

This document comprises a prospectus (the “**Prospectus**”) prepared in accordance with the Prospectus Rules of the UK Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (“**FSMA**”). This Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by Rule 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 73 of this Prospectus, and Foxtons Group plc (the “**Company**”) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Application has been made to the FCA for all of the ordinary shares of £0.01 each of the Company (“**Ordinary Shares**”), issued and to be issued, to be admitted to the premium listing segment of the Official List maintained by the FCA and to the London Stock Exchange plc (the “**London Stock Exchange**”) for such Ordinary Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (“**Admission**”). Conditional dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 20 September 2013. It is expected that admission to listing and trading will become effective, and that unconditional dealings will commence, at 8.00 a.m. on 25 September 2013. **All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a “when issued” basis and of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

Prospective investors should read the entire Prospectus and, in particular, the section entitled “*Risk Factors*” for a discussion of certain factors that should be considered in connection with an investment in the Ordinary Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Ordinary Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.

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## FOXTONS GROUP PLC

(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 07108742)

**Offer of 169,449,025 Ordinary Shares of £0.01 each at an  
Offer Price of 230 pence per Ordinary Share  
and**

**admission to the premium listing segment of the Official List and to  
trading on the London Stock Exchange**

*Joint Bookrunner and Joint Sponsor*

**Credit Suisse**

*Joint Bookrunner and Joint Sponsor*

**Numis**

*Co-Lead Manager*

**Canaccord**

*Financial Adviser to the Company*

**Rothschild**

### ISSUED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION

**Issued and fully paid Ordinary Shares of £0.01 each**

**Number of Ordinary Shares  
282,176,468**

**Nominal value of issued Ordinary Shares  
£2,821,764.68**

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The Company intends to issue 23,913,044 new Ordinary Shares (the “**New Ordinary Shares**”) under the Offer and the Selling Shareholders intend to sell in aggregate 145,535,981 Existing Ordinary Shares under the Offer (the New Ordinary Shares and the Existing Ordinary Shares to be sold by the Selling Shareholders, together the “**Offer Shares**”). The Company will not receive any of the proceeds of any sale of Ordinary Shares by the Selling Shareholders, all of which will be received by the Selling Shareholders. The Offer is conditional, *inter alia*, on Admission taking place on or before 8.00 a.m. on 25 September 2013 (or such later time and/or date as the Company, the Major Shareholder and the Joint Bookrunners may agree).

The Offer Shares will, upon Admission, rank equally in all respects with the Ordinary Shares in issue prior to Admission, including the right to receive all dividends or other distributions declared, made or paid on the Ordinary Shares after Admission. The Offer Shares are not being made generally available to the public in conjunction with the Offer.

## NOTICE TO OVERSEAS INVESTORS

**This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada, Japan or South Africa. Neither the Company nor any of the Managers nor Rothschild accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. No action has been, or will be, taken in any jurisdiction other than the UK that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Ordinary Shares in any jurisdiction where action for that purpose is required.**

**The offer, sale and/or issue of the Ordinary Shares has not been, and will not be, qualified for sale under any applicable securities laws of Australia, Canada, Japan or South Africa. Subject to certain exceptions, the Ordinary Shares may not be offered, sold or delivered within Australia, Canada, Japan or South Africa, or to, or for the benefit of, any national, resident or citizen of Australia, Canada, Japan or South Africa. The Ordinary Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Offer Shares are only being offered and sold (i) in the United States to persons reasonably believed to be QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S. Prospective investors in the United States are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.**

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Offer Shares or the accuracy or completeness of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Prospectus is being furnished by the Company in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling prospective investors to consider the acquisition of Offer Shares described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. This Prospectus is being furnished on a confidential basis only to persons in the United States reasonably believed to be QIBs and to other eligible persons outside of the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in or into the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Offer Shares offered hereby in accordance with the offer and sale restrictions described herein, is prohibited. Each prospective investor in the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing. The Offer Shares are being offered in the United States to QIBs through the respective US registered broker-dealer affiliates of the Managers.

Investors should rely only on the information contained in this Prospectus (and any supplementary prospectus produced to supplement the information contained in this Prospectus) when making a decision as to whether to purchase Offer Shares. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders, the Managers or Rothschild. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this Prospectus nor any issue or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries taken as a whole (the “**Group**”) since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to the date of this Prospectus.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to the purchase of Ordinary Shares.

Recipients of this Prospectus are authorised to use it solely for the purpose of considering the acquisition of Offer Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in Offer Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

Credit Suisse Securities (Europe) Limited (“**Credit Suisse**”) and Numis Securities Limited (“**Numis**”) have been appointed as Joint Sponsors and Joint Bookrunners in connection with Admission and the Offer. Canaccord Genuity Limited (“**Canaccord**”, and together with Credit Suisse and Numis, the “**Managers**”) has been appointed as Co-Lead Manager to the Offer. N M Rothschild & Sons Limited (“**Rothschild**”) has been appointed as Financial Adviser to the Company in connection with the Offer. Credit Suisse and Rothschild, each of which is authorised by the Prudential Regulation Authority (“**PRA**”) and regulated by the FCA and the PRA in the United Kingdom, and Numis and Canaccord, each of which is authorised and regulated solely by the FCA in the United Kingdom, are acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Managers and Rothschild by FSMA or the regulatory regime established thereunder, none of the Managers nor Rothschild accepts any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors, the Selling Shareholders or any other person, in connection with the Company, the Ordinary Shares, the Selling Shareholders or the Offer and nothing in this Prospectus shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Each of the Managers and Rothschild accordingly disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

In connection with the Offer, each of the Managers and Rothschild and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Managers and Rothschild and any of their respective affiliates acting as an investor for its or their own account(s). None of the Managers nor Rothschild intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, in connection with the Offer, certain of the Managers may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where Ordinary Shares are used as collateral, that could result in such Managers acquiring shareholdings in the Company.

The Managers and Rothschild and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholders, for which they would have received customary fees. The Managers and Rothschild and any of their respective affiliates may provide such services to the Company, the Selling Shareholders and any of their respective affiliates in the future.

The Offer Shares to be made available pursuant to the Offer will, on Admission, rank equally in all respects with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

## STABILISATION

In connection with the Offer, Credit Suisse (the “**Stabilising Manager**”), or any of its agents, may, but will be under no obligation to, effect stabilisation transactions to support the market price of the Ordinary Shares or any options, warrants or rights with respect to, or interests in, the Ordinary Shares or other securities of the Company, in each case at a higher level than that which might otherwise prevail in the open market. Such transactions may include short sales, stabilising transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Stabilising Manager of a greater number of Ordinary Shares than the Managers are required to procure purchasers for, or failing which, to purchase

in the Offer. Stabilising transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Ordinary Shares while the Offer is in progress. Such transactions shall be carried out in accordance with applicable rules and regulations. Such stabilisation activities may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there is no obligation on the Stabilising Manager (or any of its agents) or any other person to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price.

In connection with the Offer, the Stabilising Manager may over-allot Ordinary Shares at the Offer Price up to a maximum of 10% of the total number of Offer Shares. To allow the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Ordinary Shares effected by it during the stabilising period, the Lending Shareholder has granted to it the Over-allotment Option pursuant to which the Stabilising Manager may require the Lending Shareholder to sell additional Ordinary Shares representing up to 10% of the total number of Offer Shares at the Offer Price. The Over-allotment Option is exercisable, in whole or in part, upon notice by the Stabilising Manager, at any time on or before the thirtieth calendar day after the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank equally in all respects with the other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares, will be sold on the same terms and conditions as the Ordinary Shares being offered pursuant to the Offer and will form a single class for all purposes with the other Ordinary Shares.

#### **NOTICE TO NEW HAMPSHIRE RESIDENTS**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED (“RSA”) WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF OR RECOMMENDED OR GIVEN APPROVAL TO ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The date of this Prospectus is 20 September 2013.

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## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A—E (A.1—E.7).*

*This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element might be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of the words “not applicable”.*

Section A—Introduction and warnings		
Element		
A.1	<b>Introduction and warnings</b>	<p>This summary should be read as an introduction to this Prospectus.</p> <p>Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a Member State, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2	<b>Subsequent resale of securities or final placement of securities through financial intermediaries</b>	Not applicable: the Company is not engaging any financial intermediaries for any resale of securities or final placement of securities after publication of this Prospectus.

Section B—Issuer		
Element		
B.1	<b>Legal and commercial name</b>	Foxtons Group plc
B.2	<b>Domicile/legal form/legislation/country of incorporation</b>	The Company is a public limited company, incorporated in England and Wales with its registered office situated in England and Wales. The Company operates under the Companies Act.
B.3	<b>Current operations/principal activities and markets</b>	The Group is a leading London estate agency, offering residential property sales and lettings services through its Foxtons business. The Group also offers independent mortgage advice and other related services through Alexander Hall, the Group’s mortgage broking business.



		<p>The Group currently focuses on high volume, high value markets in London (defined by the Group as the region enclosed by the M25 motorway). Although the Directors believe that there is significant opportunity to expand the Group's business into markets outside London (in the OLCB (the outer London commuter belt area) and the South East Ring), in the medium term the Directors intend to focus the Group's expansion in London. As at 19 September 2013, the Group operated 42 Foxtons branches (40 located in London and two in Surrey) and one Alexander Hall office located in London.</p> <p>Foxtons is one of the best known London estate agency brands. The Foxtons brand has been supported by significant expenditure on brand and customer marketing programmes over the past 30 years. Foxtons provides a premium service to both its clients and applicants and has consistently been able to charge premium, non-negotiable commission rates for sales and lettings services. Foxtons has a strong sales and service focus and encourages a positive culture of competition among its employees to deliver its premium service offering. Based on Land Registry data, in 2012 Foxtons' top ten branches by sales market share together achieved an average share of the residential property sales market in their branch territories of 13.4%, despite high levels of competition, with the best performing branch achieving a 16.7% sales market share. In certain postcode areas, Foxtons' sales market share can be even higher. Foxtons' share of sales listings is also strong in its London branch territories. Based on information collated and published by Vizzihome, in the period from June 2012 to May 2013, Foxtons had No. 1 or No. 2 sales listings share positions in 80% of its London branch territories. The Directors believe that the competitive position of Foxtons' more mature branches in their current lettings markets is at least as strong as their competitive position in their current residential property sales markets. The Group has a balanced mix of property sales and lettings revenues, with 44.3% of its revenue in 2012 derived from property sales and 52.6% from lettings.</p> <p>Foxtons' development over the last 30 years has been characterised by an innovative approach to the estate agency industry, in particular through the application of technology and the collection and use of detailed data on clients, applicants and properties. Since 2002, Foxtons has made a significant investment in hardware, bespoke software and the design and development of its business processes and has centralised many aspects of its operations at its headquarters in west London to enable its branch staff to focus on valuations, viewings and negotiations of sales and lettings transactions. Foxtons' centralised systems, business processes and resources have been designed to deliver high levels of sales productivity and to support a low cost expansion of its business.</p> <p>There are a number of ongoing Government initiatives aimed at increasing home ownership and mortgage volumes in the UK. The Directors believe that these initiatives, combined with any increase in mortgage availability and any pent up demand for sales properties following the reduction in sales transaction volumes since 2008, may result in an increase in sales transaction volumes, although the extent of any market recovery and its timing is uncertain. Foxtons' operations are well positioned to benefit from</p>
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		<p>any future recovery in sales transaction volumes in London and the Directors expect that even a modest improvement in sales transaction volumes and/or prices could drive increased Group revenues.</p>
B.4a	<b>Recent trends</b>	<p>The UK residential property sales market has been affected by the financial crisis and the economic downturn in the UK, including a reduction in the supply of mortgage financing. Residential property sales volume trends in London have been closely in line with trends across the whole of England and Wales. Based on Land Registry data, between 2008 and 2012, average annual residential property sales volumes in London were approximately 55% of the 2000 to 2006 average levels. However, there has been more stable growth in average residential property sales prices in London than across the whole of England and Wales since the fall in the property market in 2008 and 2009. As of December 2012, LTM average residential property sales prices in London were 22% higher than at their low point in October 2009, while LTM average residential property sales prices across the whole of England and Wales were only 4% higher than at their low point in October 2009, based on Land Registry data.</p> <p>Based on data from the Office for National Statistics, London is expected to account for 36.3% of the private rental market in England and Wales in 2013 by value, with the South East of England and East of England accounting for 16.6% and 8.4% respectively. In contrast to the residential property sales market, the residential property lettings market in London has grown consistently since 2000, a trend also observed for England as a whole. Based on data from the DCLG, between 2000 and 2011, the number of private rented homes in London had a CAGR of 6.0% (compared to a 6.5% CAGR for England excluding London). Rental prices in London are significantly higher than in any other region in the UK. Average monthly rents in London were £1,236 in April 2013, 88% higher than in the rest of the UK. Private rental price growth has been stronger in London than in the rest of England. Based on data from the Office for National Statistics, between May 2005 and May 2013, private rental prices had a CAGR of 1.3% in London compared to a 0.9% CAGR for the whole of England excluding London, and they had a CAGR of 2.1% and 0.8% respectively between January 2011 and May 2013.</p> <p>House purchase mortgage loan volumes in the UK experienced a rapid decline between 1 July 2007 and 31 December 2008, falling by approximately 70%. Remortgage loan volumes held up in 2008 but experienced a decline in 2009 as lenders reduced their standard variable interest rates, reducing the incentive for borrowers to remortgage. Based on Bank of England data, as at the end of the first quarter of 2013, house purchase mortgage loan volumes and remortgage loan volumes had increased to approximately 50% and approximately 30%, respectively, of their 2007 levels. Gross mortgage lending in May 2013 was estimated by the Council of Mortgage Lenders to be £14.7 billion, an increase of 17% from May 2012.</p>
B.5	<b>Description of Issuer's group</b>	<p>The Company is the holding company of the Group. The Group is a leading London estate agency, offering residential property sales and lettings services, and also provides independent mortgage advice and other related services.</p>



B.6	Shareholders	<p>At the date of this Prospectus, in so far as is known to the Company, each of the following persons is interested in 3% or more of the Company’s issued share capital:</p> <ul style="list-style-type: none"><li>• Adnams BBPM Holdings Limited, a company which is indirectly controlled by BC European Capital (a private equity fund advised by BC Partners) (75.0% immediately prior to Admission); and</li><li>• Michael Brown, the Chief Executive Officer of the Company (17.6% immediately prior to Admission).</li></ul> <p>Pursuant to a relationship agreement between, <i>inter alia</i>, the Company, Adnams BBPM Holdings Limited and the general partner of BC European Capital (acting on behalf of BC European Capital) that will have effect from Admission, BC European Capital will be able to nominate one person to be a director of the Company for so long as BC European Capital and its associates and connected persons hold, in aggregate, at least 15% of the Ordinary Shares.</p> <p>Other than the interests of Adnams BBPM Holdings Limited and BC European Capital referred to above, the Company is not aware of any person who, immediately following the Offer, will directly or indirectly, jointly or severally, exercise control over the Company.</p> <p>All Ordinary Shares will have the same voting rights.</p>																																																																																																																		
B.7	Selected historical key financial information	<p><b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b></p> <table><tr><th></th><th>Combined Year ended 31 December 2010</th><th>Year ended 31 December 2011</th><th>Year ended 31 December 2012</th><th>Six months ended 30 June 2012</th><th>Six months ended 30 June 2013</th></tr><tr><th></th><th>£000</th><th>£000</th><th>£000</th><th>(unaudited) £000</th><th>£000</th></tr><tr><td>Revenue</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Sales . . . . .</td><td>45,989</td><td>52,666</td><td>53,084</td><td>25,257</td><td>28,530</td></tr><tr><td>Lettings . . . . .</td><td>52,870</td><td>59,860</td><td>63,089</td><td>29,652</td><td>31,804</td></tr><tr><td>Mortgage Broking . .</td><td>3,957</td><td>3,705</td><td>3,478</td><td>1,652</td><td>2,035</td></tr><tr><td>Other income . . . . .</td><td>256</td><td>122</td><td>304</td><td>112</td><td>232</td></tr><tr><td>Total revenue . . . . .</td><td>103,072</td><td>116,353</td><td>119,955</td><td>56,673</td><td>62,601</td></tr><tr><td>Administrative expenses</td><td>(76,286)</td><td>(84,388)</td><td>(86,973)</td><td>(42,062)</td><td>(45,146)</td></tr><tr><td><b>Operating profit before exceptional items . . . .</b></td><td><b>26,786</b></td><td><b>31,965</b></td><td><b>32,982</b></td><td><b>14,611</b></td><td><b>17,455</b></td></tr><tr><td>Exceptional items . . . .</td><td>4,689</td><td>368</td><td>(1,588)</td><td>(1,066)</td><td>—</td></tr><tr><td><b>Operating profit . . . . .</b></td><td><b>31,475</b></td><td><b>32,333</b></td><td><b>31,394</b></td><td><b>13,545</b></td><td><b>17,455</b></td></tr><tr><td>Finance income . . . . .</td><td>158</td><td>143</td><td>115</td><td>55</td><td>43</td></tr><tr><td>Finance costs . . . . .</td><td>(18,470)</td><td>(6,921)</td><td>(6,634)</td><td>(3,423)</td><td>(2,825)</td></tr><tr><td><b>Profit before tax . . . . .</b></td><td><b>13,163</b></td><td><b>25,555</b></td><td><b>24,875</b></td><td><b>10,177</b></td><td><b>14,673</b></td></tr><tr><td>Tax . . . . .</td><td>(5,367)</td><td>(5,639)</td><td>(4,101)</td><td>(1,958)</td><td>(3,536)</td></tr><tr><td><b>Profit and total comprehensive income for the period . . . . .</b></td><td><b>7,796</b></td><td><b>19,916</b></td><td><b>20,774</b></td><td><b>8,219</b></td><td><b>11,137</b></td></tr><tr><td><b>Earnings per share</b></td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Basic and diluted (pence per share) . . . .</td><td>10.62</td><td>27.03</td><td>28.16</td><td>11.14</td><td>15.10</td></tr></table>		Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013		£000	£000	£000	(unaudited) £000	£000	Revenue						Sales . . . . .	45,989	52,666	53,084	25,257	28,530	Lettings . . . . .	52,870	59,860	63,089	29,652	31,804	Mortgage Broking . .	3,957	3,705	3,478	1,652	2,035	Other income . . . . .	256	122	304	112	232	Total revenue . . . . .	103,072	116,353	119,955	56,673	62,601	Administrative expenses	(76,286)	(84,388)	(86,973)	(42,062)	(45,146)	<b>Operating profit before exceptional items . . . .</b>	<b>26,786</b>	<b>31,965</b>	<b>32,982</b>	<b>14,611</b>	<b>17,455</b>	Exceptional items . . . .	4,689	368	(1,588)	(1,066)	—	<b>Operating profit . . . . .</b>	<b>31,475</b>	<b>32,333</b>	<b>31,394</b>	<b>13,545</b>	<b>17,455</b>	Finance income . . . . .	158	143	115	55	43	Finance costs . . . . .	(18,470)	(6,921)	(6,634)	(3,423)	(2,825)	<b>Profit before tax . . . . .</b>	<b>13,163</b>	<b>25,555</b>	<b>24,875</b>	<b>10,177</b>	<b>14,673</b>	Tax . . . . .	(5,367)	(5,639)	(4,101)	(1,958)	(3,536)	<b>Profit and total comprehensive income for the period . . . . .</b>	<b>7,796</b>	<b>19,916</b>	<b>20,774</b>	<b>8,219</b>	<b>11,137</b>	<b>Earnings per share</b>						Basic and diluted (pence per share) . . . .	10.62	27.03	28.16	11.14	15.10
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<b>CONSOLIDATED BALANCE SHEET</b>				
	<b>31 December 2010</b>	<b>31 December 2011</b>	<b>31 December 2012</b>	<b>30 June 2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill and other intangible assets . . . .	118,168	118,168	118,168	118,168
Property, plant and equipment . . . . .	16,307	15,887	18,131	21,043
Deferred tax assets . .	1,367	778	537	724
	<u>135,842</u>	<u>134,833</u>	<u>136,836</u>	<u>139,935</u>
<b>Current assets</b>				
Trade and other receivables (incl. prepayments) . . . . .	16,898	16,420	17,345	19,691
Cash and cash equivalents . . . . .	16,364	13,738	9,774	14,538
	<u>33,262</u>	<u>30,158</u>	<u>27,119</u>	<u>34,229</u>
<b>Total assets . . . . .</b>	<u>169,104</u>	<u>164,991</u>	<u>163,955</u>	<u>174,164</u>
<b>Liabilities</b>				
Borrowings (current and non-current) . . . .	111,045	88,417	67,555	63,305
Deferred tax liabilities	27,040	25,266	23,500	22,770
Other liabilities . . . . .	16,457	16,830	17,648	20,169
<b>Net current assets . . .</b>	<u>13,147</u>	<u>12,026</u>	<u>9,161</u>	<u>13,935</u>
<b>Total liabilities . . . . .</b>	<u>(154,542)</u>	<u>(130,513)</u>	<u>(108,703)</u>	<u>(106,244)</u>
<b>Net assets . . . . .</b>	<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>(67,920)</u>
<b>Equity</b>				
Share capital . . . . .	—	—	—	—
Retained earnings . . .	14,562	34,478	55,252	67,920
<b>Total equity . . . . .</b>	<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY				
	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
<b>Foxtons Intermediate Holdings Limited</b>				
<b>Balance at 1 January 2010</b>	—	22,984	(255,221)	(232,237)
Total comprehensive income for the period . . . .	—	—	(6,766)	(6,766)
<b>Balance at 30 March 2010 .</b>	—	22,984	(261,987)	(239,003)
<b>Foxtons Group plc</b>				
<b>Balance at 31 March 2010 .</b>	—	—	—	—
Total comprehensive income for the period . . . .	—	—	14,562	14,562
<b>Balance at 31 December 2010 . . . . .</b>	—	—	14,562	14,562
Total comprehensive income for the year . . . . .	—	—	19,916	19,916
<b>Balance at 31 December 2011 . . . . .</b>	—	—	34,478	34,478
Total comprehensive income for the year . . . . .	—	—	20,774	20,774
Issue of share capital . . . .	—	32,000	—	32,000
Dividends . . . . .	—	—	(32,000)	(32,000)
Capital reduction . . . . .	—	(32,000)	32,000	—
<b>Balance at 31 December 2012 . . . . .</b>	—	—	55,252	55,252
Total comprehensive income for the period . . . .	—	—	11,137	11,137
Capital contribution (group relief) . . . . .	—	—	1,531	1,531
<b>Balance at 30 June 2013 . .</b>	—	—	67,920	67,920

## CONSOLIDATED CASH FLOW STATEMENT

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
<b>Net cash from operating activities . . .</b>	23,939	30,165	29,140	11,648	16,360
<b>Investing activities</b>					
Interest received . . . . .	158	143	115	55	43
Proceeds on disposal of property, plant and equipment . . . . .	330	404	514	331	270
Purchases of property, plant and equipment . .	(4,969)	(3,790)	(6,236)	(2,784)	(4,833)
<b>Net cash used in investing activities . . .</b>	(4,481)	(3,243)	(5,607)	(2,398)	(4,520)
<b>Financing activities</b>					
Dividends paid . . . . .	—	—	(32,000)	—	—
Interest paid . . . . .	(4,191)	(5,005)	(4,645)	(2,460)	(1,810)
Repayments of borrowings . . . . .	(15,987)	(25,364)	(22,000)	(7,000)	(5,000)
(Repayments)/inflow of obligations under finance leases	(767)	821	(852)	(476)	(266)
Proceeds on issue of shares . . . . .	—	—	32,000	—	—
<b>Net cash used in financing activities . . .</b>	(20,945)	(29,548)	(27,497)	(9,936)	(7,076)
<b>Net decrease in cash and cash equivalents . .</b>	(1,487)	(2,626)	(3,964)	(686)	4,764
<b>Cash and cash equivalents at beginning of period . . .</b>	17,851	16,364	13,738	13,738	9,774
<b>Cash and cash equivalents at end of period . . . . .</b>	16,364	13,738	9,774	13,052	14,538

Certain significant changes to the Group's financial condition and results of operations occurred during 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013. These changes are as set out below.

- 13 new branches were opened between 2010 and 30 June 2013 (with 42 branches in total as at 30 June 2013) as part of the Group's organic growth strategy.
- The Group had borrowings of £125.0 million following completion of a consensual capital reorganisation in March 2010. The Group's cash flow has been used to repay the Group's borrowings, which were reduced to £63.2 million as at 30 June 2013.
- Operating profit decreased by £0.1 million to £31.4 million between 2010 and 2012, and increased by £3.9 million to £17.5 million between the six months ended 30 June 2012 and the six months ended 30 June 2013.
- Finance costs reduced by £11.8 million to £6.6 million between 2010 and 2012, and by £0.6 million to £2.8 million between the six months ended 30 June 2012 and the six months ended 30 June 2013.

