			
Interest received		**104**	115
Proceeds on disposal of property, plant and equipment		**457**	514
Purchases of property, plant and equipment		**(7,390)**	(6,236)
Net cash used in investing activities		**(6,829)**	(5,607)
Excluding exceptional costs paid			
Expensed IPO costs paid		**(3,155)**	–
IPO costs paid directly taken to equity		**(2,034)**	–
Property settlement		**–**	(1,118)
PAYE legal settlement		**–**	(470)
Net cash used in exceptional activities		**(5,189)**	(1,588)
Net free cash flow		**35,450**	25,121

	Notes	2013 £'000	2012 £'000
Fixed assets			
Investments	35	**31,200**	–
		31,200	–
Current assets			
Debtors	36	**48,437**	234
Prepayments and accrued income		**114**	–
		48,551	234
Creditors			
Amounts falling due within one year	37	**(119)**	(144)
Net current assets		**48,432**	90
Total assets less current liabilities		**79,632**	90
Capital and reserves			
Called up share capital		**5,404**	–
Share premium		**52,727**	–
Profit and loss account		**21,501**	90
Shareholders' funds	38	**79,632**	90

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 10 March 2014.

Signed on behalf of the Board of Directors

Gerard Nieslony
Chief Financial Officer

33. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2012 and 2013.

Basis of preparation
The Company's financial statements are prepared in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom (UK GAAP). The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Investments in subsidiary companies
Investments in subsidiaries are recognised at cost less provisions for impairment.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements.

Related party transactions
The Company is exempt under the terms of FRS 8 'Related Party Disclosure' from disclosing related party transactions that are part of Foxtons Group plc.

34. Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the financial year. The Company's profit for the year was £26.6 million (2012: £0.1 million).

The Company has five employees at 31 December 2013 (2012: nil). These are the Non-Executive Directors of Foxtons Group plc; their remuneration is paid by Foxtons Limited. The Executive Directors of Foxtons Group plc are employed and paid by Foxtons Limited. Details of Directors' remuneration are disclosed in the Directors' Remuneration Report and in note 29 to the accounts.

35. Investment in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	£'000
At 1 January 2012	–
Capital contribution	–
At 31 December 2012	–
Capital contribution	**31,200**
At 31 December 2013	**31,200**

Investments in subsidiaries are stated at cost, less any provision for impairment.

The principal trading subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in note 17.

36. Debtors

	2013 £'000	2012 £'000
Amounts owed by subsidiary undertakings	**48,418**	234
Deferred tax asset	**19**	–
	48,437	234

Amounts owed by subsidiary companies are unsecured and repayable on demand.

37. Creditors

	2013 £'000	2012 £'000
Accruals	**(119)**	(144)
	(119)	(144)

38. Reconciliation of movements in Shareholders' funds

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' funds £'000
Balance at 31 December 2012	–	–	90	90
Profit for the year	**–**	**–**	**26,575**	**26,575**
Bonus issue of shares	**5,164**	**–**	**(5,164)**	**–**
Issue of share capital – IPO	**240**	**54,761**	**–**	**55,001**
IPO issue costs	**–**	**(2,034)**	**–**	**(2,034)**
Balance at 31 December 2013	**5,404**	**52,727**	**21,501**	**79,632**

	Share capital £'000	Share premium £'000	Profit and loss £'000	Total shareholders' funds £'000
Balance at 1 January 2012	–	–	6	6
Profit for the year	**–**	**–**	**84**	**84**
Issue of share capital	**–**	**32,000**	**–**	**32,000**
Dividends	**–**	**–**	**(32,000)**	**(32,000)**
Capital reduction	**–**	**(32,000)**	**32,000**	**–**
Balance at 31 December 2012	**–**	**–**	**90**	**90**

2013 Financial Year	
Year end	31 December 2013
Announcement of preliminary results for 2013	11 March 2014
Publish Annual Report and Accounts	March 2014
Ex-final dividend date	30 April 2014
Final record date	2 May 2014
Annual General Meeting	21 May 2014
Final/Special dividend payment date	30 May 2014

2014 Financial Year	
1st quarter interim management statement	April 2014
Interim period end	30 June 2014
Announcement of interim results	August 2014
Interim ex-dividend date	August 2014
Interim record date	August 2014
Interim dividend payment date	September 2014
3rd quarter interim management statement	October 2014
2014 financial year end	December 2014
Preliminary announcement	February 2015
Publish Annual Report and Accounts	March 2015
Ex-final dividend date	April 2015
Final record date	May 2015
AGM	May 2015
Final dividend payment date	May 2015

2015 Financial Year	
1st quarter interim management statement	April 2015
Interim period end	30 June 2015
Announcement of interim results	August 2015
Interim ex-dividend date	August 2015
Interim record date	August 2015
Interim dividend payment date	September 2015
3rd quarter interim management statement	October 2015
2015 financial year end	December 2015
Preliminary announcement	February 2016
Publish Annual Report and Accounts	March 2016
Ex-final dividend date	April 2016
Final record date	May 2016
AGM	May 2016
Final dividend payment date	May 2016

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