		<ul style="list-style-type: none"> <li>Profit and total comprehensive income increased by £13.0 million to £20.8 million between 2010 and 2012, and by £2.9 million to £11.1 million between the six months ended 30 June 2012 and the six months ended 30 June 2013, principally as a result of the improvement in operating performance and the reduction in interest payments following a reduction in the amounts outstanding under the Existing Debt Facilities.</li> </ul> <p>There has been no significant change in the financial condition or operating results of the Group since 30 June 2013, the end of the period covered by the selected historical key financial information set out in the tables above.</p>
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B.8	Selected key pro forma financial information	<p>The unaudited pro forma statement of net assets of the Group set out below has been prepared to illustrate the effect of receipt of the net proceeds of the Offer and the use of those proceeds on the Group’s net assets as if the Offer had occurred on 30 June 2013. It has been compiled using the Group’s IFRS consolidated balance sheet as at 30 June 2013 and on the basis set out in the notes below and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the PD Regulation. The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group’s actual financial position or results. It may not, therefore, give a true picture of the Group’s financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.</p> <table><tr><th></th><th>Consolidated net assets of the Group as at 30 June 2013 £000<sup>(1)</sup></th><th>Adjustments Net proceeds of the Offer £000<sup>(2)(3)</sup></th><th>Pro forma net assets of the Group as at 30 June 2013 £000<sup>(3)(4)(5)(6)</sup></th></tr><tr><td colspan="4"><b>Assets</b></td></tr><tr><td colspan="4"><b>Non-current assets</b></td></tr><tr><td>Goodwill . . . . .</td><td>19,168</td><td>—</td><td>19,168</td></tr><tr><td>Other intangible assets . . . . .</td><td>99,000</td><td>—</td><td>99,000</td></tr><tr><td>Property, plant and equipment . .</td><td>21,043</td><td>—</td><td>21,043</td></tr><tr><td>Deferred tax assets . . . . .</td><td>724</td><td>—</td><td>724</td></tr><tr><td></td><td><u>139,935</u></td><td><u>—</u></td><td><u>139,935</u></td></tr><tr><td colspan="4"><b>Current assets</b></td></tr><tr><td>Trade and other receivables . . . .</td><td>14,497</td><td>—</td><td>14,497</td></tr><tr><td>Prepayments . . . . .</td><td>5,194</td><td>—</td><td>5,194</td></tr><tr><td>Cash and cash equivalents . . . . .</td><td>14,538</td><td>(14,180)</td><td>358</td></tr><tr><td></td><td><u>34,229</u></td><td><u>(14,180)</u></td><td><u>20,049</u></td></tr><tr><td><b>Total assets</b> . . . . .</td><td><u>174,164</u></td><td><u>(14,180)</u></td><td><u>159,984</u></td></tr><tr><td colspan="4"><b>Liabilities</b></td></tr><tr><td colspan="4"><b>Current liabilities</b></td></tr><tr><td>Trade and other payables . . . . .</td><td>(11,137)</td><td>—</td><td>(11,137)</td></tr><tr><td>Current tax liabilities . . . . .</td><td>(3,320)</td><td>—</td><td>(3,320)</td></tr><tr><td>Obligations under finance leases</td><td>(125)</td><td>—</td><td>(125)</td></tr><tr><td>Provisions . . . . .</td><td>(129)</td><td>—</td><td>(129)</td></tr><tr><td>Borrowings . . . . .</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Deferred revenue . . . . .</td><td>(5,583)</td><td>—</td><td>(5,583)</td></tr><tr><td></td><td><u>(20,294)</u></td><td><u>—</u></td><td><u>(20,294)</u></td></tr><tr><td><b>Net current assets</b> . . . . .</td><td><u>13,935</u></td><td><u>(14,180)</u></td><td><u>(245)</u></td></tr><tr><td colspan="4"><b>Non-current liabilities</b></td></tr><tr><td>Borrowings . . . . .</td><td>(63,180)</td><td>63,180</td><td>—</td></tr><tr><td>Obligations under finance leases</td><td>—</td><td>—</td><td>—</td></tr><tr><td>Deferred tax liabilities . . . . .</td><td>(22,770)</td><td>—</td><td>(22,770)</td></tr><tr><td></td><td><u>(85,950)</u></td><td><u>63,180</u></td><td><u>(22,770)</u></td></tr><tr><td><b>Total liabilities</b> . . . . .</td><td><u>(106,244)</u></td><td><u>63,180</u></td><td><u>(43,064)</u></td></tr><tr><td><b>Net assets</b> . . . . .</td><td><u>67,920</u></td><td><u>49,000</u></td><td><u>116,920</u></td></tr></table> <p>Notes:</p> <p>(1) The consolidated net assets of the Group as at 30 June 2013 have been extracted, without material adjustment, from the audited historical financial information of the Group for the six month period ended 30 June 2013.</p>		Consolidated net assets of the Group as at 30 June 2013 £000 <sup>(1)</sup>	Adjustments Net proceeds of the Offer £000 <sup>(2)(3)</sup>	Pro forma net assets of the Group as at 30 June 2013 £000 <sup>(3)(4)(5)(6)</sup>	<b>Assets</b>				<b>Non-current assets</b>				Goodwill . . . . .	19,168	—	19,168	Other intangible assets . . . . .	99,000	—	99,000	Property, plant and equipment . .	21,043	—	21,043	Deferred tax assets . . . . .	724	—	724		<u>139,935</u>	<u>—</u>	<u>139,935</u>	<b>Current assets</b>				Trade and other receivables . . . .	14,497	—	14,497	Prepayments . . . . .	5,194	—	5,194	Cash and cash equivalents . . . . .	14,538	(14,180)	358		<u>34,229</u>	<u>(14,180)</u>	<u>20,049</u>	<b>Total assets</b> . . . . .	<u>174,164</u>	<u>(14,180)</u>	<u>159,984</u>	<b>Liabilities</b>				<b>Current liabilities</b>				Trade and other payables . . . . .	(11,137)	—	(11,137)	Current tax liabilities . . . . .	(3,320)	—	(3,320)	Obligations under finance leases	(125)	—	(125)	Provisions . . . . .	(129)	—	(129)	Borrowings . . . . .	—	—	—	Deferred revenue . . . . .	(5,583)	—	(5,583)		<u>(20,294)</u>	<u>—</u>	<u>(20,294)</u>	<b>Net current assets</b> . . . . .	<u>13,935</u>	<u>(14,180)</u>	<u>(245)</u>	<b>Non-current liabilities</b>				Borrowings . . . . .	(63,180)	63,180	—	Obligations under finance leases	—	—	—	Deferred tax liabilities . . . . .	(22,770)	—	(22,770)		<u>(85,950)</u>	<u>63,180</u>	<u>(22,770)</u>	<b>Total liabilities</b> . . . . .	<u>(106,244)</u>	<u>63,180</u>	<u>(43,064)</u>	<b>Net assets</b> . . . . .	<u>67,920</u>	<u>49,000</u>	<u>116,920</u>
	Consolidated net assets of the Group as at 30 June 2013 £000 <sup>(1)</sup>	Adjustments Net proceeds of the Offer £000 <sup>(2)(3)</sup>	Pro forma net assets of the Group as at 30 June 2013 £000 <sup>(3)(4)(5)(6)</sup>																																																																																																																											
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<b>Current assets</b>																																																																																																																														
Trade and other receivables . . . .	14,497	—	14,497																																																																																																																											
Prepayments . . . . .	5,194	—	5,194																																																																																																																											
Cash and cash equivalents . . . . .	14,538	(14,180)	358																																																																																																																											
	<u>34,229</u>	<u>(14,180)</u>	<u>20,049</u>																																																																																																																											
<b>Total assets</b> . . . . .	<u>174,164</u>	<u>(14,180)</u>	<u>159,984</u>																																																																																																																											
<b>Liabilities</b>																																																																																																																														
<b>Current liabilities</b>																																																																																																																														
Trade and other payables . . . . .	(11,137)	—	(11,137)																																																																																																																											
Current tax liabilities . . . . .	(3,320)	—	(3,320)																																																																																																																											
Obligations under finance leases	(125)	—	(125)																																																																																																																											
Provisions . . . . .	(129)	—	(129)																																																																																																																											
Borrowings . . . . .	—	—	—																																																																																																																											
Deferred revenue . . . . .	(5,583)	—	(5,583)																																																																																																																											
	<u>(20,294)</u>	<u>—</u>	<u>(20,294)</u>																																																																																																																											
<b>Net current assets</b> . . . . .	<u>13,935</u>	<u>(14,180)</u>	<u>(245)</u>																																																																																																																											
<b>Non-current liabilities</b>																																																																																																																														
Borrowings . . . . .	(63,180)	63,180	—																																																																																																																											
Obligations under finance leases	—	—	—																																																																																																																											
Deferred tax liabilities . . . . .	(22,770)	—	(22,770)																																																																																																																											
	<u>(85,950)</u>	<u>63,180</u>	<u>(22,770)</u>																																																																																																																											
<b>Total liabilities</b> . . . . .	<u>(106,244)</u>	<u>63,180</u>	<u>(43,064)</u>																																																																																																																											
<b>Net assets</b> . . . . .	<u>67,920</u>	<u>49,000</u>	<u>116,920</u>																																																																																																																											



		<p>(2) The total net proceeds receivable by the Company from the Offer are estimated to be approximately £49.0 million, after deduction of underwriting commissions and other estimated fees and expenses incurred by the Group in connection with the Offer (assuming the maximum amount of the Managers' discretionary commission will be paid and excluding VAT) of approximately £6.0 million.</p> <p>(3) The Company intends to use the net proceeds it receives from the Offer, together with its existing cash resources, to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities. Assuming the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities are repaid by the Company on 27 September 2013, the Company will be required to use £9.9 million of its existing cash resources, together with the net proceeds it receives from the Offer, to make such repayment (being payments of, in aggregate, £58.9 million), reflecting the position as at 27 September 2013. Had the net proceeds of the Offer been received by the Company on 30 June 2013, it would have been required to use £14.2 million of its existing cash resources to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities (being payments of, in aggregate, £63.2 million), reflecting the position as at 30 June 2013.</p> <p>(4) The unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.</p> <p>(5) The unaudited pro forma statement of net assets does not reflect any trading results or other transactions undertaken by the Group since 30 June 2013.</p> <p>(6) On 12 August 2013 the Group completed the Bonus Issue and Share Consolidation. Immediately prior to Admission, the Group will complete the Share Capital Reorganisation. Neither the Bonus Issue and Share Consolidation nor the Share Capital Reorganisation has had or will have any impact on the Company's net assets, nor on any line item presented above.</p>
B.9	<b>Profit forecast/estimate</b>	Not applicable: no profit forecasts or estimates have been made.
B.10	<b>Audit report—qualifications</b>	Not applicable: there are no qualifications in the accountants' report on the historical financial information.
B.11	<b>Insufficient working capital</b>	Not applicable: the Group has sufficient working capital for its present requirements.

<b>Section C—Securities</b>		
<b>Element</b>		
C.1	<b>Description of type and class of securities being offered</b>	<p>The Offer comprises Ordinary Shares in Foxtons Group plc.</p> <p>The nominal value of the total issued Ordinary Share capital of the Company immediately following Admission will be £2,821,764.68 divided into 282,176,468 Ordinary Shares of £0.01 each, which will be issued fully paid.</p> <p>When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BCKFY513 and SEDOL number BCKFY51 and it is expected that the Ordinary Shares will be traded under the ticker symbol FOXT.</p>
C.2	<b>Currency of issue</b>	The Offer Shares are denominated in pounds sterling.
C.3	<b>Number of Ordinary Shares issued and par value</b>	<p>Immediately prior to Admission (following the Share Capital Reorganisation), there will be 258,219,948 Ordinary Shares in issue (all of which will be fully paid).</p> <p>The Ordinary Shares have a par value of £0.01.</p>
C.4	<b>Rights attaching to the Ordinary Shares</b>	The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share held.

		<p>Each Ordinary Share ranks equally for any dividend declared. Each Ordinary Share ranks equally for any distributions made on a winding-up of the Company.</p> <p>Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves.</p>
C.5	<b>Restrictions on transfer</b>	Not applicable: the Ordinary Shares will be freely transferable upon Admission.
C.6	<b>Admission to trading</b>	<p>Application has been made for the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities which is a regulated market.</p> <p>Application has also been made to the FCA for the Ordinary Shares to be admitted to the premium listing segment of the Official List.</p>
C.7	<b>Dividend policy</b>	<p>Assuming that there are sufficient distributable reserves available at the time, the Board initially intends to target a dividend of between 35% and 40% of the Group's annual reported profits after tax for each financial year.</p> <p>Subject to cash not being required for ongoing operations or organic investment, the Board will consider returning excess cash to Shareholders over time, for example by way of special dividends which would supplement ordinary dividends.</p> <p>The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of announcement of its interim and preliminary results respectively in the approximate proportions of one-third and two-thirds, respectively, of the total expected annual dividend.</p> <p>It is expected that the first dividend to be paid by the Company, which will be pro rated for the period following Admission, will be announced with the preliminary results for the year ending 31 December 2013 and will be payable in respect of all of the issued Ordinary Shares.</p> <p>The Group may revise its dividend policy from time to time.</p>

<b>Section D—Risks</b>		
<b>Element</b>		
D.1	<b>Key information on the key risks that are specific to the Issuer or its industry</b>	<p>Key information on the key risks relating to the industries in which the Group operates are:</p> <ul style="list-style-type: none"> <li>• Foxtons' property sales business is dependent on the volumes of sales transactions for, and the sales prices of, residential property in London.</li> <li>• Foxtons' property sales business is dependent on the availability and affordability of mortgage financing.</li> <li>• Foxtons' property lettings business is dependent on lettings transaction volumes, rental prices and the duration of tenancies for residential property lettings in London, as well as the propensity of landlords to use Foxtons' comprehensive property management service.</li> <li>• Alexander Hall may be adversely affected by any further reduction in mortgage loan volumes, any further increase in lenders' direct lending operations, any change in lenders' use of mortgage intermediaries to distribute their products, or any reduction in opportunities to earn revenue from clients referred by Foxtons.</li> </ul>

		<ul style="list-style-type: none"> <li>• The Group is subject to significant competition from other estate agencies and mortgage brokers, and the risk of an increase in private sales and/or lettings of residential property, including through the internet.</li> <li>• The Group is dependent on the attractiveness of London as a place to live and its status as an international centre for business and commerce.</li> <li>• Changes in Government policy may reduce the volumes and/or values of residential property sales and lettings transactions in London and the Group's other Target Markets.</li> </ul> <p>Key information on key risks relating to the Group are:</p> <ul style="list-style-type: none"> <li>• New branch openings may not be completed within anticipated timeframes or achieve expected financial returns.</li> <li>• The Group's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial and other resources, and the Group is dependent on having sufficient numbers of experienced employees to open its new branches.</li> <li>• The Group is subject to laws and regulations with which it may be found to be non-compliant.</li> <li>• The Group could be adversely affected by an inability to obtain or maintain authorisations for its FCA approved personnel.</li> <li>• The Group is dependent on the strength of its brand and on its reputation and goodwill, all of which may be affected by factors including litigation, employee misconduct, operational failures, regulatory investigations, negative publicity and/or poor performance.</li> <li>• The Group is dependent on reliable and efficient IT systems and a failure in the Group's IT systems could disrupt the Group's business or result in the disclosure of confidential information.</li> <li>• The Group is dependent on its Executive Directors and other members of its senior management team and may face operational challenges as well as challenges in recruiting and retaining suitable personnel if such persons leave the Group.</li> <li>• The Group's risk management procedures may fail to identify or anticipate future risks.</li> <li>• The Group may fail in its strategy to increase Alexander Hall's profitability.</li> </ul>
D.3	<b>Key information on the key risks that are specific to the Ordinary Shares</b>	<p>Key information on the key risks relating to the Ordinary Shares are:</p> <ul style="list-style-type: none"> <li>• The share price of publicly traded companies can be highly volatile, including for reasons related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation and general market conditions and regulatory changes.</li> <li>• The Major Shareholder and, subsequently, BC European Capital will retain a significant interest in the Company following Admission and their interests may differ from those of the other Shareholders. In particular, following the termination of the Relationship Agreement BC European</li> </ul>

		<p>Capital may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of the Group.</p> <ul style="list-style-type: none"> <li>• Substantial sales of Ordinary Shares, or the perception that such sales might occur, could depress the market price of the Ordinary Shares. In particular, the Group is unable to predict whether, following the termination of the lock-up restrictions put in place in connection with the Offer, substantial amounts of Ordinary Shares will be sold in the open market by those subject to such restrictions, including the Major Shareholder and BC European Capital.</li> <li>• A liquid market for the Ordinary Shares may fail to develop.</li> <li>• There is no guarantee that dividends will be paid by the Company.</li> <li>• Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares.</li> </ul>
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Section E—Offer		
Element		
E.1	<b>Net proceeds/Expenses</b>	<p>The Company will receive approximately £49.0 million net proceeds from the Offer (after deducting underwriting commissions and other estimated offering-related fees and expenses (but excluding VAT) of approximately £6.0 million).</p> <p>The net proceeds from the Offer receivable by the Selling Shareholders will be approximately £323.0 million (after deducting underwriting commissions and other estimated expenses (but excluding VAT) of approximately £11.7 million).</p> <p>No expenses will be charged to the purchasers of Offer Shares by the Company or the Selling Shareholders.</p>
E.2a	<b>Reasons for the Offer/Use of proceeds</b>	<p>The Directors believe that the Offer and Admission will:</p> <ul style="list-style-type: none"> <li>(a) enhance the Group's public profile and status with existing and potential clients;</li> <li>(b) provide a more efficient capital structure which will give the Company better operational flexibility and enable the Company to pursue its organic expansion strategy and to be better placed to take advantage of any future opportunities;</li> <li>(c) provide access to the capital markets to aid future growth if required;</li> <li>(d) create a liquid market in the Ordinary Shares for Existing Shareholders;</li> <li>(e) assist in the incentivisation and retention of key management and employees; and</li> <li>(f) provide the Selling Shareholders with a partial realisation of their investment in the Company.</li> </ul> <p>The Company intends to use the net proceeds it receives from the Offer (estimated to be £49.0 million), together with £9.9 million of its existing cash resources (assuming repayment is made on 27 September 2013), to repay in full the Existing Debt Facilities (including all accrued interest thereunder).</p>

E.3	<b>Terms and conditions of the Offer</b>	<p>The Offer comprises an offer of:</p> <ul style="list-style-type: none"> <li>• 23,913,044 New Ordinary Shares to be issued by the Company; and</li> <li>• 145,535,981 Existing Ordinary Shares to be sold by the Selling Shareholders.</li> </ul> <p>In addition, up to a further 16,944,902 Existing Ordinary Shares (representing up to 10% of the total number of Offer Shares) are being made available by Adnams BBPM Holdings Limited pursuant to the Over-allotment Option.</p> <p>All Offer Shares will be sold at the Offer Price. Under the Offer, the Offer Shares will be offered to certain institutional and professional investors in the UK and elsewhere outside the United States in reliance on Regulation S and in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.</p> <p>Admission is expected to become effective, and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange, at 8.00 a.m. on 25 September 2013.</p> <p>The Offer is subject to the satisfaction of conditions, which are customary for transactions of this type, contained in the Underwriting Agreement, including completion of the Share Capital Reorganisation, Admission becoming effective no later than 8.00 a.m. on 25 September 2013 and the Underwriting Agreement not having been terminated prior to Admission.</p> <p>The Underwriting Agreement has been entered into between the Company, the Directors, the Major Shareholder and the Managers. The Underwriting Agreement provides for the Managers to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Managers may be retained and any Ordinary Shares acquired by them may be retained or dealt in, by them, for their own benefit.</p> <p>None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.</p>
E.4	<b>Material interests</b>	<p>Immediately following Admission each of the following persons is expected to be interested in 3% or more of the Company's issued Ordinary Share capital:</p> <ul style="list-style-type: none"> <li>• Adnams BBPM Holdings Limited (28.3%);</li> <li>• Blackrock (8.2%);</li> <li>• Michael Brown (8.1%); and</li> <li>• FIL Investment Services (UK) Limited (3.2%).</li> </ul> <p>There are no conflicting interests that are material to the Offer.</p> <p>Assuming the Over-allotment Option is exercised in full, the shareholding of Adnams BBPM Holdings Limited would be 22.3% and the shareholdings of the other persons referred to above would remain the same.</p>

E.5	<p><b>Selling shareholders</b></p> <p><b>Lock up arrangements</b></p>	<p>145,535,981 Ordinary Shares will be sold in the Offer by or on behalf of the Selling Shareholders (assuming the Over-allotment Option is not exercised).</p> <p>For a 180 day lock-up period from and including the date of the Underwriting Agreement, the Company and the Major Shareholder will not issue or dispose of any interest in the Ordinary Shares. The Directors and the Senior Managers are also subject to a 365 day lock-up period from and including the date of the Underwriting Agreement (in respect of the Directors) and the Lock-Up Agreements (in respect of the Senior Managers) during which they will not dispose of any interest in any Ordinary Shares they own in the Company or any rights to such Ordinary Shares.</p> <p>All lock-up arrangements are subject to certain customary exceptions.</p>
E.6	<b>Dilution</b>	<p>23,913,044 New Ordinary Shares will be issued pursuant to the Offer. In addition, 43,476 new Ordinary Shares will be issued to certain of the Non-Executive Directors upon Admission. The Existing Ordinary Shares will represent 91.5% of the total issued Ordinary Shares immediately following Admission.</p>
E.7	<b>Estimated expenses charged to investor</b>	<p>Not applicable: there are no commissions, fees, expenses or taxes to be charged to investors by the Company or the Selling Shareholders under the Offer.</p>



## RISK FACTORS

*Any investment in the Offer Shares is subject to a number of risks. Prior to investing in the Offer Shares, prospective investors should consider carefully the factors and risks associated with any such investment, the Group's business and the industries in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the Group, its business and industries and the Offer Shares summarised in the section of this Prospectus entitled "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Offer Shares. However, as the risks which the Group faces relate to events, and depend on circumstances, that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus entitled "Summary" but also, among other things, the risks and uncertainties described below.*

*The risks and uncertainties described below represent those the Directors consider to be material as at the date of this Prospectus. However, these risks and uncertainties are not the only ones facing the Group. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, prospects, results of operations and financial condition and, if any or a combination of such risks should occur, the price of Ordinary Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Offer Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.*

### RISKS RELATING TO THE GROUP'S BUSINESS

#### Principal risks relating to Foxtons' property sales business

*Foxtons' property sales business is dependent on the volumes of sales transactions for, and the sales prices of, residential property in London.*

Foxtons generated 44.3% of the Group's total revenue in 2012 by charging commissions to sellers on residential property sales transactions where contracts were exchanged. Foxtons' sales commissions are calculated as a percentage of the sales prices achieved on the relevant transactions and are generally charged at non-negotiable rates. Consequently, the revenue generated by Foxtons' property sales business depends on volumes of sales transactions and sales prices for residential property in London.

If volumes of residential property sales transactions in London decrease, the aggregate sales commission earned by Foxtons on sales transactions is also likely to decrease. Sales transaction volumes are dependent on many factors which are beyond the Group's control. The economic downturn and the low levels of mortgage approvals experienced in the UK since 2008 have caused a significant decline in volumes of residential property sales transactions in London. Based on Land Registry data, LTM average residential property sales transaction volumes in London fell by 67% between July 2007 and June 2009. LTM average residential property sales transaction volumes in London have recovered only slightly since June 2009, and between 2008 and 2012 average annual residential property sales transaction volumes in London were approximately 55% of the 2000 to 2006 average levels. The Company cannot predict whether or when average sales transaction volumes for residential property in London will grow or return to the 2000 to 2006 average levels, and there can be no guarantee that this will ever occur. There can be no guarantee that sales transaction volumes for residential property in London will not fall again in the future.

Further, if sales prices for residential property in London decrease, the sales commission earned by Foxtons on sales transactions will also decrease. Sales prices for residential property in London are dependent on many factors which are beyond the Group's control and have historically been subject to fluctuations. Based on Land Registry data, during the economic downturn experienced in the UK from 2008 onwards LTM average residential property sales prices in London fell by 3% from their peak in September 2008 to their low point in October 2009, although they have since rebounded and as of December 2012 were 22% higher than at their low point in October 2009. While sales prices have been more resilient in London than across the whole of England and Wales during the economic downturn, there can be no guarantee that sales prices for residential property in London will not fall again in the future.

Any reduction in sales commission earned by Foxtons on future sales transactions as a result of reductions in volumes and/or decreases in sales prices for residential property sales transactions in London could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***Foxtons' property sales business is dependent on the availability and affordability of mortgage financing.***

The majority of residential property sales transactions in the UK rely on mortgage financing. House purchase mortgage loan volumes in the UK experienced a rapid decline between 1 July 2007 and 31 December 2008, falling by approximately 70%<sup>(1)</sup>. Remortgage loan volumes held up in 2008 but experienced a decline in 2009. Based on Bank of England data, as at the end of the first quarter of 2013, house purchase mortgage loan volumes and remortgage loan volumes had increased to approximately 50% and approximately 30%, respectively, of their 2007 levels. Any further reduction in mortgage loan availability, due to (i) macroeconomic factors (such as constrained wholesale funding markets, the de-leveraging of lenders' balance sheets or a more conservative attitude to risk by lenders), (ii) changes in lenders' lending criteria (including requirements for increased mortgage deposits from borrowers) and approval processes or the withdrawal of mortgage products, (iii) new regulations (such as regulations increasing the capital requirements of lenders) or (iv) any other reasons, could result in a decrease in volumes of residential property sales transactions in London.

The Bank of England base rate was reduced to 0.5% in March 2009 and has not been adjusted since then. Since the reduction in the base rate, lenders have offered mortgage products at generally low interest rate levels. Any increase in interest rates on mortgage products which results in higher monthly payments by borrowers may make mortgage products unaffordable for some prospective property buyers. Any perception by prospective property buyers that interest rates on mortgage products could increase in the future may result in a reluctance of prospective property buyers to incur mortgage debt to finance a residential property purchase.

Any reduction (or perceived reduction) in mortgage loan availability or in the affordability of mortgage products for prospective property buyers could result in a decrease in volumes of residential property sales transactions in London which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

**Principal risks relating to Foxtons' property lettings business**

***Foxtons' property lettings business is dependent on lettings transaction volumes, rental prices and the duration of tenancies for residential property lettings in London, as well as the propensity of landlords to use Foxtons' comprehensive property management service.***

In 2012, revenue earned by the Group in relation to residential property lettings (which included lettings, renewals, comprehensive property management service and interest earned on tenants' deposits) accounted for 52.6% of the Group's total revenue. Foxtons' property lettings business charges fees to its clients on lettings and renewals transactions calculated as a percentage of the value of the total rent payable by the tenant during the term of the relevant tenancy agreement. Fees for the comprehensive property management service are charged on a monthly basis and calculated as a percentage of the monthly rent payable under the relevant tenancy. Consequently, the revenue generated by Foxtons' property lettings business depends on lettings transaction volumes (including renewals), rental prices and the duration of tenancies for residential property lettings in London, as well as the propensity of landlords to use Foxtons' comprehensive property management service.

If volumes of residential property lettings transactions in London should fall, the aggregate revenue earned by the Group on lettings transactions is likely to decrease. Volumes of lettings transactions in London are dependent on many factors which are beyond the Group's control, including (i) levels of household income and disposable income, (ii) the levels of rental prices and the expectation that they may increase or decrease in the future, (iii) the availability and affordability of mortgage financing to purchase homes and the willingness of borrowers to incur mortgage loans to finance property purchases, and (iv) any increase in the UK's cultural predisposition for owned housing.

While rents in London are significantly higher than in any other region in the UK, there can be no guarantee that rents in London will not fall. If rents in London decrease, the aggregate revenue earned by the Group on lettings transactions is likely to decrease. Rents for residential property in London are

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(1) Source: Bank of England.

dependent on many factors which are beyond the Group's control, including the size, location and presentation of properties, and the level of demand for rental property.

Similarly, the duration of tenancies in London is dependent on many factors which are beyond the Group's control, and if the duration of tenancies in London decreases, the aggregate revenue earned by the Group on lettings transactions is likely to decrease.

As at 24 June 2013, Foxtons administered 18,716 tenancies and provided comprehensive property management services in respect of 6,174 of those tenancies (33.0%). Any reduction in the propensity of landlords to use Foxtons' comprehensive property management service could reduce Foxtons' revenues which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

Any reduction in revenue earned by the Group in relation to future residential property lettings transactions as a result of reductions in volumes of residential property lettings transactions in London and/or falls in rents in London and/or decreases in the duration of tenancies for residential property lettings in London and/or reductions in the use of Foxtons' comprehensive property management service could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

### **Principal risks relating to Alexander Hall's business**

*Alexander Hall may be adversely affected by any further reduction in mortgage loan volumes, any further increase in lenders' direct lending operations, any change in lenders' use of mortgage intermediaries to distribute their products, or any reduction in opportunities to earn revenue from clients referred by Foxtons.*

Alexander Hall provides advice on the arrangement of mortgage products and financial protection products written by third parties and generated 2.9% of the Group's total revenue in 2012. Alexander Hall generated 85.3% of its revenue in 2012 through client fees and procuration fees earned on the arrangement of mortgage products. Alexander Hall participates in the independent distribution channel for mortgage products in the UK alongside other mortgage intermediaries. Lenders also distribute mortgage products directly.

House purchase mortgage loan volumes in the UK experienced a rapid decline between 1 July 2007 and 31 December 2008, falling by approximately 70%<sup>(2)</sup>. Remortgage loan volumes held up in 2008 but experienced a decline in 2009. Based on Bank of England data, as at the end of the first quarter of 2013, house purchase mortgage loan volumes and remortgage loan volumes had increased to approximately 50% and approximately 30%, respectively, of their 2007 levels. Moreover, since 2008, lenders have refocused their distribution strategy further onto their own operations and have become less reliant on intermediaries. The direct lenders' share of mortgage volumes increased from approximately 36% in the first quarter of 2008 to between approximately 46% and 56% during the period from the second quarter of 2008 to the first quarter of 2012<sup>(3)</sup>, compounding the impact of a period of reduced lending activity.

If one or more major lenders increases its direct lending operations, reduces or stops distribution of its mortgage products through mortgage intermediaries (including through Alexander Hall) or decides to only distribute mortgage products through selected mortgage intermediaries in the future (for example, by moving to a panel system), then Alexander Hall may have fewer opportunities to earn revenue from distributing mortgage products.

During the first half of 2013, 67.9% of purchase mortgage applications submitted by Alexander Hall were for clients referred by Foxtons. If Foxtons were to be involved in lower volumes of property sales transactions or if individuals introduced by Foxtons to Alexander Hall should not use mortgage products recommended by Alexander Hall to purchase properties as much in the future, Alexander Hall may have fewer opportunities to earn revenue from providing services to individuals referred to it by Foxtons.

Any further reduction in mortgage loan volumes, any further increase in lenders' direct lending operations or change in lenders' use of mortgage intermediaries to distribute their mortgage products, or any reduction in opportunities to earn revenue from providing services to individuals referred to it by Foxtons, could have a material adverse effect on Alexander Hall's business, prospects, results of operations and financial condition and could lead to a reduction in the Group's revenues.

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(2) Source: Bank of England.

(3) Source: Mortgages, Product Sales Data, Trend Report 2005 - 2012 published by the FSA in August 2012.

***The Group may fail in its strategy to increase Alexander Hall's profitability.***

As a result of the low levels of mortgage approvals during the recent economic downturn in the UK, Alexander Hall's performance has declined and its business currently operates at a breakeven level. Between 2010 and 2012, Alexander Hall's revenue declined from £4.0 million to £3.5 million. In the past it has generated higher levels of revenue, having achieved a peak in 2007 of £15.6 million<sup>(4)</sup>. As set out in Part I (*Information on the Company and the Group*), one of the Group's strategic priorities is to increase the profitability of Alexander Hall but there can be no guarantee that the strategy will be successfully implemented or, if it is, that Alexander Hall will sustain its profitability.

**Other risks relating to the Group's business**

***Foxtons is subject to significant competition.***

The estate agency industry in London is competitive and fragmented, with several large publicly listed operators (some of which have more resources than the Group) operating on a local, national or international level, and many smaller independent operators (including single site operators) providing services in their local area, as well as online-only estate agencies. The Group faces considerable competition in London from established estate agency brands, and may in the future also face competition from new market entrants. Increased levels of competition from existing or new market entrants may decrease the number of sales and/or lettings transactions Foxtons facilitates or otherwise inhibit the successful implementation of its strategies.

Foxtons does not negotiate its commission rates for property sales transactions (save for services provided to certain house builders and property developers in relation to sales of newly built homes) or for property lettings transactions. The Directors believe that Foxtons' commission rates are higher than the rates offered by many of Foxtons' competitors in London, reflecting Foxtons' premium service offering. Foxtons' competitors may decrease the commission they charge and increased competition from existing and new market entrants may lead to clients or prospective clients being less prepared to pay Foxtons' levels of commission and may, as a result, require Foxtons to change its policy of not negotiating on commission rates or reduce its commission rates.

Any increased competition from established estate agency brands, new entrants or from Foxtons' competitors decreasing the commission they charge may result in Foxtons losing sales or lettings transaction business and may impact adversely the Group's business, prospects, results of operations and financial condition.

***Foxtons is exposed to the risk of an increase in private sales and/or lettings of residential property, including through the internet.***

The Directors believe that the number of sales and lettings of residential property in London made without the involvement of an estate agent is currently very low. The volume of private sales and/or lettings may, however, increase if consumer preferences should change, for example due to greater proliferation or more widespread adoption of websites that facilitate such private sales and/or lettings. The Government has proposed amendments to the Estate Agents Act 1979 that seek to facilitate competition and innovation from private sales intermediaries. If there were a significant increase in the volume of private sales and/or lettings transactions in London and a corresponding decrease in the volume of sales and/or lettings of residential property through estate agents, it could reduce Foxtons' revenues which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***New branch openings may not be completed within anticipated timeframes or achieve expected financial returns.***

As set out in Part I (*Information on the Company and the Group*), the Group has a strategy to expand its business by opening additional Foxtons branches. The Group has identified at least 60 additional local markets in London which share similar attractive market fundamentals as Foxtons' existing branch territories, and which it expects to offer similar financial potential as its existing branches. The Group has also identified at least a further 100 local markets in the OLCB and the South East Ring which offer similar expansion potential in the longer term. The Group undertakes granular analysis of the local market opportunity in respect of potential new branch territories by assessing the local sales market opportunity

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(4) Calculated in accordance with UK GAAP. Extracted from the Group's UK GAAP audited statutory accounts, which are neither included nor incorporated by reference herein. There is no difference between Alexander Hall's revenue calculated under IFRS and UK GAAP for any of the years 2010 to 2012. See section 4 of the section entitled "*Presentation of Information*".



using Land Registry data and estimating the local lettings market potential. There can be no guarantee that the Group's analysis of the local market opportunity in respect of any new branch territory will provide an accurate indication of its future potential. If the market opportunity is less profitable than the Group expected following the opening of a new branch, the Group may not be able to achieve the returns which it anticipated through that new branch and the Group may be unsuccessful in implementing its expansion strategy.

In addition, as part of its analysis of the expected financial returns of a new branch opening, the Group assesses the extent to which a potential new branch will attract clients and applicants from its existing branches. If the Group fails to accurately analyse or manage the extent to which a new branch attracts clients and applicants from its existing branches, the existing and/or new branches may experience lower revenues than anticipated and this may adversely affect the Group's business, prospects, results of operations and financial condition.

In order to expand its business successfully, the Group must identify and secure sufficient sites that meet its rigorous site selection criteria. The Group faces competition from other potential occupants for such sites, which may include general retailers, restaurants and other estate agents, and as a result the Group may be unable to secure its preferred sites or may be forced to pay higher rents for such sites. If the Group is unable to identify and secure sufficient sites for new branches, it may not be able to expand its business in accordance with its strategy. In addition, the Group's competitors may open new branches in the same territory before or after the Group opens a new branch and this change in the competitive landscape could negatively affect the Group's expansion strategy.

The Group may not be able to complete some or all of its future branch openings, or may not be able to do so within its planned timeframe or budget. The Group's ability to open new branches on schedule depends on a number of factors, many of which are beyond the Group's control, including general economic conditions, obtaining required building or planning permits and licences necessary to complete works, securing access to labour and materials necessary to develop and fit-out branches, and delays due to building materials, equipment and labour shortages.

New branch openings require upfront investment, including fit-out costs. The Group determines the level of its investment in new branches or branch development in part based on the historical performance of its other branches, but historical performance may not always give an accurate indication of the future profitability of new branches. If the Group's actual investment in a particular branch is higher than it had planned or if operational performance is worse than expected, the Group may not be able to achieve the returns within the timeframe it expects or at all.

When Foxtons opens a new branch, it runs a "Zero" commission campaign for the first three months after the branch opening whereby clients may sell their properties during that period without paying any sales commission to Foxtons. This practice is intended to generate a significant local sales market share and brand presence for the new branch rapidly. The Group's margins are reduced as a result of the operation of a "Zero" commission campaign as Foxtons' Negotiators are paid commission earned on property sales made during the campaign even though the Group earns no revenue on those sales transactions. Foxtons has benefited from its previous "Zero" commission campaigns but if a future "Zero" commission campaign is not successful and a new branch does not achieve expected financial returns, the reduction in the Group's margins may not be offset by future revenues and profits.

If the Group fails to manage the risks associated with new branch openings and is unable to implement, integrate and manage its expansion plans successfully, it may adversely affect the Group's business, prospects, results of operations and financial condition.

***The Group's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial and other resources, and the Group is dependent on having sufficient numbers of experienced employees to open its new branches.***

The Group's anticipated expansion strategy may place significant demands on its management, administrative, operational, IT, financial and other resources.

To be successful in managing its expansion strategy, the Group will need to continue to maintain, develop and integrate its management, administrative, operational, financial and accounting systems, internal controls and supervisory procedures. As the Group's operations expand, it may also be required to incur further expenditure and effort to invest in its IT systems and infrastructure. Although Foxtons' management, administrative, operational, financial and accounting systems and internal controls and

supervisory procedures have been designed to be scaleable and to support its anticipated expansion strategy, there can be no assurance that they will be suitable or perform as designed.

In order to open new branches successfully and sustain the Group's sales and service culture, new branches are only opened under the leadership of existing employees who have sufficient experience to manage the opening of a new branch and to implement the Group's sales and service culture. As a result, in order to implement its expansion strategy effectively and sustain the Group's culture of sales and service, the Group will need sufficient numbers of existing employees with the appropriate experience to manage and operate new branches, and the Group will need to recruit and train new employees, or promote existing employees, to fill new roles created by the opening of new branches and to fill existing roles in the Group which become vacant as a result of new branch openings. The Group will also need to continue to maintain close coordination among the Directors and senior management team. There can be no assurance that the Group will have sufficient employees with appropriate experience or be able to recruit sufficient new employees to support its expansion strategy.

The loss of a substantial number of experienced employees could adversely impact the effectiveness of the Group's management, its expansion strategy and the maintenance of its sales and service culture.

These actions, processes and events are time-consuming and may be expensive, will increase management responsibilities and will divert management attention which might negatively affect the successful implementation of the Group's expansion strategy. If the Group's anticipated expansion strategy is not successfully implemented, the Group's business, prospects, results of operations and financial condition may be affected adversely.

***Changes in Government policy may reduce the volumes and/or values of residential property sales and lettings transactions in London and the Group's other Target Markets.***

Changes in Government policy, and any laws or regulations implementing any policy changes, which result in increased costs involved in selling or letting residential property, may reduce volumes of sales and/or lettings transactions in London and the Group's other Target Markets.

In March 2012 the rate of stamp duty land tax levied on UK residential property sales transactions having a consideration of £2 million or more was increased to 7% of the consideration (and increased to 15% in the case of a purchaser which is a corporate vehicle or other non-natural person). Although 97.1% of total London sales transactions in 2012 occurred at prices below £1.4 million (based on Land Registry data), with Foxtons' average property sales price for sales transactions across all of its branches in 2012 being £475,682<sup>(5)</sup>, the Directors believe that this increase in the upper rates of stamp duty land tax may have caused some prospective purchasers to delay or cancel a planned purchase. Any further increase in rates of stamp duty land tax, or the introduction of any new tax based on the ownership of high value properties (as has been proposed by certain politicians), may reduce volumes and/or values of property sales transactions in London or the Group's other Target Markets.

Any future changes in Government policy, and any laws or regulations implementing any future policy changes, which have the effect of reducing volumes and/or values of residential property sales or lettings transactions in London or the Group's other Target Markets could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group is dependent on the attractiveness of London as a place to live and its status as an international centre for business and commerce.***

The Group is dependent on the attractiveness of London as a place to live. If London's economy stagnates or contracts or if there are significant concerns or uncertainty regarding the strength of London's economy, due to domestic, international or global macroeconomic trends or other factors (including, in particular, any matters which adversely affect London's status as an international centre for business and commerce or the economic benefits of London's financial services industry), London may become a less attractive place to live, work, study or to own residential property for investment purposes. The attractiveness of London as a place to live, work, study or to own residential property for investment purposes may also be negatively affected by other factors, including high residential property sales prices or rents (or a risk or perceived risk of a fall in sales prices in the future), high costs of living, and negative perceptions surrounding quality of life, safety and security (including the risk or perceived risk of acts of terrorism or riots).

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(5) Unaudited operational data of the Group. See section 6 of the section entitled "Presentation of Information".



Any reduction in the attractiveness of London as a place to live and any matters which adversely affect London's status as an international centre for business and commerce could result in a reduction, by volume and/or by value, in residential property sales and lettings transactions in London and this could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group is subject to laws and regulations with which it may be found to be non-compliant.***

The Group is subject to laws, regulations and industry codes of conduct (including, in the case of Foxtons, those promulgated by the National Federation of Property Professionals, the Association of Residential Lettings Agents and the Property Ombudsman). Changes in such laws, regulations or industry codes of conduct may increase the costs or reduce the profitability of providing the Group's services. For example, a change in the regulation of property lettings (whether by legislation or through industry codes of conduct) may reduce, cap or otherwise limit the amount of commission payable on lettings transactions or other charges levied by Foxtons for providing its services.

The Group is subject to regulatory supervision by the OFT (which has a general remit to protect consumers in the UK) and the FCA (in respect of the services provided by Alexander Hall), among others. Regulators (and, in particular, the OFT and the FCA) can conduct industry-wide investigations into certain products, selling practices or other aspects of the business of firms supervised by that regulator. Such investigations can follow adverse publicity in respect of another participant in the same industry as the Group and might not necessarily result from any action or omission by the Group. A regulator may determine that the Group has failed to comply with applicable laws, regulations or rules or that it has not undertaken corrective action required by that regulator. The impact of the Group being found to be non-compliant in any such inquiry and/or investigation is difficult to assess or quantify and would depend on which regulatory regime was involved and the disciplinary/enforcement powers of the regulator responsible for the supervision of that particular business. Such inquiries or investigations could result in adverse publicity for, or negative perceptions being created regarding, the Group and affect the Group's relationships with regulators and current and potential clients, as well as diverting management's attention. For example, in 2009 the OFT carried out an investigation into the enforceability of certain terms concerning renewal commissions payable to Foxtons by its clients contained in Foxtons' standard terms of business for lettings transactions. The investigation resulted in a court order which ruled that certain terms of business then in force were unfair under applicable law and required Foxtons to refrain from using or relying on such terms (or terms of like effect) in the future. As a result of the court order, Foxtons made changes to its standard terms of business for lettings transactions, with input from the OFT, in order to ensure that those terms of business comply with applicable laws. In addition, Alexander Hall was the subject of an investigation by the FSA which started in 2009 but which the FSA discontinued at an initial stage in 2011 without any disciplinary findings against Alexander Hall. Although these two investigations did not have a material financial impact on the Group, they occupied a significant amount of management's time and diverted management's attention from running the Group's business.

The Group relies upon, and may be responsible for, the actions of its Directors and employees in carrying on its business. Acts or omissions of the Directors and the Group's employees (including employee negligence, fraud and other misconduct) could result in failures by the Group to comply with applicable laws, regulations, rules or industry codes of conduct, or requirements imposed or supervised by a regulator, which could lead to onerous requests for information, prosecution, disciplinary action, imposition of fines or the revocation of a permission or authorisation, and could result in adverse publicity for, or negative perceptions being created regarding, the Group and affect the Group's relationships with its current and potential clients and applicants, as well as diverting management's attention. In particular, in the case of Alexander Hall the loss of a permission or authorisation could mean that it is no longer able to carry out a particular regulated business and/or activity for which it was previously authorised. Any of these outcomes could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group could be adversely affected by an inability to obtain or maintain authorisations for its FCA approved personnel.***

The FCA regulates the activities of Alexander Hall, which generated 2.9% of the Group's total revenue in 2012. Since 2000, there has been an increase in the volume and complexity of regulation relating to the UK financial services industry (including the mortgage broking industry) and a greater propensity for the Financial Services Authority, and its successor the FCA, to enforce that regulation. The FCA also

regulates certain employees of Alexander Hall who deal with clients, such as those who provide advice to clients on financial products. In addition, individuals (including all of the Directors) with significant influence over the key functions (such as governance, finance, audit and management functions) of Alexander Hall are also subject to FCA regulation in relation to those key functions. The FCA may not approve individuals in relation to particular functions unless it is satisfied that they have appropriate qualifications and/or experience and are fit and proper persons to perform those functions. The FCA may also withdraw its approval of individuals whom it deems no longer fit and proper to perform regulated functions. If Alexander Hall's business grows, it may need to recruit and retain additional personnel who will be able to meet the requisite standard for FCA approval, but there can be no guarantee that it will be able to do so on commercially satisfactory terms or at all and this could adversely affect its business, prospects, results of operations and financial condition. The Group's inability to obtain or retain required FCA approvals for such persons, or to train its staff effectively in compliance with FCA requirements, could adversely affect its ability to engage in FCA regulated activities, which could in turn have an adverse affect on its business, prospects, results of operations and financial condition.

***The Group is dependent on the strength of its brand and on its reputation and goodwill, all of which may be affected by factors including litigation, employee misconduct, operational failures, regulatory investigations, negative publicity and/or poor performance.***

The strength of the Group's brand and its reputation and goodwill underpin consumer perception of the Group. The Group operates in industries where integrity, trust and confidence are important. Consequently the Group is exposed to risks which could undermine any of those characteristics including litigation, employee misconduct (including fraudulent acts or the taking of bribes), operational failures, adverse regulatory investigations, negative publicity or press speculation (including adverse social media commentary), unauthorised disclosure of or access to confidential or personal information and poor service. In addition, adverse publicity about another operator in the Group's industries or local markets may have a negative impact on the Group even though the Group is not (or has not been) directly involved. Such eventualities could impact the Group's reputation and goodwill, causing loss of consumer and client confidence in the Group and loss of clients which could in turn have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group is dependent on reliable and efficient IT systems and a failure in the Group's IT systems could disrupt the Group's business or result in the disclosure of confidential information.***

The business of the Group is dependent on reliable and efficient IT systems, including its business operating system ("BOS"). Between 2010 and 2012, the Group incurred a total of £3.0 million of capital expenditure and £7.3 million of operating expenditure on its IT hardware, bespoke software and the design and development of its business processes. This built upon significant prior investment in those systems of £5.3 million<sup>(6)</sup> of capital expenditure and £14.8 million<sup>(6)</sup> of operating expenditure between 2002 and 2009. The Group's data collection, customer information, financial, accounting, data processing, IT, communications or other systems and facilities, and/or third party infrastructure on which the Group relies, may fail to operate properly or become disabled, including as a result of events that are wholly or partially beyond the Group's control.

The Group routinely receives and transmits personal, confidential and proprietary information by email and other electronic means (including its landlord portal function on its website) and therefore relies on the secure processing, storage and transmission of such information. The Group has put in place data security systems and procedures that the Directors believe are appropriate, in particular in respect of its IT systems, but such systems and procedures may (i) fail to operate properly or become disabled, including as a result of events that are wholly or partially beyond the Group's control; and (ii) be vulnerable to unauthorised access and data loss (from within the Group or by third parties), computer viruses, malicious code or cyber threats.

If one or more of the events set out above occurs, it could result in the interception or misuse of information transmitted or received by the Group, loss or misuse of the Group's or its clients' and applicants' confidential and other information, or interruptions or malfunctions in the Group's operations. In addition, the Group may be required to expend significant additional resources to modify its protective

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(6) Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. There is no difference between capital expenditure and operating expenditure calculated under IFRS and UK GAAP for any of the years 2010 to 2012. See section 4 of the section entitled "Presentation of Information".

measures or to investigate and remedy vulnerabilities or other exposures, may be in breach of the Data Protection Act 1998 and may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by it. Any of the foregoing could adversely affect the Group's business, prospects, results of operations and financial condition, as well as harm the Group's reputation and lead to increased regulatory scrutiny or disciplinary action.

***The Group is dependent on its trademarks and other intellectual property rights.***

Although the Directors believe that the Group's trademarks and other intellectual property ("IP") rights are adequately supported by applications for registrations, existing registrations and other legal protections, these protections may be challenged by others. A successful challenge to these protections, or any other damage to the Group's IP rights could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group is dependent on its Executive Directors and other members of its senior management team and may face operational challenges as well as challenges in recruiting and retaining suitable personnel if such persons leave the Group.***

The Executive Directors and the other members of the Group's senior management team have made a significant contribution to the growth and success of the Group's business and played a large role in establishing and sustaining the Group's sales and service culture, and are expected to continue to do so following Admission. Accordingly, the loss of a substantial number of members of the senior management team may result in operational challenges, as well as challenges in promoting or recruiting any suitable replacements, which may have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***Litigation and other adversarial actions in the ordinary course of business could materially adversely affect the Group.***

The Group is not currently subject to any material litigation, although it may be subject to such litigation in the future. In addition, the Group may be subject to other disputes, claims and complaints, including adversarial actions, by clients, employees, suppliers, insurers and others in the ordinary course of business. Significant claims or a substantial number of small claims may be expensive to defend, may divert the time and focus of management away from the Group's operations and may result in the Group having to pay monetary judgments, any of which could have a material adverse effect on the Group's results of operations and financial condition. In addition, adverse legal publicity or a substantial judgment against the Group related to litigation could negatively impact its reputation, even if the Group is not found liable, which could also adversely impact the Group's business, prospects, results of operations and financial condition.

The recent Court of Appeal decision in *Superstrike Ltd v Marino Rodrigues* has caused some uncertainty about the legal position on aspects of tenant deposit protection legislation in certain limited situations. The case (which did not involve the Group) concerned an assured shorthold tenancy which was created in January 2007, prior to the introduction of tenant deposit protection legislation on 6 April 2007. The tenancy continued on a statutory periodic basis from January 2008 and the tenant's deposit remained unprotected. In 2011, a section 21 termination notice (under the Housing Act 1988) was served to terminate the tenancy. The Court of Appeal held that when the tenancy continued on a statutory periodic basis in 2008, a new deposit was deemed to have been received by the landlord and that new deposit should have been protected in accordance with the requirements of the tenant deposit protection legislation and, as those requirements had not been met, the landlord was not entitled to serve a section 21 termination notice. As a result of this decision, a landlord (or his agent) may not be able to terminate certain statutory periodic tenancies by way of a section 21 termination notice unless the tenancy deposit protection legislation has been complied with. Although Foxtons automatically registers tenants' deposits with an approved deposit protection scheme and manages few statutory periodic tenancies, the Court of Appeal's decision could potentially result in delays and/or increased costs being incurred by Foxtons and its landlord clients in order to terminate such tenancies, which may adversely affect the relationships between Foxtons, its clients and the relevant tenants, potentially leading to complaints or disputes among the parties.

***The Group's risk management procedures may fail to identify or anticipate future risks.***

Although the Directors believe that the Group's risk management procedures are adequate, the methods used to manage risk may not identify or anticipate current or future risks or the extent of future exposures, which could be significantly greater than historical measures indicate. Risk management methods depend on the evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible to the Group. Failure (or the perception that the Group has failed) to develop, implement and monitor the Group's risk management policies and procedures and, when necessary, pre-emptively upgrade them could give rise to reputational issues which could have a material adverse effect on the Group's business, prospects, results of operations and financial condition.

***The Group may be adversely affected by any tax dispute or tax audit to which it is subject, changes to tax legislation or its interpretation in the UK and increases in effective tax rates.***

The Group's profits are taxed according to UK tax laws and the Group's tax returns are subject to regular review and examination. The Group cannot guarantee that any tax audit or any tax dispute, to which it may be subject in the future, will result in a favourable outcome for the Group. There is a risk that any such dispute could result in additional taxes payable by the Group as well negative publicity and reputational damage. In any such case, substantial additional tax liabilities and ancillary charges could be imposed on the Group, which could increase the Group's effective tax rate.

The Group's effective tax rate, which was 16.5% in 2012 (22.1% in 2011 and 40.8% in 2010), may also be affected by changes in UK tax laws or the interpretation of UK tax laws, including those tax laws relating to the utilisation of capital allowances, net operating losses and tax loss or credit carry forwards, changes in management's assessment of certain matters, such as the ability to realise deferred tax assets, and as a result of the Group's financial reporting periods being different from the tax years during which particular rates apply. The Group's effective tax rate in any given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. An increase in the Group's effective tax rate in future periods could have a material adverse effect on the Group's results of operations and financial condition.

## **RISKS RELATING TO SHARE OWNERSHIP**

***The share price of publicly traded companies can be highly volatile, including for reasons related to differences between expected and actual operating performance, corporate and strategic actions taken by such companies or their competitors, speculation and general market conditions and regulatory changes.***

Prospective investors should be aware that, following Admission, the value of an investment in the Ordinary Shares may decrease or increase abruptly which may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them and the Offer Price may not be indicative of prices that will prevail in the trading market. The price of the Ordinary Shares may fall in response to market appraisal of the Group's strategy, if the Group's operating results and/or prospects are below the expectations of market analysts or Shareholders, or in response to regulatory changes affecting the Group's operations. In addition, stock markets have, from time to time, and especially in recent years, experienced significant price and volume fluctuations which have affected the market price of securities. A number of factors, some of which are outside the control of the Group, may impact the price and performance of the Ordinary Shares, including:

- prevailing economic conditions in the UK and conditions or trends in the UK residential property market generally, in particular, in London;
- differences between the Group's expected and actual operating performance as well as between the expected and actual performance of the UK estate agency industry generally;
- strategic actions by the Group or its competitors, such as mergers, acquisitions, divestitures, partnerships and restructurings;
- speculation, whether or not well founded, about possible changes in the Group's management team;
- the publication of research reports by analysts or failure to meet analysts' forecasts; and
- regulatory changes.



***The Major Shareholder and, subsequently, BC European Capital will retain a significant interest in the Company following Admission and their interests may differ from those of the other Shareholders.***

Immediately following Admission, it is expected that the Major Shareholder will be interested in approximately 28.3% of the Company's issued Ordinary Share capital (assuming no exercise of the Over-allotment Option). It is expected that following Admission (but not within the period of 90 days immediately after Admission), the Major Shareholder and, subsequently, its immediate holding company (Adnams BBPM Group Limited) will each be liquidated and the Major Shareholder's holding of Ordinary Shares will be distributed *in specie* to BC European Capital and the Partners Funds in the proportions which reflect their respective indirect interests in the Major Shareholder of 98.8% and 1.2%, in accordance with the steps outlined in section 4 of Part III (*Directors, Senior Managers and Corporate Governance*). This distribution *in specie* of the Ordinary Shares will result in BC European Capital directly holding, in aggregate, approximately 28.0% of the total issued Ordinary Share capital of the Company (assuming the Over-allotment Option is not exercised). The Major Shareholder, Adnams BBPM Group Limited and the general partner of BC European Capital (acting on behalf of BC European Capital) have entered into the Relationship Agreement with the Company with the aim of ensuring that the Company is capable at all times of carrying on its business independently of the Major Shareholder, Adnams BBPM Group Limited and BC European Capital. The Relationship Agreement includes an undertaking that BC European Capital and its associates and connected persons shall not be interested in any business which is in competition with the Group in its Target Markets. Notwithstanding BC European Capital's right to nominate one person to be a director of the Company, the Directors believe that, together with the provisions of the Listing Rules relating to "related party transactions" and the provisions of the Companies Act relating to conflicts of interest, the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Major Shareholder, Adnams BBPM Group Limited, BC European Capital and their respective associates. However, the interests of the Major Shareholder and, subsequently, Adnams BBPM Group Limited and BC European Capital may not necessarily be aligned with those of other Shareholders following Admission. In particular, following the termination of the Relationship Agreement, BC European Capital may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of the Group.

***Substantial sales of Ordinary Shares, or the perception that such sales might occur, could depress the market price of the Ordinary Shares. In particular, the Group is unable to predict whether, following the termination of the lock-up restrictions put in place in connection with the Offer, substantial amounts of Ordinary Shares will be sold in the open market by those subject to such restrictions, including the Major Shareholder and BC European Capital.***

Following Admission, except as a result of the exercise of the Over-allotment Option or pursuant to certain other customary exceptions, the Directors and the Senior Managers have agreed to refrain from selling any of their Ordinary Shares for a period of 365 days from (and including) (in the case of the Directors) the date of the Underwriting Agreement and (in the case of the Senior Managers) the date of their Lock-Up Agreements, and the Major Shareholder and, subsequently, BC European Capital have agreed to refrain from selling any of their Ordinary Shares for a period of 180 days from (and including) the date of the Underwriting Agreement. The Group is unable to predict whether, following the termination of the lock-up restrictions put in place in connection with the Offer, a substantial amount of Ordinary Shares will be sold in the open market by those subject to such restrictions. Any sales of substantial amounts of Ordinary Shares in the public market by any of the Directors, the Major Shareholder, BC European Capital, the Senior Managers or by the Company, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

***A liquid market for the Ordinary Shares may fail to develop.***

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares and there is no guarantee that an active trading market will develop or be sustained after Admission. The Offer is being made to institutional and professional investors only and the Company may not develop a wide shareholder base. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected.

***There is no guarantee that dividends will be paid by the Company.***

Any dividend on the Ordinary Shares will be limited by the performance of the Group. The Company's dividend policy is described in Part I (*Information on the Company and the Group*) and should not be construed as a dividend forecast. As a holding company, the Company's ability to pay dividends (including any special dividends) in the future is affected by a number of factors, principally the generation of distributable profits within its Group and the receipt of sufficient dividends from its subsidiaries. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

***Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares.***

Other than in connection with Admission, the Company has no current plans for an offering of new Ordinary Shares. Following Admission, the Company has agreed to refrain from issuing any new Ordinary Shares for a period of 180 days from the date of the Underwriting Agreement. It is possible that the Company may decide to offer additional Ordinary Shares in the future following the expiry of the lock-up restriction. Future offerings of new Ordinary Shares, or the availability for sale of substantial amounts of Ordinary Shares in the public market, could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and could impair the Group's ability to raise capital through future sales of equity securities.

***Shareholders may have difficulty in effecting service of process on the Company or the Directors in the US, in enforcing US judgments in the UK or in enforcing US securities laws in UK courts.***

All of the Directors are residents of countries other than the United States. The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon the Directors or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. Shareholders based in the US may have difficulties enforcing in courts outside the United States judgments obtained in US courts against some of the Directors or the Company (including actions under the civil liability provisions of the US securities laws). Shareholders may also have difficulty enforcing liabilities under the US securities laws in legal actions originally brought in jurisdictions located outside the United States.

***Shareholders outside the UK may not be able to participate in future equity offerings.***

The Articles provide for pre-emptive rights to be granted to Shareholders on future equity offerings, unless such rights are disapplied by a shareholder resolution. However, securities laws of certain jurisdictions outside the UK may restrict the Group's ability to allow participation by Shareholders located in such jurisdictions in future equity offerings. In particular, Shareholders in the US may not be entitled to exercise their pre-emption rights unless such an offering is registered under the Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The holdings of Shareholders located outside the UK who are not able to participate in any future equity offerings could be diluted by any such offerings. See section 3.7 of Part XI (*Additional Information*) for further details.



## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Garry Watts ( <i>Non-Executive Chairman</i> ) Michael Brown ( <i>Chief Executive Officer</i> ) Gerard Nieslony ( <i>Chief Financial Officer</i> ) Annette Court ( <i>Senior Independent Non-Executive Director</i> ) Andrew Adcock ( <i>Non-Executive Director</i> ) Ian Barlow ( <i>Non-Executive Director</i> ) Stefano Quadrio Curzio ( <i>Non-Executive Director</i> )
<b>Company secretary</b>	Gerard Nieslony
<b>Registered office</b>	Building One, Chiswick Park 566 Chiswick High Road London W4 5BE
<b>Joint Bookrunner and Joint Sponsor</b>	Credit Suisse Securities (Europe) Limited One Cabot Square London E14 4QJ
<b>Joint Bookrunner and Joint Sponsor</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT
<b>Co-Lead Manager</b>	Canaccord Genuity Limited 88 Wood Street London EC2V 7QR
<b>Financial Adviser to the Company</b>	N M Rothschild & Sons Limited New Court St. Swithin's Lane London EC4N 8AL
<b>Legal advisers to the Company as to English law</b>	Dickson Minto W.S. Broadgate Tower 20 Primrose Street London EC2A 2EW
<b>Legal advisers to the Company as to US law</b>	Willkie Farr & Gallagher LLP City Point 1 Ropemaker Street London EC2Y 9HT
<b>Legal advisers to the Managers as to English law and US law</b>	Ashurst LLP Broadwalk House 5 Appold Street London EC2A 2HA
<b>Auditor and Reporting Accountants</b>	Deloitte LLP 2 New Street Square London EC4A 3BZ
<b>Registrar</b>	Capita Registrars Limited The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time and Date
Publication of this Prospectus . . . . .	20 September 2013
Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange . . . . .	8 a.m. on 20 September 2013
Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange . . . . .	8 a.m. on 25 September 2013
CREST accounts credited with uncertificated shares . . . . .	8 a.m. on 25 September 2013
Despatch of definitive share certificates (where applicable) . . . . .	By 10 October 2013

Notes:

- (1) It should be noted that if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.
- (2) The times and dates in the table above are indicative only and are subject to change. All times are London times.
- (3) No temporary documents of title will be issued.

### OFFER STATISTICS

Offer Price per Ordinary Share . . . . .	230 pence
Number of New Ordinary Shares to be issued by the Company pursuant to the Offer . . . . .	23,913,044
Number of Existing Ordinary Shares to be sold by the Selling Shareholders pursuant to the Offer <sup>(1)</sup> . . . . .	145,535,981
Total number of Offer Shares <sup>(1)</sup> . . . . .	169,449,025
Number of Ordinary Shares subject to the Over-allotment Option <sup>(2)</sup> . . . . .	16,944,902
Number of Ordinary Shares in issue immediately following Admission <sup>(3)</sup> . . . . .	282,176,468
Percentage of the Existing Ordinary Share capital to be sold pursuant to the Offer <sup>(1)</sup> . . . . .	56.4%
Estimated net proceeds of the Offer receivable by the Selling Shareholders <sup>(1)(4)</sup> . . . . .	£323.0 million
Estimated net proceeds of the Offer receivable by the Company <sup>(5)</sup> . . . . .	£49.0 million
Expected market capitalisation of the Company at the Offer Price following Admission <sup>(6)</sup> . . . . .	£649.0 million
Ticker Symbol . . . . .	FOXT
SEDOL Code . . . . .	BCKFY51

Notes:

- (1) Assuming no exercise of the Over-allotment Option.
- (2) The maximum number of Ordinary Shares subject to the Over-allotment Option will be 10% of the total number of Offer Shares.
- (3) Figure includes 43,476 new Ordinary Shares to be subscribed by certain of the Non-Executive Directors at a price of £0.01 per Ordinary Share at Admission.
- (4) Net proceeds receivable by the Selling Shareholders are stated after deduction of underwriting commissions and other estimated expenses (excluding VAT) of approximately £11.7 million.
- (5) Net proceeds receivable by the Company are stated after deduction of underwriting commissions and other estimated expenses (excluding VAT) of approximately £6.0 million. The Company will not receive any of the proceeds from any sale of Existing Ordinary Shares by Selling Shareholders in the Offer.
- (6) The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will equal or exceed the Offer Price.

## PRESENTATION OF INFORMATION

### 1. Notice to prospective investors

**Prospective investors should rely only on the information in this Prospectus when deciding whether to invest in the Ordinary Shares. No person has been authorised to give any information or to make any representation in connection with the Offer other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders, any of the Managers or Rothschild. No representation or warranty, express or implied, is made by any of the Managers, Rothschild or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Managers, Rothschild or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and paragraph 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any issue or sale of the Offer Shares pursuant to the Offer made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.**

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor, material mistake or inaccuracy relating to this Prospectus occurs or arises prior to Admission that may affect the ability of prospective investors to make an informed assessment of the Offer. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions made prior to the publication of such supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two clear business days after publication of such supplement).

The contents of this Prospectus are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult their own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any purchase or proposed purchase of any Offer Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold Ordinary Shares under applicable legal, investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of any investment in Ordinary Shares for an indefinite period of time.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, any of the Managers or Rothschild or any of their respective representatives that any recipient of this Prospectus should subscribe for or purchase any Offer Shares.

Prior to making any decision whether to purchase any Offer Shares, prospective investors should ensure that they have read this Prospectus in its entirety and, in particular, the section entitled “*Risk Factors*”, and not just rely on key information or information summarised in it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the merits and risks involved. Any decision to purchase Offer Shares should be based solely on this Prospectus.

Investors who purchase Offer Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Managers or Rothschild or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied solely on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning the Group or the Ordinary Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders, any of the Managers or Rothschild.

None of the Company, the Directors, the Selling Shareholders, the Managers or Rothschild or any of their representatives is making any representation to any offeree or purchaser of the Offer Shares regarding the legality of an investment by such offeree or purchaser.

Credit Suisse and Numis have been appointed as Joint Sponsors and Joint Bookrunners in connection with Admission and the Offer. Canaccord has been appointed as Co-Lead Manager to the Offer. Rothschild has been appointed as Financial Adviser to the Company in connection with the Offer. Credit Suisse and Rothschild, each of which is authorised by the PRA and regulated by the FCA and the PRA in the United Kingdom, and Numis and Canaccord, each of which is authorised and regulated solely by the FCA in the United Kingdom, are acting exclusively for the Company and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Managers and Rothschild by FSMA or the regulatory regime established thereunder, none of the Managers nor Rothschild accepts any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors, the Selling Shareholders or any other person, in connection with the Company, the Ordinary Shares, the Selling Shareholders or the Offer and nothing in this Prospectus shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Each of the Managers and Rothschild accordingly disclaims all and any liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this Prospectus or any such statement.

In connection with the Offer, each of the Managers and Rothschild and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Managers and Rothschild and any of their respective affiliates acting as an investor for its or their own account(s). None of the Managers nor Rothschild intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so. In addition, in connection with the Offer, certain of the Managers may enter into financing arrangements with investors, such as share swap arrangements or lending arrangements where Ordinary Shares are used as collateral, that could result in such Managers acquiring shareholdings in the Company.

The Managers and Rothschild and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholders, for which they would have received customary fees. The Managers and Rothschild and any of their respective affiliates may provide such services to the Company, the Selling Shareholders and any of their respective affiliates in the future.

## **2. Interpretation**

Certain terms used in this Prospectus, including capitalised terms, are defined in the section entitled “Definitions”.

References to the singular in this Prospectus shall include the plural and *vice versa* where the context requires. Any references to time in this Prospectus are to the time in London unless otherwise stated.

## **3. Share Capital Reorganisation**

Save as specified in this Prospectus, all of the information in this Prospectus is presented as if the Share Capital Reorganisation had already taken place as at the date of publication of this Prospectus. The Share Capital Reorganisation will be completed immediately prior to Admission.

## **4. Presentation of financial information**

### ***Use of International Financial Reporting Standards (“IFRS”)***

The Group’s consolidated historical financial information in Part VII (*Historical Financial Information*) has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules and in accordance with IFRS as adopted by the EU subject to certain exceptions as described in note 3 to the historical financial information (hereinafter such historical financial information shall be referred to as

“prepared in accordance with IFRS”, which should be read as described herein). The significant accounting policies of the Group are set out within note 3 of the Group’s consolidated historical financial information in Part VII (*Historical Financial Information*). The historical financial information of the Group in Part VII has been reported on, with the exception of the financial information for the six months ended 30 June 2012 which is unaudited and is presented for comparative purposes only.

The historical financial information included in Part VII (*Historical Financial Information*) is covered by the accountants’ report included in Section A of Part VII, which reports on procedures performed in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Such financial information was not audited in accordance with auditing standards generally accepted in the United States of America, nor auditing standards of the US Public Company Accounting Oversight Board. The financial information included in Part VII and other financial information included throughout this Prospectus is not intended to comply with the reporting requirements of the SEC. Compliance with the reporting requirements of the SEC would require the modification, reformulation or exclusion of certain financial measures. Potential investors should consult their own professional advisers to gain an understanding of the financial information in Part VII and the implications of differences between the reporting standards noted herein.

Unless otherwise stated in this Prospectus, financial information in relation to the Group referred to in this Prospectus has been extracted without material adjustment from the historical financial information in Part VII (*Historical Financial Information*) (prepared in accordance with IFRS). Financial information extracted or derived from the unaudited accounting records used to compile the Group’s historical financial information in Part VII (prepared in accordance with IFRS) has been separately identified throughout this Prospectus. Investors should ensure that they read the whole of this Prospectus and not only rely on the key information or information summarised within it.

#### ***Use of generally accepted accounting principles in the United Kingdom (“UK GAAP”)***

The Group adopted IFRS with effect from 1 January 2010 and accordingly IFRS information prior to that date is not available. Note 32 in Part VII (*Historical Financial Information*) contains a reconciliation from UK GAAP to IFRS as at 31 December 2012 and for the year then ended of the Group’s total equity and profit for the year. Financial information in relation to the Group in respect of financial periods ended on or before 31 December 2009 referred to in this Prospectus has been prepared in accordance with UK GAAP, which differs in certain respects from IFRS. Such financial information has been extracted without material adjustment from the audited financial information in respect of those periods (prepared in accordance with UK GAAP) or has been extracted or derived from those of the Group’s unaudited accounting records that have been used to prepare that UK GAAP financial information and the source of such extraction or derivation has been separately identified throughout this Prospectus. Such differences involve methods for recognising, measuring and recording the amounts shown in financial statements as well as different disclosure requirements. As a result, financial information for financial periods ending on or before 31 December 2009 may not be comparable with other financial information relating to later periods that has been prepared in accordance with IFRS. In making an investment decision, potential investors must rely upon their own examination and judgments of the Group and must make their own judgments in assessing the financial information included in this Prospectus. Potential investors should consult their own professional advisers to gain an understanding of the differences between IFRS and UK GAAP, and how those differences might affect the financial information for financial periods ending on or before 31 December 2009 contained in this Prospectus.

#### **5. Use of Non-IFRS measures of financial performance**

The Group presents Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Costs, Adjusted Operating Cash Flow, Adjusted Cash Conversion and ROCE (collectively, “**Non-IFRS measures**”), which are not measures of financial performance under IFRS or other generally accepted accounting principles. These Non-IFRS measures are used by the Directors to assess the financial performance and liquidity of the Group. Such measures as presented in this Prospectus may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for, or superior to, measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS.



### ***Adjusted EBITDA***

The Group defines Adjusted EBITDA as profit for the period before finance costs, finance income, tax, exceptional items, profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and depreciation. In addition to excluding finance costs, finance income, tax and depreciation from profit for the period, the Group further excludes exceptional items, profit on disposal of property, plant and equipment, and costs of the debt repayment incentive scheme because the Company believes such items hinder comparison of the underlying performance of the Group's business (either period to period or with other businesses) and including them would not be representative of the trading performance of the Group.

Adjusted EBITDA is presented in this Prospectus because the Company considers it to be an important supplemental measure of the Group's financial performance. Additionally, the Company believes this measure is frequently used by investors, securities analysts and other interested parties to evaluate the efficiency of a group's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. Adjusted EBITDA has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Group's operating results as reported under IFRS. Some of these limitations are as follows:

- Adjusted EBITDA does not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if the Group incurs more debt.
- Adjusted EBITDA does not reflect the impact of income tax expense on the Group's operating performance.
- Adjusted EBITDA does not reflect the impact of depreciation of assets on the Group's performance. The assets of the Group's business which are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, Adjusted EBITDA does not reflect the Group's future cash requirements for these replacements.
- Adjusted EBITDA does not reflect the Group's cash expenditures or future requirements for capital expenditure or contractual commitments.
- Adjusted EBITDA does not reflect changes in or cash requirements for the Group's working capital needs.
- Adjusted EBITDA removes the impact of exceptional items from the Group's performance measure. Exceptional items are categorised as such by the Group by virtue of their nature, size or incidence to the financial results. Other companies may define exceptional items differently and thus their removal could limit the usefulness of Adjusted EBITDA as a comparative measure.
- Other companies in the Group's industries may calculate Adjusted EBITDA differently or may use this measure for different purposes than the Group does, limiting its usefulness as a comparative measure.

The Group compensates for these limitations by relying on its IFRS results and using Adjusted EBITDA only as a supplemental measure.

Adjusted EBITDA is a measure of the Group's operating performance that is not required by, or presented in accordance with, IFRS. Adjusted EBITDA is not a measure of the Group's operating performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of the Group's liquidity. In particular, Adjusted EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business. For the calculation of the Group's Adjusted EBITDA for the years ended 31 December 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013, and the reconciliation of Adjusted EBITDA for each such period to profit for the corresponding period, see Part V (*Operating and Financial Review*).

### ***Adjusted EBITDA Margin***

The Group defines Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue, expressed as a percentage. Adjusted EBITDA Margin is presented in this Prospectus because the Company considers it



to be a useful measure for comparing the Group's margins in respect of its operations between periods without the distortions of exceptional and other non-operating items.

As it is derived using a Non-IFRS measure, Adjusted EBITDA Margin has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Group's operating margin calculated using operating profit as reported under IFRS. These limitations are similar to those applicable to Adjusted EBITDA summarised above.

The Group compensates for these limitations by relying on its IFRS results and using Adjusted EBITDA Margin only as a supplemental measure.

The Group's calculation of this Non-IFRS measure may vary from other companies' calculations, and by itself does not necessarily provide a basis for comparison with other companies. For the calculation of the Group's Adjusted EBITDA Margin for the years ended 31 December 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013, see Part V (*Operating and Financial Review*).

#### ***Adjusted Operating Costs***

The Group defines Adjusted Operating Costs as administrative expenses excluding profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and depreciation. Adjusted Operating Costs is equal to the difference between the Group's revenues and Adjusted EBITDA.

Adjusted Operating Costs is presented in this Prospectus because the Company considers it to be an important supplemental measure of the Group's cost structure given the Group's focus on Adjusted EBITDA. Adjusted Operating Costs has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Group's administrative expenses as reported under IFRS. For example, Adjusted Operating Costs excludes depreciation, an ongoing cost necessary to the successful operational performance of the Group. As such, it does not reflect the full ongoing costs of remaining in business. The Group compensates for these limitations by relying on its IFRS results and using Adjusted Operating Costs only as a supplemental measure.

Adjusted Operating Costs is a measure of the Group's operational costs that is not required by, or presented in accordance with, IFRS. Adjusted Operating Costs is not a measure of the Group's operating performance under IFRS and should not be considered as an alternative to administrative expenses, operating expenses, cost of sales or any other cost measures derived in accordance with IFRS. For the calculation of the Group's Adjusted Operating Costs for the years ended 31 December 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013, and the reconciliation of Adjusted Operating Costs for each such period to administrative expenses for the corresponding period, see Part V (*Operating and Financial Review*).

#### ***Adjusted Operating Cash Flow***

The Group defines Adjusted Operating Cash Flow as the sum of Adjusted EBITDA, change in working capital and purchases of property, plant and equipment net of proceeds on disposal of property, plant and equipment. Adjusted Operating Cash Flow is presented in this Prospectus because the Company believes that it provides a useful measure for comparing the Group's liquidity in respect of its operations period to period without the distortions of exceptional and other non-operating items.

Adjusted Operating Cash Flow has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Group's net cash from operating activities, cash generated by operations, or any other operating cash flow measures derived in accordance with IFRS. For example, Adjusted Operating Cash Flow does not reflect the impact of income tax expense on the Group's operating performance, nor does it reflect the impact of depreciation of assets on the Group's performance. The assets of the Group's business which are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from Adjusted EBITDA, Adjusted Operating Cash Flow does not reflect the Group's future cash requirements for these replacements. The Group compensates for these limitations by relying on its IFRS results and using Adjusted Operating Cash Flow only as a supplemental measure.

Adjusted Operating Cash Flow is not a measure of the Group's operating performance under IFRS. The Group's calculation of this Non-IFRS measure may vary from other companies' calculations, and by itself does not necessarily provide a basis for comparison with other companies.

For the calculation of the Group's Adjusted Operating Cash Flow for the years ended 31 December 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013, see Part V (*Operating and Financial Review*).

#### ***Adjusted Cash Conversion***

The Group defines Adjusted Cash Conversion as Adjusted Operating Cash Flow divided by Adjusted EBITDA, expressed as a percentage. Adjusted Cash Conversion is presented in this Prospectus because the Company believes that it provides a useful measure for comparing the Group's liquidity in respect of its operations period to period, and to evaluate the efficiency with which the Group converts Adjusted EBITDA into cash.

Adjusted Cash Conversion has limitations as an analytical tool since it is derived from a Non-IFRS measure. These limitations are similar to those applicable to Adjusted Operating Cash Flow summarised above. The Group compensates for these limitations by relying on its IFRS results and using Adjusted Cash Conversion only as a supplemental measure.

Adjusted Cash Conversion is not a measure of the Group's operating performance under IFRS and should not be considered as an alternative to any measure of liquidity, such as net cash from operating activities. The Group's calculation of this Non-IFRS measure may vary from other companies' calculations, and by itself does not necessarily provide a basis for comparison with other companies. For the calculation of the Group's Adjusted Cash Conversion for the years ended 31 December 2010, 2011 and 2012, and the six month periods ended 30 June 2012 (unaudited) and 2013, see Part V (*Operating and Financial Review*).

#### ***ROCE***

ROCE is computed on a per branch basis as Adjusted EBITDA per branch (excluding head office costs) divided by the capital cost of fitting out that branch which includes all direct costs (being any partitioning, glasswork, electrical work, air conditioning, heating, lighting office furniture and IT equipment and any associated professional fees). The Company believes ROCE provides an important alternative measure with which to assess the Group's branch expansion programme as it measures how effectively the Group is utilising its capital resources.

ROCE is not a measurement of the Group's operating performance under IFRS. ROCE has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Group's administrative expenses, operating expenses, cost of sales or any other cost measures derived in accordance with IFRS. For example, ROCE does not reflect the impact of any head office costs or depreciation, which does not reflect therefore the full true cost of doing business at that particular branch. The Group compensates for these limitations by relying on its IFRS results and using ROCE only as a supplemental measure.

The Group's calculation of this Non-IFRS measure may vary from other companies' calculations, and by itself does not necessarily provide a basis for comparison with other companies.

### **6. Operational data**

The Group presents certain operational data in this Prospectus. Such data as presented in this Prospectus may not be comparable to similarly titled data presented by other companies in the Group's industries and, while the method of calculation may differ across the Group's industries, the Company believes that such data is important to understanding the Group's performance from period to period and that such data facilitates comparison with the Group's peers. This operational data is not intended to be a substitute for any IFRS measures of performance. The operational data is based on the Company's estimates and is not part of the Group's financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts.

Unaudited operational information in relation to the Group is derived from the following sources: (i) unaudited accounting records for the relevant accounting periods and specified accounting framework presented; (ii) internal financial reporting systems supporting the preparation of financial statements; and (iii) the Group's other business operating systems and records.

## 7. Market, economic and industry data

The Company presents certain market, economic and industry data in this Prospectus which the Company has obtained from the following third party sources:

- the Bank of England;
- the Office for National Statistics;
- the Department for Communities and Local Government (the “DCLG”);
- the Council of Mortgage Lenders;
- the Land Registry for England and Wales;
- the Financial Conduct Authority and, its predecessor, the Financial Services Authority (the “FSA”);
- Vizzihome;
- Special Report: Rental Britain, Spring 2012 published by Savills plc and Rightmove plc;
- 2011 UK census (published by the Office for National Statistics in July 2012);
- English Housing Survey, Household Report 2010–2011 published by the DCLG;
- English Housing Survey, Headline Report 2011–2012 published by the DCLG;
- Mortgages, Product Sales Data, Trend Report, 2005–2012 published by the FSA in August 2012; and
- HomeLet Rental Index (April 2013) published by HomeLet.

In certain cases, the Company has made statements in this Prospectus on the basis of information and data obtained from third party sources. The market, economic and industry data as presented in this Prospectus may not be comparable to similarly titled data presented by other companies in the Group’s industries and, while the method of calculation may differ across the Group’s industries, the Company believes that such data is important to understanding the Group’s business, its industries and markets, and its positions in those markets. The Company also believes that such data facilitates comparison with the Group’s peers.

Where information has been sourced from a third party it has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Group operates in industries in which it is difficult to obtain precise industry and market information. Market data contained in this Prospectus may be based on sources which do not use the same or comparable methods of gathering information or which do not use the same geographical areas (including different definitions of the London area). In addition, the different sources used in this Prospectus may be based on information relating to different periods. As a result, comparability may be limited.

Information regarding Foxtons’ market share in relation to residential property sales transactions has been calculated by the Company based on sales price and sales transaction volume data sourced from the Land Registry covering all sales transactions completed in quarterly periods in specified postcode areas, and is also based on the catchment areas of Foxtons’ branches or other geographical areas as defined by the Company. Foxtons’ market share in relation to residential property sales transactions in its branch territories has been calculated as a percentage of the volume of the sales transactions that were transacted by Foxtons with respect to the total volume of transactions in that geographic region during the relevant period.

The following terms are used in this Prospectus when discussing the Group’s industries and markets and its positions in those markets:

- “LTM average residential property sales prices”, being the average of residential property sales prices over a rolling latest twelve month period, calculated using Land Registry data; and
- “LTM average residential property sales volumes”, being the average number of residential property sales transactions over a rolling latest twelve month period, calculated using Land Registry data.

When used in this Prospectus, the terms “South East of England” and “East of England” relate to third party data or sources and are not operational or geographical terms or measures used by the Group in its operations.

## 8. Rounding

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

## 9. Currencies

All references in this Prospectus to “pounds sterling” or “£” are to the lawful currency of the UK. Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in pounds sterling. The functional currency of all members of the Group is pounds sterling and the Group presents its financial statements in pounds sterling.

## 10. Forward-looking statements

Certain information contained in this Prospectus, including any information as to the Group’s strategy, plans or future financial or operating performance, constitutes “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “projects”, “expects”, “intends”, “aims”, “plans”, “predicts”, “may”, “will”, “seeks” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things, the Company’s results of operations, financial condition, prospects, growth, strategies and the industries in which the Group operates.

The following are important factors that could cause the Group’s actual results of operations, financial condition and the development of the industries in which the Group operates to differ materially from those suggested by the forward-looking statements contained in this Prospectus:

- continued weakness of the UK economy, including prolonged recession or multiple recessions or weak recoveries, poor general business conditions, decrease in availability of consumer credit, falling gross domestic product, increased unemployment, inflation, deflation or lack of improvement in consumer confidence;
- continued weakness of, or adverse developments in, the residential property sales market in London and the other Target Markets, including but not limited to:
  - (i) a lack of improvement in the volume of residential property sales transactions;
  - (ii) negative market trends and/or a negative perception of the market trends in the value of residential property and persistent price instability in the residential property market;
  - (iii) negative trends in the levels of commissions and other fees the Group charges for its services;
  - (iv) unfavourable credit conditions, including increased mortgage interest rates and deposit requirements and/or reduced availability of mortgage financing;
  - (v) legislative, tax or regulatory changes that would adversely affect the residential property sales or lettings markets, such as, for example, increases in stamp duty land tax and other transactional taxes on residential property sales;
  - (vi) the inability or unwillingness of prospective purchasers to enter into residential property sales transactions due to limited equity or negative equity in their existing homes;
  - (vii) lower residential property ownership rates due to various factors, including, but not limited to, high unemployment levels, reduced demand or preferred use by households of rental housing due in part to uncertainty regarding future residential property values or inability to obtain mortgage financing; and
  - (viii) increased levels of foreclosure activity;
- competition in the Group’s existing and future lines of business;
- the Group’s failure to comply with laws, rules, regulations, industry codes of conduct and their interpretation, any changes in laws, rules, regulations, industry codes of conduct and their interpretation and any changes in the policies and actions of regulatory authorities;
- changes in interest rates and exchange rates or new types of taxes or increases in taxes in the UK;
- interruption or failure of IT systems upon which the Group’s operations are reliant; and
- the cumulative effect of adverse litigation or arbitration awards against the Group.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future or are beyond the Group's control. Forward-looking statements are not guarantees of future performance. Even if the Company's actual results of operations, financial condition and the development of the industries in which the Group operates are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Prospective investors are advised to read, in particular, the following parts of this Prospectus for a more complete discussion of the factors that could affect the Group's future performance and the industries in which the Group operates: the section entitled "*Risk Factors*", Part I (*Information on the Company and the Group*), Part II (*Regulatory Overview*), Part V (*Operating and Financial Review*) and Part VII (*Historical Financial Information*). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements contained in this Prospectus may not occur.

The forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, each of the Managers and Rothschild expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules.

#### **11. Over-allotment and stabilisation**

In connection with the Offer, Credit Suisse, acting as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares or effect other transactions with a view to supporting the market price of the Ordinary Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

#### **12. No incorporation of website information**

The contents of the Company's or the Group's websites or any website directly or indirectly linked to the Company's or the Group's websites do not form part of this Prospectus and investors should not rely on them.



## PART I—INFORMATION ON THE COMPANY AND THE GROUP

### 1. Introduction

The Group is a leading London estate agency, offering residential property sales and lettings services through its Foxtons business. The Group also offers independent mortgage advice and other related services through Alexander Hall, the Group's mortgage broking business.

The Group currently focuses on high volume, high value markets in London (defined by the Group as the region enclosed by the M25 motorway). As at 19 September 2013, the Group operated 42 Foxtons branches (40 located in London and two in Surrey) and one Alexander Hall office located in London. The Group's headquarters in west London provides centralised sales and service support to the Foxtons and Alexander Hall businesses. As at 30 June 2013, the Group employed 1,139 personnel.

In 2012, the Group generated total revenue of £120.0 million, operating profit of £31.4 million and Adjusted EBITDA of £38.3 million, and achieved an operating profit margin of 26.2% and an Adjusted EBITDA Margin of 31.9%. The Group has a balanced mix of property sales and lettings revenues, with 44.3% of its revenue in 2012 derived from its sales business, 52.6% from its lettings business, 2.9% from mortgage broking and related services, and 0.2% from other sources.

### 2. Key strengths of the Group

The Directors believe that the Group's key strengths include the following:

#### *2.1 Focussed on high volume, high value markets with attractive fundamentals*

The Group currently focuses on high volume, high value markets in London which the Directors believe have attractive demand and supply side market fundamentals.

Demand fundamentals for residential property sales and lettings in London are strong in comparison to the rest of the UK, primarily driven by favourable socio-demographic factors including higher levels of economic activity, domestic and international mobility and population growth, a more affluent population and a higher population of young adults. The population of the 33 boroughs which make up Greater London stood at 8.2 million in 2011 (being almost 15% of the total population of England and Wales in 2011), an increase of 12% from 2001<sup>(7)</sup>, and is forecast to reach 9.0 million by 2018<sup>(8)</sup>.

The Directors believe that the limited geographical area of London (and in particular its prime residential areas), combined with low levels of house building in London and planning restrictions on new building or redevelopment of property, have led to a constraint on the supply of residential properties in London and created excess demand which has resulted in resilient prices.

Although the Directors believe that there is significant opportunity to expand the Group's business into markets outside London (in the OLCB (the outer London commuter belt area) and the South East Ring) which the Directors believe share similar attractive market fundamentals, in the medium term the Directors intend to focus the Group's expansion in London.

Based on Land Registry data, London accounted for 16% of all residential property sales transactions in England and Wales in 2012 by volume, and 43% by value, with the OLCB and the South East Ring accounting for 8% and 16% by volume, and 15% and 25% by value, respectively. The disproportionate concentration of value within London and the other Target Markets makes London and the other Target Markets highly attractive to the Group.

As discussed in section 4 of this Part I, residential property sales volume trends in London and the other Target Markets have been closely in line with trends across the whole of England and Wales. Based on Land Registry data, between 2008 and 2012, average annual residential property sales volumes in London were approximately 55% of the 2000 to 2006 average levels. However, there has been more stable growth in average residential property sales prices in London than across the whole of England and Wales since the fall in the property market in 2008 and 2009. As of December 2012, LTM average residential property sales prices in London were 22% higher than at their low point in October 2009 based on Land Registry data.

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(7) Source: 2011 UK Census (published by the Office for National Statistics in July 2012).

(8) Source: Office for National Statistics.



Residential property sales prices in London are high compared to elsewhere in England and Wales. Based on Land Registry data, the average residential property sales price in London in 2012 was £428,112, compared to £161,291 across the whole of England and Wales. Foxtons is principally active in selling properties at sales prices between £200,000 and £1.4 million, which accounted for 78.3% of all sales transactions in London in 2012. Foxtons' average property sales price for sales across all of its branches in 2012 was £475,682<sup>(9)</sup>.

Based on data from the Office for National Statistics, London is expected to account for 36.3% of the private rental market in England and Wales in 2013 by value, with the South East of England and East of England accounting for 16.6% and 8.4% respectively. 25.0% of London households rented their property privately between April 2010 and March 2011 (being the latest reliable statistics available as at the date of this Prospectus), which was the highest regional proportion in England<sup>(10)</sup>. In addition, and in contrast to the residential property sales market which has shown some volatility, the residential property lettings market in London has grown consistently since 2000, a trend also observed for England as a whole. Based on data from the DCLG, between 2000 and 2011 the number of private rented homes in London had a CAGR of 6.0% (compared to a 6.5% CAGR for England excluding London). While there is no data tracking precisely individual lettings transactions, the Directors believe that the number of private rented homes in a particular year is a reasonable proxy for the number of lettings transactions and renewals in that year (but is not an exact measure due to the potential variation in the durations of letting agreements). The number of private rented homes in England is expected to rise to 5.9 million by 2016, being growth of over 4% per annum<sup>(11)</sup>.

Rental prices in London are significantly higher than in any other region in the UK. Average monthly rents in London were £1,236 in April 2013, 88% higher than in the rest of the UK where average monthly rents were £659<sup>(12)</sup>. The average monthly rents achieved by Foxtons for its clients in 2012 were almost £2,000<sup>(13)</sup>, three times higher than the average across the rest of the UK and 60% higher than the average in London in April 2013. In addition, private rental price growth has been stronger in London than in the rest of England. Based on data from the Office for National Statistics, between May 2005 and May 2013 private rental prices had a CAGR of 1.3% in London compared to a 0.9% CAGR for the whole of England excluding London, and they had a CAGR of 2.1% and 0.8% respectively between January 2011 and May 2013.

## ***2.2 Unique business model in the London estate agency industry***

Foxtons has a unique business model in the London estate agency industry.

### ***2.2.1 Single leading brand with strong identity***

The Group carries on its estate agency business through a single brand, Foxtons, which is one of the best known London estate agency brands. The Foxtons brand has been supported by significant expenditure on brand and customer marketing programmes over the past 30 years, including Foxtons' distinctive branches, Foxtons-branded MINI cars, its leading website, sign boards, and its "Zero" commission campaign which offers sellers the opportunity to sell their property for free during the first three months after a new branch opening.

### ***2.2.2 Premium service to clients and applicants***

The Directors believe that the best way to maximise value for a client is to sell or let their property at the best possible price in the shortest possible time period. Foxtons seeks to achieve this goal by providing a premium service to both its clients and applicants, including extended opening hours with phone lines open from 8 a.m. to 8 p.m. seven days a week, and branches open from 9 a.m. to 8 p.m. Monday to Friday and 9 a.m. to 5 p.m. at weekends and bank holidays, 362 days a year. As a result of these extended hours, 40% of Foxtons' property viewings in the first half of 2013 were carried out during evenings and weekends, outside the normal hours of operation of many of its competitors.

Foxtons also operates the most popular London property website by number of unique visitors ([www.foxtons.co.uk](http://www.foxtons.co.uk)), which received approximately 8 million unique visitors in 2012 and has received many

(9) Unaudited operational data of the Group. See section 6 of the section entitled "Presentation of Information".

(10) Source: English Housing Survey, Households, 2010-2011 published by the DCLG.

(11) Source: Special Report: Rental Britain, Spring 2012 published by Savills plc and Rightmove plc.

(12) Source: HomeLet Rental Index (April 2013) published by HomeLet.

(13) Unaudited operational data of the Group. See section 6 of the section entitled "Presentation of Information".

industry awards for the quality of its marketing of properties and its innovative features. Foxtons' systems, business processes and culture are designed to generate large numbers of applicants and property listings (for sale or let) and to match applicants with properties that best suit their individual requirements and budgets in order to maximise their opportunity of finding a suitable property.

Foxtons' premium service delivers strong results for clients. In 2012, Foxtons achieved an average of 96% of clients' asking prices on both sales and lettings properties. Foxtons' premium service also delivers high levels of repeat business. In 2012, 72% of Foxtons' landlords were repeat clients who had previously conducted business through Foxtons, and over 70% of Foxtons' tenants whose leases expired in 2012 chose to renew their tenancies.

Foxtons has received many industry awards in recognition of its premium service offering and innovative approach, including the International Property Awards UK: Best Estate Agency London in 2009, 2010 and 2012, and the *Sunday Times* Gold Award for Best Marketing and award for Best Website in 2013.

### *2.2.3 Premium pricing*

In light of its premium service offering and strong results for clients, Foxtons has consistently been able to charge premium, non-negotiable commission rates for sales and lettings services. In 2012, Foxtons' average sales commission rate was 2.5%. In each of its last ten financial years, Foxtons' average sales commission rate was between 2.4% and 2.6%, despite the downturn in the UK property sales market in 2008 and 2009, and Foxtons' average sales commission rate over those ten years was 2.5%.

### *2.2.4 Strong local market share positions*

Based on Land Registry data, in 2012 Foxtons' top ten branches by sales market share together achieved an average share of the residential property sales market in their branch territories of 13.4%, despite high levels of competition, with the best performing branch achieving a 16.7% sales market share. In certain postcode areas, Foxtons' sales market share can be even higher. For example, based on Land Registry data, during the period from January 2011 to December 2012, Foxtons sold 1 in 3 houses sold in the City (EC1 postcode), 1 in 4 flats sold in Ladbroke Grove (W10 postcode) and 1 in 5 flats sold in Chelsea (SW3 and SW10 postcodes). Foxtons' share of sales listings is also strong in its London branch territories. In the period from June 2012 to May 2013, Foxtons had No. 1 or No. 2 sales listings share positions in 80% of its London branch territories<sup>(14)</sup>.

Foxtons currently focuses on only selected local markets and, with only 42 branches as at 19 September 2013, there are large parts of London which are not currently served by the Group. The Directors believe that Foxtons' low share of the overall residential property sales market in London illustrates the significant opportunity for the Group to continue to expand and grow its sales business in London. Foxtons' overall share of the residential property sales market in London has grown from 2.1% in 2004 to 4.3% in 2012 through increased market share by its more mature branches and the opening of new branches.

No reliable third party market share data is available for the UK residential property lettings markets but the Directors believe that the competitive position of Foxtons' more mature branches in their current lettings markets is at least as strong as their competitive position in their current residential property sales markets.

### *2.2.5 Scaleable and efficient systems, business processes and resources*

Since 2002, Foxtons has centralised many aspects of its operations at its headquarters in west London to create a scaleable business model that enables its branch staff to focus on valuations, viewings and negotiations of sales and lettings transactions. Centralised functions include sales support, comprehensive property management service, marketing, finance, IT and administrative services. The Directors believe that Foxtons' approach has benefits of efficiency, quality and economies of scale, and differs from the common estate agency model where there is often no centralisation of operations.

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(14) Based on information collated and published by Vizzihome.

Foxtons' centralised systems, business processes and resources have been designed to deliver high levels of sales productivity and to support a low cost expansion of its business. Since January 2008, Foxtons has opened 19 new branches with low incremental central overhead costs. Between 2010 and 2012, overheads per branch reduced by 8.6% from £1.3 million to £1.2 million, building upon the reduction achieved between 2007 and 2009 when overheads per branch reduced by 26.0% from £2.1 million<sup>(15)</sup> to £1.6 million<sup>(15)</sup>.

#### *2.2.6 Innovative application of technology*

Foxtons' development over the last 30 years has been characterised by an innovative approach to the estate agency industry, in particular through the application of technology and the collection and use of detailed data on clients, applicants and properties.

Since 2002, Foxtons has made a significant investment in hardware, bespoke software and the design and development of its business processes. Foxtons operates an integrated business operating system ("BOS") which covers all key aspects of Foxtons' day to day business and is regularly used by 98% of Foxtons' personnel, either at their desk or on the move via mobile devices. BOS combines sophisticated workflow systems that allow internal departments to work cohesively together with a single content-rich database which, as at 31 December 2012, contained approximately 3.5 million property records (which compares to London's population of 8.2 million in 2011<sup>(16)</sup>) with contact details for approximately 2.1 million sales and lettings prospects (which grew by approximately 240,000 contacts (11.4%) in 2012). The system contains information and service notes on historical and current property transactions, as well as client and applicant histories which are updated regularly to reflect their evolving statuses and requirements.

Foxtons' database is used as part of its outbound direct response marketing and its telephone sales programmes, which have contributed to a 20% reduction in average acquisition costs per property listing between 2004 and 2012<sup>(17)</sup>. BOS also provides Foxtons' senior management team with tools to monitor employee performance on a real-time basis, and feeds into a number of daily, weekly and monthly incentive and remuneration programmes.

Foxtons has invested significantly 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 (for sale or for let) using high quality images and interactive floor plans and allows users to search for properties using innovative search criteria, including within an area plotted on a map by the user or by proximity to tube/train lines or schools selected by the user. Clients have access to web-based applications, such as the landlord portal giving landlords direct access to key tenancy information and documents, and applications which enable documents to be signed and payments to be made on-line.

#### *2.2.7 Highly motivated workforce with a strong sales and service culture*

Foxtons is a sales-based organisation. As at 30 June 2013, 86% of Foxtons' employees were engaged in sales and sales support roles across its property sales and lettings businesses.

Foxtons' remuneration structures are intended to reward hard work and success and contribute to its strong culture of sales and service. Most of the remuneration of Foxtons' employees engaged in sales and sales support roles comes from commission earned on the revenue they generate or from other performance-related incentives and benefits, including pay ladders, company cars and annual overseas trips, all of which are intended to motivate employees and reward their success.

Promotions into senior sales positions are exclusively made from within Foxtons and are based on individual performance. Performance is shown transparently throughout the Company by use of pledge meetings, area sales meetings and BOS.

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(15) Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. There is no difference between overheads per branch calculated under IFRS and UK GAAP for any of the years 2010 to 2012. See section 4 of the section entitled "Presentation of Information".

(16) Source: 2011 UK Census (published by the Office for National Statistics in July 2012).

(17) Unaudited operational data of the Group calculated in accordance with UK GAAP to allow comparability over the period. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. Acquisition costs include all internal and external costs related to marketing expenditure, including salaries relating to direct marketing personnel, move consultants and corporate services personnel, in connection with sales and lettings instructions. See sections 4 and 6 of the section entitled "Presentation of Information". There is no difference between average acquisition costs per property listing calculated under IFRS and UK GAAP for the years 2010 to 2012.

The Directors believe that the transparent nature of the Group's performance systems encourages a positive culture of competition among its employees and strengthens the Group's culture of meritocracy.

### **2.3 Strong financial performance with high levels of profitability and cash generation and a balanced mix of sales and lettings revenues**

Foxtons' unique business model has generated high levels of revenue growth and profitability.

Between 2010 and 2012 the Group's revenue increased by 16.4% from £103.1 million to £120.0 million. Between 2010 and 2012, the Group's profit before tax increased by 88.6% from £13.2 million to £24.9 million. The Group's operating margin exceeded 26% and its Adjusted EBITDA Margin exceeded 30% in each of those financial years. In 2012 the Group generated Adjusted EBITDA of £38.3 million<sup>(18)</sup>.

The Group's revenue has increased year-on-year in every year since 2003, save in 2008 when revenues fell as result of the significant decline in the UK residential property market<sup>(19)</sup>.

In 2012, 44.3% of the Group's revenue was generated from its sales business and 52.6% from its lettings business. Between 2010 and 2012, sales revenues increased by 15.4% from £46.0 million to £53.1 million and varied between 44.3% and 45.3% of the Group's revenue during those financial years. Sales revenues have historically shown more volatility than lettings revenues, principally driven by property sales market volumes, and varied between 32.5% and 55.7% of the Group's revenue between 2003 and 2012<sup>(20)</sup>.

Lettings has consistently represented an integral part of Foxtons' activity and provides a higher margin, resilient revenue stream. Between 2010 and 2012, lettings revenues increased by 19.3% from £52.9 million to £63.1 million, and lettings revenues have grown every year between 2003 and 2012<sup>(21)</sup>.

In 2012, 41.9% of the Group's Adjusted EBITDA was generated by the Group's sales business and 57.4% from the lettings business. Foxtons' lettings business achieved higher profitability than its sales business in 2012, principally as 34.2% of the lettings revenue was generated from high margin, recurring activities such as property management services, renewals and income on tenants' deposits.

The Group's operating activities are also highly cash generative. Between 2010 and 2012, the Group's net cash from operating activities increased from £23.9 million to £29.1 million, representing a CAGR of 10.3%. The Group recorded Adjusted Cash Conversion of 88.7% in 2012, despite making capital investments of £6.2 million<sup>(22)</sup> in five new branch openings and in information technology systems.

Immediately following Admission, the Group will have no financial debt or debt facilities. The Directors intend that the cash flows of the Group following Admission will be used to fund ongoing operations and organic expansion, and to finance any dividends to Shareholders.

### **2.4 Successful track record of low risk organic expansion with high returns on capital**

Foxtons has a long and successful track record of organic expansion, from its first branch which opened in 1982 to 10 branches as at 31 December 2001, and 42 branches as at 19 September 2013.

The Group undertakes a rigorous approach to the identification and selection of new local markets, using geo-marketing analysis and proprietary data to determine the size of local residential property sales

(18) To allow comparability, in 2012 the Group achieved Adjusted EBITDA of £37.9 million calculated in accordance with UK GAAP which was 14% higher than in 2007, and represented a CAGR of 16% since 2003 and a CAGR of 40% since 2008. These amounts and percentages are derived using figures extracted from the Group's UK GAAP audited statutory accounts, which are neither included nor incorporated by reference herein. See section 4 of the section entitled "Presentation of Information".

(19) In 2012, the Group achieved revenue of £117.7 million calculated in accordance with UK GAAP which was 5% below its peak revenue in 2007 and represented a CAGR of 9% since both 2003 and 2008. Extracted from the Group's UK GAAP audited statutory accounts, which are neither included nor incorporated by reference herein. See section 4 of the section entitled "Presentation of Information".

(20) Calculated in accordance with UK GAAP to allow comparability over the period. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. See section 4 of the section entitled "Presentation of Information".

(21) In 2012, the Group achieved lettings revenue of £60.9 million calculated in accordance with UK GAAP which represented a CAGR of 14% since 2003 and a CAGR of 6% since 2008. Extracted from the Group's UK GAAP audited statutory accounts, which are neither included nor incorporated by reference herein. See section 4 of the section entitled "Presentation of Information".

(22) Amount has been derived from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (Historical Financial Information). See section 4 of the section entitled "Presentation of Information".



markets based on historical sales transaction volumes and average property sales prices in the relevant postcodes and to derive estimates of the local residential property lettings markets. New branch openings are supported by Foxtons' "Zero" commission campaign, combined with an intensive pre-opening sales and marketing programme, which is designed to generate a significant local sales market share and brand presence for new branches rapidly. The "Zero" commission campaign also generates large amounts of data which the Group uses to support future sales prospecting and marketing initiatives.

The Directors believe that the 13 Foxtons branches opened between 2010 and 2012 (inclusive), as well as the five branches opened in the first half of 2013, will increase their relative contribution to the Group's revenues and profits as they mature. In 2012, the 24 branches which opened prior to 2010 generated, on average, £3.2 million of revenue per branch and £1.8 million of Adjusted EBITDA per branch. In 2012, the 13 branches which opened between 2010 and 2012 (inclusive) generated, on average, £1.2 million of revenue per branch and £0.4 million of Adjusted EBITDA per branch.

The average capital cost of the five Foxtons branches which opened in 2010 was approximately £583,000<sup>(23)</sup>, which is typical for Foxtons' branch openings since 2010. Those five branches, on average, had positive Adjusted EBITDA six months after their opening, achieved breakeven 19 months after their opening, and delivered an average ROCE of 152% in 2012 (their second year of operations)<sup>(24)</sup>.

## ***2.5 Foxtons' operations are well positioned to benefit from any future recovery in the residential property sales market***

Based on Land Registry data, between 2008 and 2012 average annual residential property sales transaction volumes in London were approximately 55% of the 2000 to 2006 average levels. The Directors believe that important contributing factors to the current level of residential property sales volumes are constrained mortgage availability and the current level of mortgage deposits required from prospective buyers.

There are a number of ongoing Government initiatives aimed at increasing home ownership and mortgage volumes in the UK. The Directors believe that these initiatives, combined with any increase in mortgage availability and any pent up demand for sales properties following the reduction in sales transaction volumes since 2008, may result in an increase in sales transaction volumes, although the extent of any market recovery and its timing is uncertain. Foxtons' operations are well positioned to benefit from any future recovery in sales transaction volumes in London and the Directors expect that even a modest improvement in sales transaction volumes and/or prices could drive increased Group revenues. The Directors believe that the marginal contribution of any such increase in revenues could be higher than the Group's current operating profit and Adjusted EBITDA Margin due to the Group's operational gearing (reflecting the Group's favourable mix of fixed and variable costs).

## ***2.6 Experienced senior management team and consistent sales and service culture***

The Executive Management Team have collectively worked for the Group for over 40 years. They have transformed and modernised the Group's business since 2002 and been instrumental in developing its strong sales and service culture. The Executive Management Team have also demonstrated their ability to react quickly to market volatility, as evidenced by the financial performance of the Group since the downturn in the residential property market in 2008 and 2009. The Directors believe that the Executive Management Team's experience in delivering organic expansion, while controlling costs, positions the Group well for the future.

The success of the Group has been built around a distinctive and consistent culture of sales and service throughout the organisation. All of Foxtons' sales and lettings directors, branch managers and valuers started their careers at Foxtons as Negotiators (Foxtons' entry level position). As at 30 June 2013, Foxtons' 9 sales and lettings directors had an average tenure of 15 years within its business, its 6 operations directors had an average tenure of 12 years and its 72 branch managers had an average tenure of 8 years.

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(23) Unaudited operational data of the Group. Amount has been derived using figures extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 6 of the section entitled "*Presentation of Information*".

(24) Unaudited operational data of the Group. Percentage has been derived using figures extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 6 of the section entitled "*Presentation of Information*".

### **3. The Group's strategy**

The Group's principal strategic objective is to continue to leverage its Foxtons brand, centralised resources, technology and sales and service culture to drive revenue growth and enhance operating profit and Adjusted EBITDA Margin as the Group continues its branch expansion programme. The Group also intends to continue to deliver a premium service to clients and applicants in its existing branch territories with the objective of improving market share and remaining well positioned to benefit from any future recovery in residential property sales transaction volumes.

In order to achieve these objectives, the Group has four principal strategic priorities.

#### ***3.1 Continue to offer premium service levels to drive revenue growth***

The Group intends to continue to provide a premium service offering by bringing together the key elements of its business model, to meet the high expectations of its clients and applicants more effectively than its competitors. In particular, Foxtons will continue to strive to maximise value for its clients by selling or letting their properties at the best possible price in the shortest possible time by capitalising on the high levels of applicants that its business model generates, its strong culture of sales and service and its innovative approach to estate agency. The Group also intends to continue its strategy of only promoting individuals into senior positions from within the Group as it expands its branch network to preserve its strong culture of meritocracy and its highly motivated workforce.

This premium service aims to allow the Group to continue to grow revenues from its more mature branches by leveraging its local brand presence and market data to increase market share in sales and lettings.

Further, the Group will seek to ensure that its branches opened since 1 January 2010 mature quickly and generate levels of average operating profit and Adjusted EBITDA per branch similar to those of its more mature branches by supporting those branches with the same brand marketing programmes and centralised sales support and service resources which the Group has successfully used in the past.

The Directors believe that residential property sales transaction volumes in London may recover in the medium term, although the extent and the timing of any recovery cannot be predicted. By continuing to deliver a premium service offering, the Directors believe that the Group will be well positioned to benefit from any such recovery which could have a significant effect on the Group's financial performance given the operational gearing within the Group's business model.

#### ***3.2 Continue to roll out new branches into local markets with attractive fundamentals***

The Group has identified at least 60 additional local markets in London which share similar attractive market fundamentals as Foxtons' existing branch territories, and which it expects to offer similar financial potential as its existing branches.

The Group intends to open between five and 10 new Foxtons branches per annum between 2014 and 2018 and will continue to seek to deliver a rapid cash payback period and a strong ROCE in respect of each new branch opening.

In the medium term the Directors intend to focus the Group's expansion in London. In the longer term the Directors intend to expand the Group's business outwards into local markets in the OLCB and the South East Ring where the Group has identified at least a further 100 local markets which offer financial potential similar to its existing branch territories in London.

#### ***3.3 Leverage historical investment in centralised operations to enhance margins***

The Group's substantial long-term investment in centralised systems, business processes and resources and IT infrastructure has created a highly scaleable business model. The Group opened 15 Foxtons branches between the last quarter of 2007 and 2012. Between 2010 and 2012, overheads per branch reduced by 8.6% from £1.3 million to £1.2 million, building upon the reduction achieved between 2007 and 2009 when overheads per branch reduced by 26.0% from £2.1 million<sup>(25)</sup> to £1.6 million<sup>(25)</sup>, demonstrating the Group's operational leverage. The Directors believe that the Group's existing centralised resources are sufficient to support a significant level of future branch expansion at a relatively low marginal cost.

<sup>(25)</sup> Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. There is no difference between overheads per branch calculated under IFRS and UK GAAP for any of the years 2010 to 2012. See section 4 of the section entitled "Presentation of Information".



### 3.4 Increase the profitability of Alexander Hall

As a result of the low levels of mortgage approvals during the recent economic downturn in the UK, Alexander Hall's performance has declined and its business currently operates at a breakeven level. In 2012, Alexander Hall generated revenue of £3.5 million, operating profit of £0.2 million and Adjusted EBITDA<sup>(26)</sup> of £0.2 million and contributed 1.0% of the Group's total Adjusted EBITDA. In the past it has generated higher levels of performance, having achieved revenue of £15.6 million, operating profit of £4.6 million, Adjusted EBITDA of £4.8 million and contributed 14.0% of the Group's Adjusted EBITDA in 2007<sup>(27)</sup>.

The Directors believe that Alexander Hall is an important part of Foxtons' service offering and have continued to focus management time and resources on maintaining the quality of Alexander Hall's business despite the low levels of mortgage volumes in the UK. In April 2013, Alexander Hall opened a new head office in Holborn in central London. As a result of this investment, the Directors believe that Alexander Hall remains well placed to benefit from any recovery in mortgage volumes which would enhance its contribution to the Group.

## 4. Market overview

### 4.1 Introduction

The Group operates within the UK estate agency industry (comprising residential property sales and lettings) and the UK mortgage broking industry, deriving its revenues from serving the needs of property sellers, landlords, buyers and tenants.

The Group currently focuses on high volume, high value markets in London (defined by the Group as the region enclosed by the M25 motorway) but the Directors believe that there is significant opportunity to expand the Group's business into markets in the OLCB and the South East Ring (the Group's other Target Markets) which the Directors believe share similar attractive market fundamentals.

#### *The Group's Target Markets*



(26) Alexander Hall's Adjusted EBITDA is defined as Alexander Hall's profit for the year before tax, finance costs, income, exceptional items, depreciation, amortisation, profit or loss on disposal of property, plant and equipment and amounts relating to the debt repayment incentive scheme.

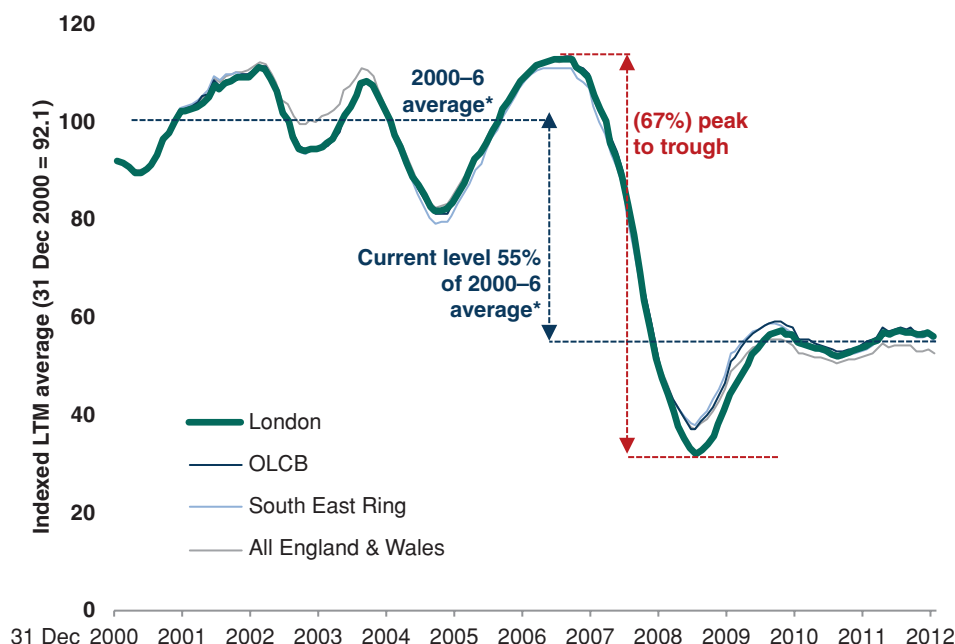
(27) Calculated in accordance with UK GAAP. The Group's Adjusted EBITDA under UK GAAP is defined as profit for the year before tax, finance costs, finance income (which excludes net tenants' deposit interest under UK GAAP), exceptional items, depreciation, amortisation, profit or loss on disposal of property, plant and equipment and amounts relating to the debt repayment incentive scheme. For comparative purposes, in 2012, Alexander Hall generated revenue of £3.5 million, operating profit of £0.2 million, Adjusted EBITDA of £0.2 million and contributed 0.5% of the Group's Adjusted EBITDA calculated in accordance with UK GAAP. All UK GAAP amounts and percentages are derived using figures extracted from the Group's UK GAAP audited statutory accounts (with respect to revenue and operating profit), which are neither included nor incorporated by reference herein, or using figures extracted from the Group's unaudited accounting records used to compile the Group's UK GAAP financial information (with respect to Adjusted EBITDA). See section 4 of the section entitled "Presentation of Information".

## 4.2 Residential property sales market

Based on Land Registry data, between 2000 and 2006, LTM average residential property sales volumes in London averaged 177,545 transactions per year. Since mid-2007, LTM average residential property sales volumes in London have declined significantly, falling by 67% from their peak in July 2007 to their low point in June 2009. Since then, LTM average residential property sales volumes in London have recovered only slightly, principally due to continued weak economic conditions and low levels of mortgage approvals, and have been broadly stable since 2010. Between 2008 and 2012, average annual residential property sales volumes in London were approximately 55% of the 2000 to 2006 average levels.

Residential property sales volume trends in London throughout the period from 2000 to 2012 have been closely in line with trends across the whole of England and Wales and in the Group's other Target Markets.

*Residential property sales volumes in the Target Markets and across all of England and Wales*



Source: Land Registry

\* Calculated as an average of monthly volumes.

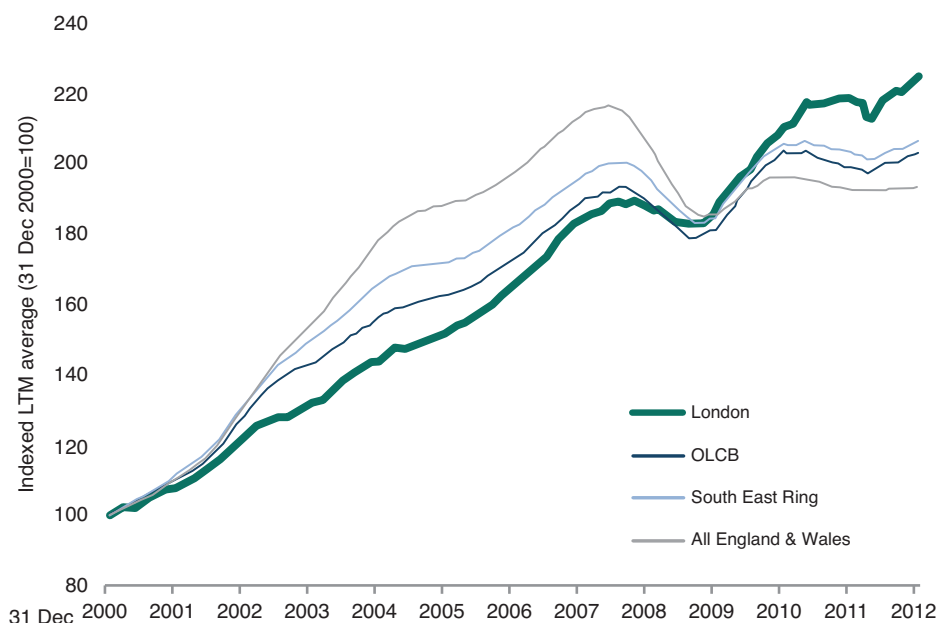
The Company believes that the principal reason for the current level of residential property sales volumes is constrained mortgage availability, affecting both buyers and sellers (who are typically also buyers themselves).

There is an imbalance between the supply and demand for residential sales property in London which has created strong excess demand. The high level of demand is primarily driven by favourable socio-demographic factors including higher levels of economic activity, domestic and international mobility and population growth, a more affluent population and a higher population of young adults compared with the rest of the UK. London also attracts overseas purchasers of residential property, either as homes or for investment purposes. The Directors believe that similar demand fundamentals apply in the Group's other Target Markets.

The Directors believe that the limited geographical area of London (and in particular its prime residential areas), combined with low levels of house building in London and planning restrictions on new building or redevelopment of property, have led to a constraint on the supply of residential properties in London and created attractive supply fundamentals for residential property sales and lettings transactions in London.

While residential property sales volumes in London have been in line with trends across the whole of England and Wales and remained low during the recent economic downturn, these favourable demand fundamentals have resulted in higher and more resilient residential property sales prices in London than across the whole of England and Wales. Based on Land Registry data, the average residential property sales price in London in 2012 was £428,112, compared to £336,517 across all of the Group's Target Markets and £161,291 across the whole of England and Wales.

### *Residential property sales prices in the Target Markets and across all of England and Wales*



Source: Land Registry

There has been more stable growth in average residential property sales prices in London than across the whole of England and Wales since the fall in the property market in 2008 and 2009. Based on Land Registry data, LTM average residential property sales prices in London fell by only 3% from their peak in September 2008 to their low point in October 2009, but have since rebounded and as of December 2012 were 22% higher than at their low point in October 2009. In contrast, LTM average residential property sales prices across the whole of England and Wales fell by 14% from their peak in May 2008 to their low point in October 2009, and as of December 2012 were only 4% higher than at their low point in October 2009, based on Land Registry data.

Average residential property sales prices in the Group's other Target Markets have been more resilient than across the whole of England and Wales but have grown less than average residential property sales prices in London since the fall in the property market in 2008 and 2009. LTM average residential property sales prices in the OLCB and the South East Ring experienced a greater fall than in London during 2008 and 2009 but have subsequently grown more than average residential property sales prices across the whole of England and Wales as of December 2012.

Due to the combination of higher transaction volumes and higher sales prices, London accounted for 16% of all residential property sales transactions in England and Wales by volume and 43% by value in 2012, and the OLCB and the South East Ring accounted for 8% and 16% by volume, and 15% and 25% by value, respectively, based on Land Registry data.

There are a number of ongoing Government initiatives aimed at increasing home ownership and mortgage volumes in the UK. The Directors believe that these initiatives, combined with any increase in mortgage availability and any pent up demand for sales properties following the reduction in sales transaction volumes since 2008, may result in an increase in residential property sales transaction volumes, although the extent of any market recovery and its timing is uncertain. These initiatives include the Government's *NewBuy Guarantee Scheme* which was launched in March 2012 and which aims to increase mortgage availability on newly-built properties, and the Government's *Help to Buy* equity loan scheme launched in April 2013, a three year initiative aimed at stimulating sales of newly-built homes. The Government has also announced a mortgage guarantee scheme to take effect for three years from January 2014 which will aim to increase the availability of high loan-to-value mortgages on newly-built and existing properties for purchasers with small deposits. The commission based nature of UK estate agency pricing means that the estate agency industry as a whole would benefit from any recovery in residential property sales transaction volumes.

The UK residential property sales agency market is competitive and fragmented. Foxtons faces competition from national chains such as Countrywide, Savills and Knight Frank, as well as from London

focused chains such as Douglas & Gordon, Kinleigh Folkard & Hayward and Marsh & Parsons (owned by LSL Property Services plc), and numerous independent players operating in local markets. Competition is principally at a local branch level.

There are also a number of online-only estate agents (such as eMoov.co.uk and Housesimple.co.uk) and online classified advertisements websites and community websites in the UK (such as Craigslist and Gumtree) which list residential properties for sale (or let). However, the Directors believe that Foxtons does not face significant competition from these online services as they do not provide property sellers or purchasers (or landlords and tenants) with the personal, knowledgeable and intermediated service which Foxtons provides and which many sellers and purchasers (and landlords and tenants) typically expect in relation to residential property transactions.

#### ***4.3 Residential property lettings market***

Similarly to the residential property sales market, London accounts for a high share of the residential property lettings market for England and Wales as a whole, mainly due to a relatively higher proportion of households which rent their homes privately and levels of rents which are significantly higher in London than elsewhere in the UK. Based on data from the Office for National Statistics, London is expected to account for 36.3% of the private rental market in England and Wales in 2013 by value, with the South East of England and East of England accounting for 16.6% and 8.4% respectively.

25.0% of London households rented their property privately between April 2010 to March 2011 (being the latest reliable statistics available as at the date of this Prospectus), which was the highest regional proportion in England<sup>(28)</sup>.

In addition, and in contrast to the residential property sales market which has shown some volatility, the residential property lettings market in London has grown consistently since 2000, a trend also observed for England as a whole. Based on data from the DCLG, between 2000 and 2011 the number of private rented homes in London had a CAGR of 6.0% (compared to a 6.5% CAGR for England excluding London). While there is no data tracking precisely individual lettings transactions, the Directors believe that the number of private rented homes in a particular year is a reasonable proxy for the number of lettings transactions and renewals in that year (but is not an exact measure due to the potential variation in the durations of letting agreements). The number of private rented homes in England is expected to rise to 5.9 million by 2016, being growth of over 4% per annum<sup>(29)</sup>.

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(28) Source: English Housing Survey, Households, 2010-2011 published by the DCLG.

(29) Source: Special Report: Rental Britain, Spring 2012 published by Savills plc and Rightmove plc.

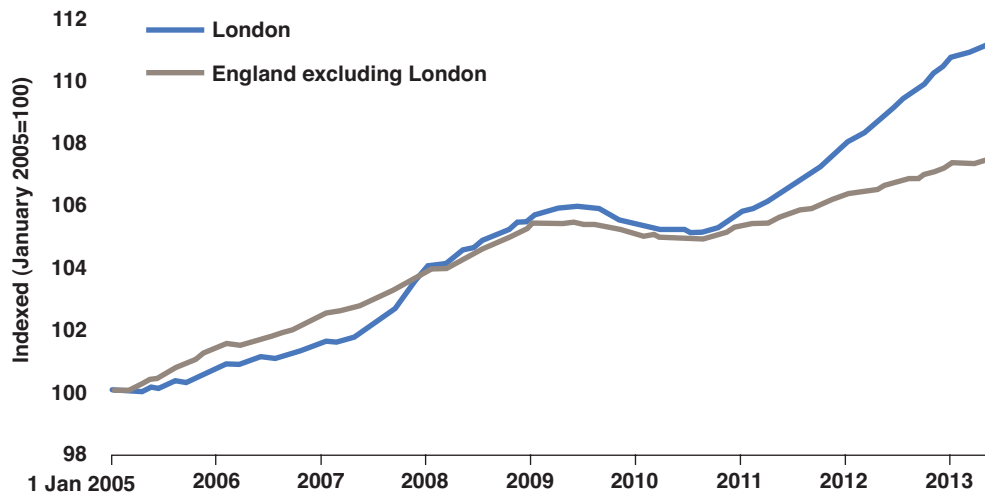
*Number of privately rented homes as of March 2000 to 2011*



Source: Department for Communities and Local Government

Rental prices in London are significantly higher than in any other region in the UK. Average monthly rents in London were £1,236 in April 2013, 88% higher than in the rest of the UK where average monthly rents were £659<sup>(30)</sup>. The average monthly rents achieved by Foxtons for its clients in 2012 were almost £2,000<sup>(31)</sup>, three times higher than the average across the rest of the UK and 60% higher than the average in London in April 2013. In addition, private rental price growth has been stronger in London than in the rest of England. Based on data from the Office for National Statistics, between May 2005 and May 2013, private rental prices had a CAGR of 1.3% in London compared to a 0.9% CAGR for the whole of England excluding London, and they had a CAGR of 2.1% and 0.8% respectively between January 2011 and May 2013.

*Index of private rental house growth (January 2005-May 2013)*



Source: Office for National Statistics

Competition in the residential property lettings agency market in London is similar to that in the residential property sales agency market with national chains, London-focussed chains and numerous independent local players, as well as online-only estate agents and online classified advertisements websites and community websites.

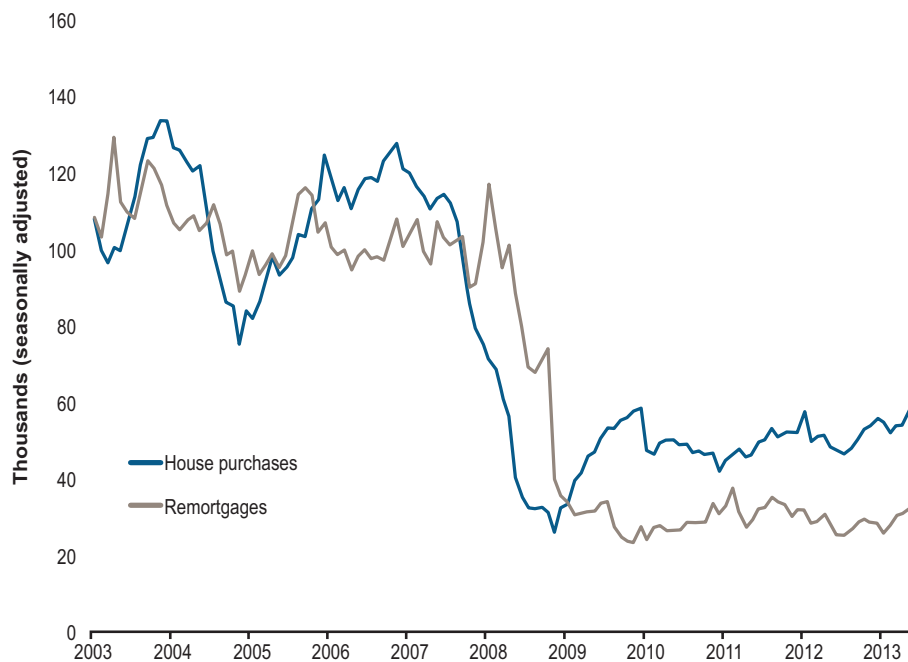
(30) Source: HomeLet Rental Index (April 2013) published by HomeLet.

(31) Source: Unaudited operational data of the Group. See section 6 of the section entitled "Presentation of Information".

#### 4.4 Mortgage broking market

House purchase mortgage loan volumes in the UK experienced a rapid decline between 1 July 2007 and 31 December 2008, falling by approximately 70%<sup>(32)</sup>. Remortgage loan volumes held up in 2008 but experienced a decline in 2009 as lenders reduced their standard variable interest rates, reducing the incentive for borrowers to remortgage. Based on Bank of England data, as at the end of the first quarter of 2013, house purchase mortgage loan volumes and remortgage loan volumes had increased to approximately 50% and approximately 30%, respectively, of their 2007 levels. Gross mortgage lending in May 2013 was estimated by the Council of Mortgage Lenders to be £14.7 billion, an increase of 17% from May 2012. The Directors believe that an important factor in the low levels of mortgage loan volumes is the lenders' requirement for higher mortgage deposits to be paid by borrowers than was required in earlier years as a condition to their lending.

*House purchase mortgage and remortgage monthly approvals (1 January 2003-30 June 2013)*



Source: Bank of England

Recent improvements in bank funding market conditions have benefited the pricing of mortgages for house purchases but lenders continue to require higher mortgage deposits to be paid by borrowers. There are a number of ongoing Government initiatives aimed at improving mortgage availability and increasing home ownership in the UK which the Directors believe may result in an increase in residential property sales transaction volumes, but the eventual impact of these initiatives on mortgage transaction volumes will depend upon borrower demand.

Specific data for mortgage transaction volumes in respect of London or the Group's other Target Markets is not available but the Directors believe that the dynamics in those markets are similar to those of the UK market as a whole.

The distribution of mortgage products in the UK relies on two distinct channels: a direct distribution channel managed by mortgage lenders, and an independent distribution channel operated by mortgage intermediaries such as Alexander Hall. Independent mortgage intermediaries are able to advise on and offer a broad spectrum of products and are not tied to a single lender or a panel of lenders. The intermediary channel has suffered significantly from the reduction in mortgage transaction volumes across the mortgage market during the recent economic downturn. With low levels of activity experienced since 2008, lenders have refocused their distribution strategy further onto their own operations, and have become less reliant on intermediaries such as Alexander Hall. The direct lenders' share of mortgage volumes increased from approximately 36% in the first quarter of 2008 to between approximately 46% and 56% during the period from the second quarter of 2008 to the first quarter of 2012<sup>(33)</sup>, compounding the impact of a period of reduced lending activity.

(32) Source: Bank of England.

(33) Source: Mortgages, Product Sales Data, Trend Report 2005-2012 published by the FSA in August 2012.



The mortgage intermediary market in the UK is fragmented and the Group faces competition from a large number of mortgage intermediaries, including non-independent intermediaries who may receive preferential treatment from lenders (including exclusive mortgage products and enhanced service and support). However, the number of directly authorised firms with mortgage or other home finance mediation as their primary regulated activity has reduced by 52.2% from 2,922 as at 31 December 2008 to 1,394 as at 30 September 2012<sup>(34)</sup>. During the same period, the number of appointed representatives carrying on mortgage or other home finance mediation has reduced by 49.5% from 4,818 to 2,434<sup>(34)</sup>.

## 5. Development of the Group

Key milestones in the Group's development include the following:

- 1981 Foxtons' business founded and first branch opened in Notting Hill Gate in 1982
- 1992 Alexander Hall commences business
- 2001 Foxtons launches its first fleet of Foxtons-branded MINI cars  
The Group opens its headquarters in Chiswick in west London
- 2002 Michael Brown, current Chief Executive Officer, joins Foxtons  
Foxtons commences its centralised business model and begins investing in its IT infrastructure at its headquarters  
Foxtons launches its café-style branch design
- 2007 BC European Capital acquires a controlling interest in the Group's business
- 2008 Following a sharp decline in residential property sales transactions the Group records an operating loss of £183.5 million, after charges of £162.8 million related to an impairment of intangible assets, £16.0 million related to the amortisation of goodwill and £7.4 million of exceptional items. The Group records Adjusted EBITDA of £10.0 million and Adjusted EBITDA Margin of 11.8%<sup>(35)</sup>
- 2009 The Group focuses on costs and productivity in response to the decline in the residential property sales market. The Group's operating loss falls to £0.3 million and its Adjusted EBITDA grows to £23.1 million (with an operating loss margin of 0.3% and an Adjusted EBITDA Margin of 26.1%)<sup>(35)</sup>
- 2010 The Group completes a consensual capital reorganisation. See section 9 of Part V (*Operating and Financial Review*)  
Foxtons recommences its expansion strategy and opens five new branches
- 2011 Foxtons opens three new branches
- 2012 Foxtons launches its "Property Lab" branch design, incorporating interactive, in-branch touchscreen technology  
Foxtons opens five new branches
- 2013 Foxtons opens five new branches during March and April 2013 and two new Foxtons branches are expected to open in October 2013 in Twickenham and Crystal Palace

## 6. The Group's current business and operations

### 6.1 Overview

The Group is a leading London estate agency, offering residential property sales and lettings services through its Foxtons business. The Group also offers independent mortgage advice and other related services through Alexander Hall, the Group's mortgage broking business. The Group currently focuses on high volume, high value markets in London (defined by the Group as the region enclosed by the M25 motorway).

(34) Source: FCA.

(35) Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. See section 4 of the section entitled "*Presentation of Information*".

The Group's headquarters in Chiswick in west London provides centralised sales and service support to the Foxtons and Alexander Hall's businesses, as well as comprehensive property management services and Group finance, marketing, IT and administrative functions.

## **6.2 Foxtons**

As at 19 September 2013, the Group operated 42 estate agency branches trading under the Foxtons brand, with 40 branches located in London and two branches located in Guildford and Woking in Surrey. Each Foxtons branch provides residential property sales and lettings services.

In 2012, Foxtons generated 96.9% of the Group's total revenue. Foxtons has a balanced mix of property sales and lettings revenues, with 44.3% of the Group's total revenue in 2012 being generated through Foxtons' sales business and 52.6% generated through Foxtons' lettings business.

## **6.3 Alexander Hall**

Alexander Hall provides advice on the arrangement of mortgages and financial protection products (such as life insurance, critical illness cover and income protection). Alexander Hall has an office located in central London.

In 2012, Alexander Hall generated 2.9% of the Group's total revenue. Alexander Hall principally derives its revenue from arranging mortgages (85.3% of its revenue in 2012), with its mortgage revenue comprising fees paid by its clients and procurement fees paid by lenders (accounting for 31.5% and 53.7% respectively of Alexander Hall's total revenue in 2012). Alexander Hall generated the balance of its revenue in 2012 from commissions and referral fees paid by providers of other financial products and other services.

# **7. Foxtons**

## **7.1 Headquarters and branch network**

Foxtons' (and the Group's) headquarters are located in Chiswick in west London. In addition to Group finance, marketing, IT and administrative functions, the Group operates centralised sales and sales support teams at its headquarters whose role is to generate new business opportunities and support the front office employees in Foxtons' (and Alexander Hall's) branches.

Each of Foxtons' 42 branches is located in a prime location, in territories characterised by high volumes of property sales and lettings transactions at relatively high transaction values. Since 2002, Foxtons' branches have been designed in a café-style to provide a modern and comfortable place for clients and applicants to meet with a Foxtons adviser to discuss their requirements. Foxtons has continued to innovate with its branch design and is currently rolling out its "Property Lab" design which takes advantage of interactive, in-branch touchscreen technology and modern materials.

Each Foxtons branch operates extended opening hours from 9 a.m. to 8 p.m. Mondays to Fridays and from 9 a.m. to 5 p.m. on Saturdays, Sundays and bank holidays, and is open on 362 days per year. In addition, phone lines are open from 8 a.m. to 8 p.m. seven days a week, 362 days a year. As a result, 40% of Foxtons' property viewings in the first half of 2013 were carried out during evenings and weekends, outside the normal hours of operation of many of its competitors.

## **7.2 Property sales service**

Foxtons provides a property sales service for clients (property sellers) and may be instructed to act either as sole selling agent or on a multiple agency basis. Foxtons aims to provide a premium level of service by seeking to achieve the best possible sale price in the shortest possible time on behalf of its client.

Foxtons generates property sales instructions through its branch network, its centralised phone lines and through its Move Consultants who regularly review Foxtons' customer database to identify new business opportunities (see section 10 "*Employees and organisational structure—Organisational structure—Foxtons—Move Consultants*" of this Part I).

When Foxtons arranges a property sales valuation appointment with a prospective client, a Foxtons' Valuer or branch manager will prepare a market appraisal of the value of the property using local knowledge and data on comparable sales in the area. If Foxtons is successful in securing the sales instruction through the valuation process, a Foxtons' Negotiator will then arrange and conduct viewings of the property with prospective purchasers (applicants). In 2012, Foxtons conducted approximately 36,500 sales valuations

which resulted in approximately 14,000 sales instructions. Approximately 126,000 new prospective purchasers were registered and approximately 270,000 sales property viewings were conducted in 2012. This activity led to approximately 33,000 offers and 4,512 exchanges (excluding 269 exchanges completed during a “Zero” commission campaign) for sales properties in 2012. Prior to the fall in the property market in 2008 and 2009, the Company would have expected the offer to exchange conversion rate achieved by Foxtons in relation to sales properties to be higher than the rate achieved in 2012, principally due to greater mortgage availability at that time.

Negotiators answer applicants’ queries and are responsible for managing ongoing relationships with applicants during the viewing process, while branch managers and Valuers manage the ongoing relationship with clients and handle negotiations between buyers and sellers. Each Foxtons branch has two branch managers, one responsible for sales services and the other responsible for letting services, generally between one and three Valuers (who each focus on either sales or lettings) and generally between four and 20 Negotiators (who also each focus on either sales or lettings) depending on the size of the branch.

Foxtons has a dedicated New Homes and Investments team, based at the Group’s headquarters, who are responsible for generating sales instructions from, and maintaining relationships with, certain house builders and property developers in relation to sales of newly built homes. Foxtons also generates sales instructions in relation to newly built homes through its branches and Move Consultants. Newly built properties are valued and marketed for sale, and viewings are conducted, in the same way as existing properties.

### **7.3 Property lettings services**

Foxtons provides a broad range of property lettings services to its clients (landlords), covering the initial letting of properties, renewals of tenancy agreements, re-letting of properties and a comprehensive property management service. Foxtons seeks to negotiate the longest possible tenancy term, at the best possible rental rate, on behalf of its landlord client. Foxtons generates property lettings instructions through its Move Consultants and through its branch network.

#### **7.3.1 Property lettings, renewals and re-lets**

Foxtons’ lettings service involves Foxtons agreeing a rental valuation with its client, finding a tenant, concluding a tenancy agreement, collecting the tenant’s deposit and arranging for the deposit to be registered with an authorised deposit protection scheme, and collecting rent payments on behalf of its client (although a small minority of Foxtons’ clients opt to collect rent payments themselves). Foxtons also provides administrative services in connection with new lettings, including arranging cleaning and inventories on behalf of landlords and tenants if required. During 2012, Foxtons arranged 19,242 tenancies.

When Foxtons arranges a valuation appointment with a potential landlord, a Foxtons’ Valuer or branch manager will prepare a rental market appraisal for the property using local knowledge and data on comparable lettings in the area. If Foxtons is successful in securing the lettings instruction through the valuation process, a Foxtons’ Negotiator will then arrange and conduct property viewings with prospective tenants. In 2012, Foxtons conducted approximately 43,500 lettings valuations which resulted in approximately 26,000 lettings instructions. Approximately 174,000 new prospective tenants were registered and approximately 280,000 rental property viewings were conducted in 2012. This activity led to approximately 24,000 offers and 19,242 exchanges (including renewals) for rental properties in 2012.

If instructed to do so by its client, Foxtons manages the renewal of tenancy agreements and the re-letting of properties where a tenancy is not renewed. Foxtons will generally inform its client two months in advance of the expiry of the tenancy agreement that the tenancy will soon expire and Foxtons will contact the tenant with the aim of negotiating a tenancy extension. If a tenancy is not renewed, Foxtons will seek to re-value and remarket the property on behalf its client. As Foxtons has visibility of the expiry date for an outstanding tenancy, it is well placed to secure a renewal of that tenancy or to re-let the property on behalf of its client, potentially with only a short or no void period, thereby increasing the financial return received by its client. If a tenancy is not renewed, Foxtons suggests, if requested, alternative rental properties or sales properties to the outgoing tenant.

In 2012, new lettings units accounted for 62.5% of Foxtons’ total lettings units, with renewals accounting for 37.5%. During 2012, Foxtons successfully renewed over 70% of the tenancies arranged by it which expired during that year. In relation to tenancies which were renewed, Foxtons achieved an average rent

increase of 3.4% in 2012 compared to average rents achieved in 2011 and the average tenancy extension was 11 months.

### *7.3.2 Comprehensive property management service*

In addition to its lettings, renewals and re-letting services, Foxtons offers a comprehensive property management service involving the day to day management of tenancies on behalf of its clients, including arranging property repairs and maintenance, arranging payments of service charges, transferring utilities accounts, carrying out annual property inspections, managing the departure of tenants at the end of the tenancy, and managing any dispute arising with tenants regarding deposit deductions.

Foxtons' Property Management and Accounts team, based at the Group's headquarters, is responsible for providing Foxtons' comprehensive property management service. The objective of the Property Management and Accounts team is to maximise the financial returns for landlords by effectively managing property maintenance and administrative issues and by providing a higher level of credit control to minimise levels of rent arrears.

Foxtons generally operates a panel of approximately 60 contractors (including plumbers, electricians, gas engineers and builders) who provide maintenance and other services in connection with its comprehensive property management service. Foxtons enters into service level agreements with its contractors with the aim of ensuring a consistent, high quality service which is good value for money.

As at 17 December 2012, Foxtons administered 17,878 tenancies and provided comprehensive property management services in respect of 5,690 of those tenancies (31.8%). As at 24 June 2013, Foxtons administered 18,716 tenancies and provided comprehensive property management services in respect of 6,174 of those tenancies (33.0%). Clients may terminate the comprehensive property management service by giving one month's notice to Foxtons, subject to a minimum term of three months.

### *7.3.3 Corporate lettings service*

Foxtons has a specialist Corporate Lettings team, based at the Group's headquarters, which focuses on corporate tenants, offering a professional relocation and property finding service. Foxtons' corporate lettings advisers provide local information and advice and guidance on the letting process and the rental market, search for suitable short and long term rental properties, and arrange for tenancy agreements to be completed.

## **7.4 Foxtons' website**

Foxtons' website is London's most popular property website by number of unique visitors, receiving approximately 8 million unique visitors in 2012. Between 2005 and 2012, the number of unique visitors to the website had a CAGR of 15%. Foxtons' website has received many industry awards for the quality of its marketing of properties and its innovative features, including 12 awards in 2012 and three awards in the first half of 2013 (being the *Sunday Times* Gold Award for Best Website, Best Consumer Product Website (Bronze) at The Summit International Creative Awards 2013, and Best Real Estate Website (Honouree) at The Webby Awards 2013). The website markets properties for sale and for let and provides in-depth local information and online brochures. The website is designed, maintained and monitored by a specialist in-house team of six web developers and administrators.

The Foxtons website recognises and adapts to the device which is being used to view it (phone, tablet or computer) in order to optimise the website for use on that device. The Group uses multiple computer servers with the aim of ensuring that users are provided with fast access to the website's content.

The Foxtons website can be searched using various methods, including by viewing properties within an area plotted on a map by the user or by proximity to tube/train lines or schools selected by the user. Following registration, "My Foxtons" provides each user with a dedicated area on the website where they can save property searches and favourite properties, add private notes to each, rate a property and organise short lists. Users can register their interest in specific properties through the website. Email updates can also be sent to registered users based on their saved searches.

Tenants and landlords also receive free access to web-based tenant and landlord portals which enable them to manage their tenancies. Tenants can sign, view and download documents and make secure payments online. Landlords can review documents, receive periodic statements of account and make secure

payments online. This functionality seeks to speed up the letting process and reduce the need for potentially inconvenient branch visits.

Properties listed for sale or rent by Foxtons also receive additional online marketing exposure through property aggregator websites, including PrimeLocation, Rightmove and Zoopla. Despite Foxtons' own website being the leading property website in London, Foxtons enjoys a balanced relationship with property aggregators and receives large numbers of referrals from them to its own website. The aggregators benefit from the inclusion of Foxtons' large number of property listings within London, a key market for aggregators, and Foxtons benefits from high numbers of website leads and low advertising fees per listing because of its strong purchasing power and its relatively large number of listings per branch. In 2012, Foxtons received approximately 2 million website leads from property aggregator websites.

### **7.5 Protography**

Foxtons has an in-house team of specialists, whom it calls Protographers, who are responsible for preparing the content for each property's listing (for both sales and rental properties) on the Foxtons website and in other marketing materials, including photographs, virtual tours, floorplans and property descriptions. Foxtons uses bespoke software which ensures that a high volume of consistent property listings are prepared at a low cost. As at 30 June 2013, Foxtons had 29 Protographers.

### **7.6 Industry awards**

Foxtons' premium service offering and innovative approach has been recognised within its industry, with many industry awards received over the past three years. In 2012, Foxtons received 24 awards including The Negotiator Awards: Winner—National Lettings Agency of the Year; International Property Awards UK: Winner—Best Real Estate Agency UK; *Sunday Times* Lettings Awards: Gold—Best UK Large Lettings Agency of the Year; *Sunday Times* Awards: Gold—Best Estate Agency Website; International Property Awards UK: Winner—Best Real Estate Agency Website UK; Stevies: Winner—Best Overall Web Design; *Sunday Times* Awards: Silver—Best Technology & Online; and Digital Impact Awards: Silver—Best Use Of Digital in Property Sector.

### **7.7 Codes of practice**

Foxtons is a member of The Property Ombudsman, The National Approved Lettings Scheme and the Safe Agent Fully Endorsed scheme and complies with the Tenancy Deposit Protection scheme. These memberships and schemes seek to provide clients and applicants with an assurance that Foxtons' services will meet industry standards.

## **8. Alexander Hall**

### **8.1 Overview**

Since 1992, the Group has provided advice on the arrangement of mortgages and financial protection products written by third party providers (such as life insurance, critical illness cover and income protection) through its subsidiary Alexander Hall. Alexander Hall is authorised by the FCA and is categorised as a small firm with low conduct and prudential risk.

Alexander Hall focuses on providing a premium service to its clients, including first-time buyers, remortgagers and buy-to-let and overseas investors. Alexander Hall offers a client-driven appointment booking process and operates extended branch opening times to meet clients' requirements. Appointments can be booked between 8 a.m. and 8 p.m. Mondays to Fridays and between 9 a.m. and 5 p.m. on Saturdays. Alexander Hall's phone lines are also open during these times for clients to contact an adviser and for referrals to be made by Foxtons.

Alexander Hall has its head office in central London. Three of Alexander Hall's advisory teams are based in this office, with the other teams based in Foxtons' branches in Park Lane, Shoreditch and Canary Wharf. One of the three teams based in its head office (called Direct) provides advice solely over the telephone to clients with the aim of reducing potentially inconvenient branch visits.

### **8.2 New business generation**

Alexander Hall principally generates new business through Foxtons, receiving referrals generated by Foxtons' Valuers, Negotiators and Move Consultants. New leads are also generated from the Alexander



Hall website (which has links from the Foxtons website) as well as recommendations from existing Alexander Hall clients. Alexander Hall's mortgage volumes are linked to Foxtons' sales transactions volumes. During the first half of 2013, 67.9% of purchase mortgage applications submitted by Alexander Hall were for clients referred by Foxtons. Alexander Hall's Client Services team arranges initial appointments with potential clients at their preferred Alexander Hall or Foxtons branch or over the telephone.

By developing on-going relationships with its clients, Alexander Hall is also able to identify clients who require advice in relation to their remortgaging options. Alexander Hall's client database delivers a system of prompts to advisers to contact clients who may require advice as their mortgage term is due to expire.

### **8.3 Mortgage services**

As an independent mortgage adviser, Alexander Hall is able to provide advice in relation to mortgage products offered by all lenders participating in the intermediary market, ranging from high street banks and building societies to private banks. During 2012, Alexander Hall arranged mortgages with 43 different lenders and generated £3.0 million<sup>(36)</sup> of revenue through its mortgage services, representing 85.3%<sup>(37)</sup> of its total revenue in 2012.

In the first half of 2013, the level of mortgage applications submitted by Alexander Hall increased by 35.4% compared to the first half of 2012 and increased by 36.2% compared to the first half of 2011. The Directors believe this increase is principally due to improved productivity levels per adviser and partly due to a modest increase of mortgage supply and some improvement in the remortgaging market. In the first half of 2013, 66.9% of the mortgage applications submitted by Alexander Hall related to house purchase mortgage loans and 27.6% related to remortgage loans.

### **8.4 Financial protection services**

In addition to advising on mortgages, Alexander Hall also provides advice in relation to financial protection products, including life insurance, critical illness cover and income protection. Since September 2012, Alexander Hall has operated a panel system whereby clients are recommended financial protection products made available by three insurers: Friends Life, Legal & General and PruProtect.

Alexander Hall generated approximately 9.5%<sup>(37)</sup> of its total revenue in 2012 through financial protection products.

Alexander Hall also operates a referral arrangement for other financial needs, particularly for building and contents insurance and currency exchange.

### **8.5 Compliance**

The Directors believe that Alexander Hall has a strong compliance culture and robust risk management procedures. In 2010, Alexander Hall established its Risk & Compliance Committee ("**R&CC**") to control, co-ordinate and monitor the management of risk in its business, and to ensure compliance with FCA rules and principles and Alexander Hall's internal controls. The R&CC meets monthly and reports to the board of directors of Alexander Hall. Alexander Hall also undertakes an annual external audit review which is conducted by an independent compliance consultancy. The scope of the annual review is set by the board of Alexander Hall.

### **8.6 Industry awards**

Alexander Hall and certain of its senior advisers have won, or have been shortlisted for, several industry awards since 2005. Since 2008, Alexander Hall and certain of its senior advisers have won three awards at the British Mortgage Awards, including "Best Large Loan Broker" in 2011.

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(36) Amount has been derived from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

(37) Percentage has been derived from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

## **9. Pricing**

In light of its premium service offering and strong results for clients, the Group has been consistently able to charge premium prices to its clients.

### ***9.1 Property sales services***

Foxtons charges fees to its clients on sales transactions if sales contracts are exchanged. Fees are calculated as a percentage of the sales price achieved by Foxtons on behalf of its client. Sales commissions are earned on a “no sale, no fee” basis. In 2012, Foxtons’ average sales commission rate was 2.5%.

Foxtons charges a 2.5% rate for sole agency and 3.0% rate for multi-agency instructions on sales transactions, with the exception of its Woking and Guildford branches (which both charge 2.25% for sole agency and 3.0% for multi-agency instructions) and its New Homes and Investments team (see below). Foxtons operates a strict policy of not allowing its employees to negotiate lower commission rates on sales transactions (other than its New Homes and Investments team as discussed below).

Foxtons’ commission rate for sales services provided by its New Homes and Investments team in relation to newly built homes is generally agreed by negotiation with the relevant house builder or property developer due to the larger volumes of properties sold by individual house builders and property developers, and ranged between 2.0% and 3.0% in 2012. In 2012, the average sales commission rate achieved by Foxtons’ New Homes and Investments team in relation to the sale of newly built homes was 2.2%.

### ***9.2 Property lettings services***

Foxtons charges fees to landlords on lettings transactions based on the value of the total rents payable by the tenant under the relevant tenancy agreement. Foxtons charges non-negotiable rates of 11% for initial long-lets, 20% for initial short-lets (and short-let renewals) and 9% for renewals of long-lets. Foxtons’ fee for its comprehensive property management service is charged monthly at a rate of 6% of the monthly rent payable by the tenant under the relevant tenancy.

Foxtons also charges fees to tenants and landlords in relation to certain tenancy-related matters, including a tenancy agreement fee of £350 plus VAT charged to tenants on each new long-let tenancy agreement and a fee of £175 plus VAT on each new short-let tenancy agreement. Administration fees for changes of occupancy during a tenancy are also charged to tenants.

Foxtons receives commissions and other payments from contractors in connection with its comprehensive property management and lettings services, and also receives interest income on tenants’ deposits held on behalf of landlords under secure deposit arrangements (although it has no right to the capital amount of tenants’ deposits).

### ***9.3 Alexander Hall***

Alexander Hall charges a fixed administration fee per mortgage application submitted on behalf of clients and also receives procuration fees from lenders in return for distributing their mortgage products when a mortgage completes, typically calculated as a percentage of the value of the initial amount borrowed under the relevant mortgage product. Alexander Hall’s current fixed administration fees are £499 for residential mortgage loans, 0.5% of the value of the mortgage loan in respect of buy-to-let properties, and 1% of the value of the mortgage loan in respect of overseas or commercial properties. Procuration fees are usually fixed by the relevant lender but they may be the subject of negotiation between the lender and Alexander Hall. Any such negotiations are usually conducted jointly with the Legal & General Mortgage Club (of which Alexander Hall is a member) although Alexander Hall may negotiate directly with a lender if the lender does not distribute its products via the Legal & General Mortgage Club. Some private banks do not pay procuration fees to mortgage intermediaries and therefore Alexander Hall will seek to agree bespoke fee arrangements with its clients where they are borrowing from such banks. Alexander Hall also receives commission paid by insurers for protection products introduced that go on risk, and commissions and referral fees from other providers of financial products (such as general insurance and currency exchange) whom it has recommended to its clients.

## 10. Employees and organisational structure

### 10.1 Number of employees

As at 30 June 2013, the Group employed 1,139 employees. The table below shows on a full-time equivalent basis the total number of persons, including the Executive Directors, employed by the Group as at 31 December 2010, 2011 and 2012 and as at 30 June 2013.

Number of persons employed	As at 31 December			As at
	2010	2011	2012	30 June 2013
Sales	650	623	727	722
Administration	455	416	402	417
<b>Total</b>	<b>1,105</b>	<b>1,039</b>	<b>1,129</b>	<b>1,139</b>

During the three financial years ended 31 December 2012, Foxtons' sales employees were relatively evenly split between its property sales and lettings businesses, with its property sales business accounting for between approximately 50.0% and 53.0% of Foxtons' total sales employee headcount during each of those years.

Foxtons operates an active employee recruitment programme which is principally focussed on entry level positions in its business where Foxtons experiences higher rates of leavers due to the intensity and competitive nature of its sales and service culture. Foxtons experiences low rates of leavers in relation to management level positions.

### 10.2 Organisational structure

#### 10.2.1 Senior management

The Group operates a flat senior management structure, with the Group's Chief Financial Officer, Foxtons' Chief Operating Officer and its nine sales and lettings directors, and the Chief Executive Officer of Alexander Hall reporting directly to the Group's Chief Executive Officer.

#### 10.2.2 Foxtons

Key aspects of Foxtons' organisational structure are as follows:

#### *Branch personnel*

Each Foxtons branch has two branch managers, one responsible for property sales services and the other responsible for property lettings services. The branch managers have overall responsibility for the operation of the branch, the services delivered to clients and applicants, and the revenues of the branch. In addition, each branch generally has between one and three Valuers (each focused on either sales or lettings) who, with the managers, prepare property valuations and manage ongoing relationships with clients. Each branch also generally has between four and 20 Negotiators (each also focussed on either sales or lettings) who arrange and conduct property viewings with prospective purchasers and tenants. The number of Negotiators employed by Foxtons across its branch network over time is primarily a function of the levels of applicants registered with Foxtons and the levels of viewings being conducted across its business.

#### *Area Directors and other senior management*

For management and operational purposes, each Foxtons branch belongs to one of five regional area directorates (North, East, South, West & Surrey, and Central). Each area directorate is managed by an Area Director who reports directly to the Group's Chief Executive Officer. Area Directors have overall responsibility for sales and service in their area and are Foxtons' most experienced sales employees. In addition to the Area Directors responsible for each directorate, there are two additional Area Directors responsible for New Homes and Investments and for sales operations at the Group's headquarters. Foxtons also has two Lettings Directors and heads of group functions such as marketing, IT, HR, recruitment and training, legal, customer services and compliance, property management and tenancy.

#### *New Business Consultants*

As at 30 June 2013, Foxtons had 21 New Business Consultants, based at the Group's headquarters, who manage inbound calls and emails from potential clients and applicants. On initial contact, a New Business Consultant will register the potential client or applicant on BOS and discuss their requirements. New Business Consultants are incentivised financially to obtain as much information as possible from potential

clients and applicants so that Foxtons has a comprehensive understanding of their requirements. Following registration, New Business Consultants will transfer callers, along with all of the information obtained from the caller using BOS, to the most appropriate working group or individual at Foxtons. In 2012, the Group received approximately 6.4 million inbound calls from clients and applicants, the vast majority of which were handled by its team of New Business Consultants.

#### ***Move Consultants***

As at 30 June 2013, Foxtons had 87 Move Consultants based at the Group's headquarters. Move Consultants are a critical part of Foxtons' sales and service delivery process and are a key competitive differentiator. Move Consultants review regularly and research the client and applicant data held on BOS to identify potential new business opportunities as well as maintaining periodic contact with existing clients and applicants to refine and update their requirements and create potential sales leads. Move Consultants make outbound calls to clients and prospective clients to book property valuation appointments. These appointments are then directly placed into the diaries of branch-based Valuers. Move Consultants also refer interested applicants and clients to Alexander Hall's Client Services team. In 2012, the Group made approximately 9.9 million outbound calls to clients and applicants, the vast majority of which were made by its team of Move Consultants.

#### ***Property Management and Accounts team***

As at 30 June 2013, the Property Management and Accounts team, based at the Group's headquarters, comprised 39 property managers (each responsible for, on average, approximately 160 managed properties), 19 tenancy managers responsible for the tenancies which Foxtons does not comprehensively manage, 16 personnel who manage tenant/landlord payment transactions, four personnel who manage inspections and two personnel who manage suppliers.

#### ***10.2.3 Alexander Hall***

As at 30 June 2013, Alexander Hall employed 35 advisers who are organised into six sales teams. Three of those teams are based at its head office in central London and the remaining three sales teams are based in Foxtons' Shoreditch, Park Lane and Canary Wharf branches. One of the three teams based in the head office (called Direct) provides advice solely over the telephone to clients with the aim of reducing potentially inconvenient branch visits. Alexander Hall's senior management and supporting compliance and administration functions are based at its head office in central London.

### ***10.3 Training and development***

#### ***10.3.1 Foxtons***

Foxtons provides initial and ongoing training to all of its employees across all of its organisation from its specialist training facilities at the Group's headquarters. The vast majority of its employees participate in a five day induction programme which introduces new employees to Foxtons' sales and service culture. The induction programme covers, amongst other matters, the key areas of Foxtons' business, its key differentiators, estate agency and the law and regulation surrounding it, and Foxtons' information technology systems.

Employee training occurs on an on-going basis to ensure continuous high levels of quality and productivity across the business. The Company believes that frequent employee training is essential to the continued success of Foxtons and its ability to maintain high standards of service to its clients and applicants.

#### ***10.3.2 Alexander Hall***

Since 2008, Alexander Hall has trained its new advisers through a trainee adviser programme. During 2012, Alexander Hall commenced external recruitment of experienced advisers to complement its trainee programme. As at 30 June 2013, Alexander Hall had 13 trainee advisers at various stages of the trainee adviser programme.

## **10.4 Remuneration structures**

### **10.4.1 Foxtons**

Foxtons' remuneration structures are intended to reward hard work and success and contribute to the company's strong culture of sales and service. Key aspects of its remuneration structures are as follows:

- On commencing employment at Foxtons, all Negotiators currently receive a training salary of £22,000 per annum. Once Negotiators have gained sufficient experience with Foxtons (typically within four months of joining) they generally choose one of two remuneration structures, currently: (i) a basic salary of £10,000 per annum plus 10% commission, or (ii) a basic salary of £17,500 per annum plus 5% commission. Commission rates are applied to the level of client fees generated by the Negotiator and the same rates apply to client fees generated on sales and lettings transactions. Commission is personal and not pooled amongst other employees. Commissions earned are paid monthly although commissions paid on client fees generated on lettings transactions are subject to claw-back if the relevant tenancy is terminated early. Negotiators can receive higher commission rates as their careers progress, ranging between 10% and 20%, depending on the average level of revenue generated by the individual during the previous 12 months during his career.
- All Negotiators are provided with a Foxtons-branded MINI when they join Foxtons. If Negotiators progress through the commission levels and achieve specified sales and revenue targets, they can upgrade their car to more premium models.
- The remuneration of branch managers and Valuers consists of either a fixed salary or a basic salary (currently £10,000 per annum) plus commission rates determined on an individual basis.
- The remuneration of a number of employees based at the Group's headquarters is set on a monthly basis by way of a "pay ladder" which ranks each individual's relative performance by reference to their performance of specific activities against benchmarks. Top performing employees earn significantly more than those at the bottom of the ladder, creating positive competition and motivation among those employees. The ladders are run on a weekly and monthly basis to keep top performers focussed and to allow those further down the ladder to have the opportunity to achieve a higher position in future weeks and months.
- BOS manages and tracks incentive programmes and makes the results available in real-time to all employees. This allows employees to have visibility of their performance against that of their peers. It also allows senior managers to obtain an objective real time view of performance across their teams, enabling them to monitor performance and identify training needs.
- Other incentives include two annual overseas trips for top performing sales employees, business dinners with members of the Executive Management Team which create an opportunity for employees to discuss business strategy and their careers in an informal setting, and periodic incentives and ad-hoc performance related bonuses.

### **10.4.2 Alexander Hall**

Alexander Hall's remuneration structures are also intended to reward hard work and success. Advisers are generally remunerated through a basic salary (currently £25,000 per annum) and commission. A quarterly bonus is payable to advisers if they meet internal compliance standards. Where an adviser arranges a product for a client, any fees paid to Alexander Hall in relation to the transaction are allocated to that adviser's "bankings". Commission is paid to an adviser based on the value of his bankings at the end of each month, with bankings being reset to zero at the beginning of each month. Advisers may also qualify for additional periodic incentives based upon their performance, awarded either weekly, monthly or quarterly.

In March 2013, following the publication by the FCA of general industry guidance in relation to risk matters, Alexander Hall commissioned an external review of its practices in relation to managing the risks associated with its remuneration structures for advisers. The review concluded that Alexander Hall's practices are compliant with the relevant FCA regulations and, specifically, that its incentive schemes are carefully managed in order to minimise the risk of mis-selling financial products.

## **11. Marketing**

### **11.1 Foxtons**

The Foxtons brand has been supported by the Group's significant expenditure on brand and customer marketing programmes over the past 30 years, including Foxtons' distinctive branches, Foxtons-branded



MINI cars, its leading website, sign boards, and its “Zero” commission campaign which accompanies each new branch opening.

Foxtons has in-house marketing, editorial, production and website teams which enable it to cost-effectively manage its marketing activity and respond quickly to competitors’ marketing programmes, without having to rely heavily on external marketing agencies.

In addition to traditional marketing such as press advertisements, its website and billboard advertisements, Foxtons’ key marketing activities include:

- **Sign boards:** The Company believes that a significant number of enquires are generated from sign boards positioned outside properties for sale or let and properties which have recently been sold or let. Foxtons has a dedicated and exclusive installation team which erects, maintains and removes its sign boards, operating from Foxtons’ warehouse in London.
- **Foxtons AREA magazine:** Foxtons produces five editions of a monthly magazine called *AREA*, containing property listings, property advice and market analysis. *AREA* is produced in-house and is intended to showcase the quality of Foxtons’ property marketing services to potential clients and applicants. *AREA* is distributed through Foxtons’ branches, by Move Consultants and also delivered to homes in targeted streets.
- **Client brochures:** Client brochures are left with property sellers by Valuers following a valuation appointment. The brochures are intended to reinforce the sales messages delivered during the valuation appointment and provide other key information on the Group’s services. The brochures are also available in Foxtons’ branches and on its website.
- **“Zero” commission campaigns:** Since 1982, Foxtons has operated its “Zero” commission campaigns which allow clients to sell their property during the first three months after a branch opening for no fee. The campaigns seek to support new branches by generating significant local sales market shares rapidly, and create large amounts of new data on potential clients which is entered into Foxtons’ contact database and used for future sales prospecting and marketing.
- **Foxtons’ fleet of branded MINI cars:** Since 2001, Foxtons has operated a fleet of MINI cars, principally to enable sales employees to travel to appointments and to transport applicants to and from property viewings. The MINIs complement Foxtons own brand values (urban, hardworking and fun) and act as mobile billboards for the Group with the aim of raising brand awareness.
- **Direct marketing:** Targeted marketing communications via email, direct mail and SMS alerts are generated through BOS. BOS allows focussed messages to be delivered to clients, potential clients and applicants, including details of new properties for sale or let. In 2012, Foxtons made approximately 3.4 million targeted direct mailshots, emails and SMS alerts.

The Group has demonstrated its ability to manage marketing costs effectively and has achieved significant improvements in cost effectiveness. Between 2004 and 2007, the Group’s sales and marketing costs were over 7% of the Group’s revenue<sup>(38)</sup>, reducing to 2.7% in 2012<sup>(39)</sup>. This cost control has been achieved despite a period of significant expansion which has resulted in incremental new branch marketing costs. In addition, database marketing, combined with direct outbound sales, has resulted in a 20% reduction in average acquisition costs per property listing (sales and lettings) between 2004 and 2012, reducing from £241 to £192 per property listing during that period<sup>(40)</sup>.

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(38) Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group’s UK GAAP financial information. See section 4 of the section entitled “*Presentation of Information*”.

(39) Percentage has been derived using figures extracted from the unaudited accounting records used to compile the Group’s IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled “*Presentation of Information*”. In 2012 the Group’s sales and marketing costs were 3% of the Group’s revenue calculated in accordance with UK GAAP. UK GAAP amounts derived from the unaudited accounting records used to compile the Group’s UK GAAP financial information. See section 4 of the section entitled “*Presentation of Information*”.

(40) Unaudited operational data of the Group calculated in accordance with UK GAAP to allow comparability over the period. Derived from the unaudited accounting records used to compile the Group’s UK GAAP financial information. Acquisition costs include all internal and external costs related to marketing expenditure, including salaries relating to direct marketing personnel, move consultants and corporate services personnel, in connection with sales and lettings instructions. See sections 4 and 6 of the section entitled “*Presentation of Information*”. There is no difference between average acquisition costs per property listing calculated under IFRS and UK GAAP for the years 2010 to 2012.

## 11.2 Alexander Hall

Alexander Hall principally markets its services through its website, [www.alexanderhall.co.uk](http://www.alexanderhall.co.uk), through advertisements published in selected consumer magazines and through advertisements placed by Foxtons. However, Alexander Hall principally generates new business through referrals from Foxtons.

## 12. Information technology systems

Between 2010 and 2012, the Group incurred a total of £3.0 million of capital expenditure and £7.3 million of operating expenditure on its IT hardware, bespoke software and the design and development of its business processes. This built upon significant prior investment in those systems of £5.3 million<sup>(41)</sup> of capital expenditure and £14.8 million<sup>(41)</sup> of operating expenditure between 2002 and 2009.

BOS covers all key aspects of Foxtons' day to day business and is regularly used by 98% of Foxtons' personnel, either at their desk or on the move via mobile devices. BOS combines sophisticated workflow systems that allow internal departments to work cohesively together with a single content-rich database which, as at 31 December 2012, contained approximately 3.5 million property records (which compares to London's population of 8.2 million in 2011<sup>(42)</sup>) with contact details for approximately 2.1 million sales and lettings prospects (which grew by approximately 240,000 contacts (11.4%) in 2012). The system contains information and service notes on historical and current property transactions, as well as client and applicant histories which are regularly updated to reflect their evolving statuses and requirements.

Foxtons' database is used as part of its outbound direct response marketing and its telephone sales programmes, which have contributed to a 20% reduction in average acquisition costs per property listing between 2004 and 2012<sup>(43)</sup>. BOS also provides Foxtons' senior management team with tools to monitor employee performance on a real-time basis, and feeds into a number of daily, weekly and monthly incentive and remuneration programmes.

Alexander Hall's primary information technology system, "Key", covers all of its main business functions.

The Group regards the security of its information systems as being of paramount importance and the Group undertakes steps to comply with its data protection obligations. An in-house technology security team is responsible for and monitors all related activities. As at the date of this Prospectus, no material breaches have occurred to the Group's information technology systems.

The Group has put in place disaster recovery systems and processes in relation to its information technology systems which are regularly monitored and developed. The Group's primary data centre, which was commissioned in February 2013 and provides an assured network service throughout the organisation, benefits from uninterruptible power supply equipment and a back-up generator to provide emergency power in the event of a total power failure. All business data is constantly backed-up to a variety of on-line mirrored and off-site media back-up facilities to provide a reassurance that the Group's information and data is safeguarded against disruption. The Group's branches have dual connectivity to the Group's voice and data communications network and separately located internet, telephony and fail over circuitry which aims to ensure that the business is always available to be contacted by its clients and applicants.

The Group's in-house information technology team manages its information technology systems. The Group also employs a separate in-house team to design, create and maintain its website and web-based applications. The Group does not have any material outsourcing arrangements in relation to the management and development of its information technology systems.

## 13. Intellectual property

The Group has a portfolio of 33 registered trademarks and has 7 applications pending for trademark registrations, in respect of its brand name and logos, covering the UK and certain overseas territories. The Group routinely monitors the marketplace for any breach or other infringement of its intellectual property rights and has a policy of pursuing and enforcing claims which it may have. Between 1 January 2010 and

(41) Calculated in accordance with UK GAAP. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. There is no difference between capital expenditure and operating expenditure calculated under IFRS and UK GAAP for any of the years 2010 to 2012. See section 4 of the section entitled "Presentation of Information".

(42) Source: 2011 UK Census (published by the Office for National Statistics in July 2012).

(43) Unaudited operational data of the Group calculated in accordance with UK GAAP to allow comparability over the period. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. Acquisition costs include all internal and external costs related to marketing expenditure, including salaries relating to direct marketing personnel, move consultants and corporate services personnel, in connection with sales and lettings instructions. See sections 4 and 6 of the section entitled "Presentation of Information". There is no difference between average acquisition costs per property listing calculated under IFRS and UK GAAP for the years 2010 to 2012.

the date of this Prospectus, the Group had not identified any material infringements of its registered trademarks.

#### **14. Property, plant and equipment**

The Group's headquarters in west London, each of Foxtons' branches and its warehouse, and Alexander Hall's head office are occupied under leasehold arrangements, the majority of which are leased on 15 year terms. Some branch leases have a break option in favour of the Group, typically 10 years into the lease period. During 2012, the total annual rental charge for all of the Group's leasehold premises was approximately £6.6 million.

The majority of the Group's fleet of cars are subject to terms of contract hire arrangements pursuant to which the Group pays a monthly rental charge and, upon the expiry of the contract hire arrangements, those cars are returned to the counterparty. In 2011, the Group entered into sale and leaseback arrangements in respect of the majority of its owned cars as at that date. The Group makes both interest payments and capital payments under the sale and leaseback arrangements. For further details of the Group's obligations in respect of its fleet of cars, see section 11 of Part V (*Operating and Financial Review*).

#### **15. Environmental issues**

The Directors believe that the Group does not have any material environmental liabilities or compliance costs.

#### **16. Dividend policy**

Assuming that there are sufficient distributable reserves available at the time, the Board initially intends to target a dividend of between 35% and 40% of the Group's annual reported profits after tax for each financial year.

Subject to cash not being required for ongoing operations or organic investment, the Board will consider returning excess cash to Shareholders over time, for example by way of special dividends which would supplement ordinary dividends.

The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of announcement of its interim and preliminary results, respectively, in the approximate proportions of one-third and two-thirds, respectively, of the total expected annual dividend.

It is expected that the first dividend to be paid by the Company, which will be pro rated for the period following Admission, will be announced with the preliminary results for the year ending 31 December 2013 and will be payable in respect of all of the issued Ordinary Shares.

The Group may revise its dividend policy from time to time.

## PART II—REGULATORY OVERVIEW

The Group's businesses are subject to regulation in the UK. This Part II considers the main features of the applicable UK regulatory regimes.

### 1. Regulation of estate agency businesses in the UK

#### 1.1 Principal legislation

There are seven principal pieces of legislation with which Foxtons is required to comply in carrying on its estate agency business:

- (a) the Estate Agents Act 1979 (“**EAA**”), which requires businesses that are within its scope to be transparent in the handling of information about offers on properties and to disclose any self interest or the interest of any third party who may benefit from a sale;
- (b) the Property Misdescriptions Act 1991 (“**PMA**”), which requires estate agents (using the definition of “estate agency work” in the EAA) not to publish property particulars that are false or misleading;
- (c) the Consumer Protection from Unfair Trading Regulations 2008 (“**CPUTRs**”) (implementing the Unfair Commercial Practices Directive (2005/29/EC)), which prohibit the unfair treatment of consumers through misleading actions, misleading omissions or aggressive sales and/or marketing practices;
- (d) the Unfair Terms in Consumer Contracts Regulations 1999 (“**UTCCRs**”), which seek to protect consumers against unfair standard terms in contracts with suppliers of goods or services;
- (e) the Housing Act 2004 (“**HA**”), which requires landlords (and estate agents acting on their behalf) to protect a tenant's deposit by holding the deposit in a tenancy deposit scheme; and
- (f) the Money Laundering Regulations 2007 (“**MLRs**”) and the Proceeds of Crime Act 2002 (“**POCA**”) which each regulate money laundering and financial crime.

In addition to the legislation noted above, Foxtons is required to comply with provisions, regulations, rules and/or requirements as set down in, or made under, other relevant UK (primary and secondary) and (directly effective) European legislation, including the Consumer Credit Act 1974, the Data Protection Act 1998 and the Unfair Contract Terms Act 1977.

#### 1.2. The EAA

The EAA, together with the PMA, requires persons carrying on “estate agency work”, among other things, to provide unambiguous, accurate information and to not publish misleading statements. In addition, pursuant to the EAA and the Estate Agents (Provision of Information) Regulations 1991, persons carrying on estate agency work must provide information to prospective clients in relation to fees, remuneration and the meaning of certain terms of business before entering into a contract and should ensure that an accurate description of a client's liability is provided.

The OFT is currently responsible for the operation and enforcement of the EAA. The OFT can take direct action against estate agents who do not comply with the EAA.

The Government has recently carried out a consultation on the EAA and concluded that the EAA should be amended for a number of reasons. For example, currently there is an ambiguity as to whether certain types of private sales portals fall within the scope of the EAA. In response to the consultation, a number of major property marketing portals stated that they did not allow private sales portals to post details on their websites because of concerns that property details being provided by businesses not complying with the PMA might be inaccurate.

It is proposed that the EAA be amended to take “passive” private sales portals, which enable private sellers to advertise their properties and provide a means for sellers and buyers to contact and communicate with one another, out of the scope of the EAA. This will end any ambiguity as to whether passive private sales portals have to comply with the requirements of the EAA. At the same time, the Government has stated that private sales portals that offer any personal advice to a seller or a buyer or other ancillary services such as preparing property particulars or photographs or an “Energy Performance Certificate” will continue to be within the scope of the EAA.

The Government has recognised that this is a limited amendment but hopes that it will stimulate competition and confidence in private intermediaries. The Government has expressed an intention to amend the EAA as soon as the Parliamentary timetable allows. The Directors acknowledge that the amendment (if enacted) may make it easier for private buyers and sellers to market property transactions. However, the Directors believe that a fundamental characteristic of estate agency in the UK is the personal face-to-face service provided by an estate agent. This characteristic is missing from a private sale and the Directors believe that (when considering one of the most significant transactions of their lives) property buyers and sellers will continue to seek the kind of personal, knowledgeable and intermediated service which cannot be provided by private sales websites and is provided by the Group.

### ***1.3. The CPUTRs and the PMA***

The CPUTRs, while providing customers with a similar kind of protection to that afforded by the PMA, are of much wider application than the PMA, as they apply to all businesses that deal with consumers. In contrast, the PMA only covers statements made in the course of an estate agency or property development business. Parliament has decided that the property-specific protection provided by the PMA is no longer necessary and, consequently, the PMA will be repealed on 1 October 2013. The CPUTRs have been in force since 26 May 2008. Generally, they are more comprehensive than the PMA. Instead of setting out a strict (and therefore limited) list of facts about properties that must be disclosed by agents, the CPUTRs are principles-based and therefore broader. Agents have to consider the principles set out in the CPUTRs and how these can be applied to consumers. Consequently, the repeal of the PMA is unlikely to create a more burdensome regime because the legislation which will exist after the repeal of the PMA (the CPUTRs) is already in force. The Directors believe that the sale of property through branches will be largely unaffected by these changes. In the context of websites for selling properties, the EAA and the CPUTRs are likely to apply where the website is an “active” website offering a service or advice. Where a website is “passive” and does not offer a service the EAA and the CPUTRs will not apply. Overall, therefore, the Directors do not believe that this change in the law is likely to affect the Group’s business or significantly affect the nature of the competition it faces.

### ***1.4. The UTCCRs***

As with the CPUTRs, the UTCCRs have a broad application as they apply to all businesses that deal with consumers. Under the UTCCRs, a contract term is unfair if, contrary to the requirement of good faith, it causes a significant imbalance in the rights and obligations between the consumer and the supplier. The UTCCRs require that a standard contract term (subject to certain exceptions) must be expressed in clear, unambiguous language so that consumers are not at a commercial disadvantage because they are confused by the meaning of the term. Accordingly, estate agency businesses must ensure that their standard contract terms deal fairly and openly with consumers, and that consumers’ legitimate commercial interests are taken into account.

### ***1.5. The HA and tenants’ deposits***

The HA requires landlords, and estate agents acting on behalf of landlords, to protect a tenant’s deposit (if a deposit is paid by a tenant on the commencement of a tenancy) by holding the deposit in a tenancy deposit scheme (“TDS”). In order to safeguard the tenant’s interests, the landlord (or estate agent) must protect the tenant’s deposit through either a custodial TDS or an insurance TDS. A custodial TDS requires the landlord (or estate agent) to place the deposit into a separately designated account within 30 days of receipt of the deposit. Foxtons uses custodial TDS arrangements in its business. An insurance TDS enables a landlord (or estate agent) to retain possession of the deposit, but the landlord (or estate agent) must secure it by paying an insurance premium to the scheme administrator who will use the premiums to reimburse the tenant in the event that the landlord misappropriates the deposit. The HA also requires landlords (and estate agents acting on their behalf) to supply the tenant with prescribed information within 30 days of receipt of the deposit, including generic information about the type of TDS chosen and specific information about the deposit, the identity of the landlord and the tenancy.

In accordance with its terms and conditions of business and in line with industry practice, Foxtons is entitled to receive any interest earned on tenants’ deposits, although it has no entitlement to the capital amount which is held on behalf of the landlord and governed by the tenant deposit protection scheme. As at 30 June 2013, Foxtons held tenants’ deposits totalling £77.8 million.



The Group does not recognise tenants' deposits in its consolidated balance sheet. It deposits tenants' deposits in interest bearing client accounts and recognises the interest component as revenue in its consolidated statement of comprehensive income (see Part V (*Operating and Financial Review*)).

### **1.6. The MLRs and POCA**

Businesses which carry out estate agency work are also within the scope of the MLRs and the relevant provisions of POCA. The Government has also confirmed that the 'limited amendment' in respect of private sales portals will apply to both the MLRs and POCA. Under the MLRs and POCA, estate agents are required to safeguard against and report any suspicious activities relating to money laundering and other financial crime.

## **2. Regulation of financial services businesses in the UK**

### **2.1 Principal legislation**

Alexander Hall is an FCA authorised firm and is subject to the FSMA regime. It is supervised for these purposes by the FCA. Alexander Hall is categorised by the FCA as a small firm with low conduct and prudential risk.

In addition to FSMA, Alexander Hall must comply with provisions, regulations, rules and/or requirements as set down in, or made under, other relevant UK (primary and secondary) and (directly effective) European legislation, including the Consumer Credit Act 1974, the Data Protection Act 1998 and the Unfair Contract Terms Act 1977, as well as the UTCCRs, the MLRs, POCA and the CPUTRs.

### **2.2 The FCA**

Alexander Hall is solely regulated by the FCA. The Financial Services Act 2012 has reformed the UK's system of financial regulation. In addition to effecting a structural reorganisation of the UK regulatory framework and the reallocation of the powers of the Financial Services Authority ("FSA", the predecessor to the FCA), the Financial Services Act 2012 conferred new powers on the FCA. For example, the FCA has new early intervention powers which enable it to intervene directly in the market and make product intervention rules with the aim of preventing harm to consumers (for example, the FCA could potentially make rules to restrict the promotion of a particular product to only certain types of consumers). These new powers have the potential to subject Alexander Hall to a regulatory regime more rigorous and intrusive than that supervised by the FSA.

### **2.3. Authorisation to carry on regulated activities in the UK**

Subject to certain exemptions, no person may carry on a regulated activity in the UK unless appropriately authorised to do so in accordance with FSMA. Regulated activities include mortgage and insurance mediation activities (for example, arranging and advising in relation to a regulated mortgage contract or a contract of insurance (as appropriate) (in this Part II (*Regulatory Overview*) carrying on these regulated activities is referred to as carrying on the business of a "mortgage intermediary" or an "insurance intermediary", as appropriate)).

Firms must at all times meet specified "threshold conditions" set out in FSMA, which relate to matters including the adequacy of the firm's financial and other resources and whether a firm is a fit and proper person to conduct its regulated activities, having regard to all the circumstances (including whether the firm's affairs are conducted soundly and prudently). Firms solely regulated by the FCA need to ensure that they meet, on an ongoing basis, the FCA's threshold conditions.

### **2.4. Requirements for authorised firms in the UK**

#### **2.4.1 The FCA Handbook**

Alexander Hall is obliged to comply with, among other things, the rules and guidance of the FCA, as set out in the FCA Handbook. The rules and guidance in the FCA Handbook are contained in a number of sourcebooks. The most relevant sourcebooks (and parts thereof) for Alexander Hall are the Principles for Businesses ("PRIN"), the Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"); the Insurance: (Conduct of Business) Sourcebook ("ICOBS"); the Mortgages and Home Finance: Conduct of Business Sourcebook ("MCOB"); and the Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries ("MIPRU").

#### *2.4.2 The PRIN*

The PRIN form the foundation of authorised firms' responsibilities to their clients and reflect the FCA's statutory objectives. The PRIN are binding "rules" in their own right, and the rest of the rules and guidance in the FCA Handbook flow from them. The PRIN have two purposes:

- (a) they provide authorised firms with a clear and concise statement of their fundamental obligations under the FSMA regulatory regime and the standards that the FCA expect firms to meet in the day-to-day conduct of their business; and
- (b) they provide a basis for supervisory activity and enforcement action by the FCA. As a result, firms can be disciplined for committing a breach of a Principle, even if they have not breached any of the FCA's other rules.

The PRIN require authorised firms to set high standards but allow them flexibility as to how they achieve those standards. The measures taken and the resources required by firms to achieve those standards will depend on the nature and risks of the relevant firm's businesses, but the PRIN acknowledge that the measures taken should be proportionate to those risks.

#### *2.4.3 Conduct of business rules*

The rules in ICOBS and MCOB apply to every authorised firm carrying on relevant regulated activities. These rules regulate the day-to-day conduct of business standards to be observed by authorised firms in carrying on insurance mediation and mortgage mediation respectively.

The scope and range of obligations imposed on an authorised firm under the ICOBS and MCOB rules vary according to the scope of the firm's business and the nature of its clients. Generally speaking, however, the obligations imposed on an authorised firm by the ICOBS and MCOB rules will include the need to provide clients with information about the firm, meet certain standards of disclosure about the products and/or the offers, ensure that promotional materials which it produces are clear, fair and not misleading, assess suitability when advising on certain products, manage conflicts of interest and, where required, report appropriately to its clients.

#### *2.4.4 Prudential standards*

It is an ongoing requirement for authorised firms carrying on regulated activities to comply with prudential standards imposed by (in the case of the Group) the FCA.

Rules relating to the calculation of capital resources by a mortgage intermediary and/or an insurance intermediary are currently contained in MIPRU. A firm subject to MIPRU is required, among other things, to ensure that it can meet its liabilities as they fall due and also to maintain capital resources equal to or in excess of its relevant capital resources requirements. These requirements amplify Principle 4 of the PRIN which currently oblige firms to maintain, on an ongoing basis, adequate financial resources.

In addition to provisions in MIPRU, firms carrying on the activity of mortgage mediation and/or insurance mediation are required to ensure that, among other things, their employees have suitable skills, knowledge and expertise and that they have in place appropriate compliance, record keeping and audit systems.

#### *2.4.5 Treating Customers Fairly*

As part of the FCA's Treating Customers Fairly initiative ("TCF"), an authorised firm must pay due regard to the interests of its customers and treat them fairly. The FCA expects customers' interests to be at the heart of how firms run their business and customers should expect to receive financial services and products that meet their needs from firms that they can trust.

The FCA's approach has generally been to refrain from making detailed rules on how to comply with TCF. It has, however, published a number of papers and case studies providing an indication of its expectations of authorised firms in areas such as product development, complaints handling, financial promotions and systems and controls.

#### *2.4.6 The Approved Persons regime*

An FCA authorised firm is required to obtain approval from the FCA for any individual who carries on any specific "controlled function", such as, for example, executive or non-executive directors (of a regulated firm or its parent company when that executive or non-executive director exercises significant

influence over the affairs of a regulated subsidiary) and persons responsible for risk management, internal audit or compliance. These individuals are known as “**Approved Persons**” and must comply with a set of principles which largely mirror the PRIN.

Michael Brown has been appointed to the board of Alexander Hall in the capacity of a non-executive director of Alexander Hall and has become an Approved Person in such capacity. Gerard Nieslony and the Non-Executive Directors have not been appointed to the board of Alexander Hall but have become Approved Persons in their capacity as directors of the Company to reflect, among other things, the potential significant influence that collectively they could exercise on Alexander Hall. However, the board of Alexander Hall does not expect that any Director who has not been appointed to the board of Alexander Hall will individually be a person whose decisions or actions will be regularly taken into account by the board of Alexander Hall in the ordinary course of its business.

The FCA will only approve an individual to undertake a controlled function if that individual is assessed to be a fit and proper person. In particular, the FCA must be satisfied as to the person’s honesty, integrity and reputation, competence and capability for the role that the person is to assume in the firm as well as their financial soundness. If an individual is applying for a “significant influence function” (which are, broadly, controlled functions relating to key management, compliance and operational roles), the FCA’s assessment of the applicant may involve an interview.

#### *2.4.7 Change of control regime for authorised firms*

The FSMA change of control regime applies to the Group, its controllers and any potential acquirers. Under the FSMA change of control regime a person who has decided to acquire or increase its “control” over a UK firm authorised and regulated under FSMA is required to seek consent from the FCA before doing so.

A FSMA-authorised and regulated firm must also notify the FCA when the transaction which results in that increase takes place. Any acquisition of control over the Company would be subject to this regime.

A proposed “controller” for the purposes of the controller regime is any natural or legal person or such persons “acting in concert” who has or have taken a decision to acquire or increase, directly or indirectly, control over an authorised firm.

“Control” over a mortgage and/or insurance intermediary (i.e. a “non-directive” firm) is acquired if the acquirer (whether on an individual basis or together with others with whom he is “acting in concert”):

- holds 20% or more of the shares or voting rights in that company or its parent undertaking; or
- is able to exercise significant influence over the management of the firm by virtue of the acquirer’s shares or voting power in the company or its parent undertaking.

Increases in control over a “non-directive” firm beyond the 20% threshold do not require FCA consent.

An existing controller of a “non-directive” firm who proposes to reduce his control over that firm or its parent undertakings below the 20% threshold must notify the FCA.

Breach of the notification and approval regime imposed by FSMA on controllers is a criminal offence.

The implementation of the Offer and Admission are not expected to constitute a change of control for the purposes of the FSMA change of control regime.

#### *2.4.8 Money laundering and other financial crime*

All FCA-authorised and regulated firms are required to observe certain administrative procedures and checks that are designed to prevent money laundering and financial crime. SYSC contains rules requiring firms to take reasonable care to establish and maintain effective systems and controls for countering the risk that the firm might be used to further financial crime. For these purposes, financial crime includes any offence involving fraud or dishonesty, misconduct in, or misuse of information relating to, a financial market, handling the proceeds of crime or the financing of terrorism, as well as bribery and corruption offences.

One of the FCA’s statutory objectives is to protect and enhance the integrity of the UK financial system which includes, among other things, reducing the opportunity for the UK financial system to be used for purposes connected with financial crime.

Alexander Hall does not hold money on behalf of its clients.

#### *2.4.9 Supervision and enforcement*

The FCA has wide powers under FSMA to supervise, and intervene in, the affairs of an authorised firm. The FCA can, for instance, require firms to provide particular information or documents to it, require the production of a report by a “skilled person” appointed by the FCA or formally investigate a firm. The nature and extent of the FCA’s supervisory relationship with a firm depends on how much of a risk that firm is considered to pose to the FCA’s statutory objectives.

Currently, the FCA has the power to take a range of enforcement actions, including the ability to sanction companies and individuals carrying out functions within them. Most notably, enforcement actions may include restrictions on undertaking new business, public censure, restitution, fines and, ultimately, revocation of permission to carry on regulated activities or of an Approved Person’s status. The FCA can also vary or cancel the permissions of an authorised firm that has not engaged in regulated activities for 12 months, or fails to meet the threshold conditions.

In addition, the FCA can also currently impose sanctions on any person who is found to have committed market abuse and it has the power to prosecute (i) criminal offences arising under FSMA; (ii) insider dealing under Part V of the Criminal Justice Act 1993; and (iii) breaches of the UK’s money laundering legislation.

#### *2.4.10 Consumer complaints*

Mortgage and insurance intermediaries, along with all other FCA regulated firms and certain other unregulated businesses, are under the compulsory jurisdiction of the Financial Ombudsman Service (“FOS”) which has been set up under FSMA. Authorised firms must have appropriate complaints handling procedures but, where these are exhausted, the FOS provides for dispute resolution in respect of certain categories of customer complaints brought against applicable firms by individuals and small business customers.

The FOS provides an alternative to customers bringing complaints in the courts and is empowered, upon determining a dispute in favour of a customer, to order a firm to pay fair compensation for any loss or damage it caused to the customer, or to direct a firm to take such steps in relation to the customer as the FOS considers just and appropriate, and irrespective of whether a similar award could be made by a court. The FOS is funded by levies and case fees payable by firms covered by the FOS.

The Financial Services Compensation Scheme (“FSCS”) was established under FSMA and provides compensation to certain categories of customers who suffer losses as a consequence of the inability of a regulated firm to meet its liabilities arising from claims made in connection with regulated activities. The FSCS is funded by means of levies on all its participating financial services firms. The levy is calculated separately for each class of financial services with each class divided into sub-classes based on provider or intermediation activities (for example, “general insurance mediation” and “home finance mediation”). For the year ended 31 December 2012, Alexander Hall contributed £17,477.00 to the FSCS.

The levy operates on the basis that a sub-class makes contributions, up to a specified threshold, to compensate investors upon the default of a market participant in that sub-class. It should be noted, however, that such contributions are not restricted to failures in the sub-classes to which a particular firm belongs, as there is the possibility that cross-subsidy between sub-classes may be required.

### **3. Key future developments**

#### **3.1. Mortgage Market Review**

On 25 October 2012, the FSA published a Policy Statement which (i) summarised the feedback it received in response to a consultation on its proposals for the mortgage market; and (ii) sets out the final FCA Handbook text following the Mortgage Market Review (“MMR”). Subject to certain exceptions, the changes are scheduled to enter into force on 26 April 2014. The MMR is relevant for both lenders and mortgage intermediaries. The MMR will therefore be relevant to Alexander Hall which undertakes mortgage mediation.

Some key changes to be introduced as a result of the MMR include:

- the removal of the non-advised sales process;

- the introduction of execution-only sales for certain customers;
- transfer of full responsibility for the affordability assessment to the lender;
- simplified disclosure requirements for advisers;
- treating most interactive sales (for example, face-to-face or telephone) as advised sales;
- obliging each individual seller to hold a relevant mortgage qualification, including all lender direct sellers; and
- extending (although at a date yet to be confirmed) the Approved Persons regime to mortgage advisers and arrangers.

### ***3.2. Directive on credit agreements relating to residential property***

On 31 March 2011, the European Commission published a proposal for a Directive on credit agreements relating to residential immovable property for consumers (the Mortgage Credit Directive). The proposed Directive applies to:

- credit agreements secured by a mortgage or comparable security commonly used in a Member State on residential immovable property, or secured by a right relating to residential immovable property;
- credit agreements the purpose of which are to finance the purchase or retention of rights in land or in an existing or proposed residential building; and
- credit agreements the purpose of which are to renovate residential immovable property and which are outside the scope of Directive 2008/48/EC (the Consumer Credit Directive).

The proposed Directive requires (among other things):

- standard information in advertising;
- standard pre-contractual information;
- adequate explanations to the borrower on the proposed credit agreement and any ancillary service;
- calculation of the annual percentage rate of charge in accordance with a prescribed formula;
- assessment of a borrower's creditworthiness;
- a right of the borrower to make early repayment of the credit agreement; and
- credit intermediaries and non-bank lenders to comply with prudential and supervisory requirements as set out in the proposed Directive.

The draft final Directive has been produced but the final implementation date has yet to be confirmed.

### ***3.3. Insurance Mediation Directive review***

The European Commission adopted a proposal for a revised Insurance Mediation Directive ("IMD II") on 3 July 2012. The European Parliament has given a revised indicative date of 22 October 2013 for its plenary sitting. The European Commission envisages that IMD II will, among other things:

- expand the scope of application of the current IMD to all sellers of insurance products;
- include new measures designed to manage and mitigate conflicts of interest;
- enhance the suitability and objectiveness of advice; and
- ensure that sellers' professional qualifications match the complexity of the products they sell.

### ***3.4. Regulation of consumer credit under the Consumer Credit Act 1974 (as amended)***

Currently, in the UK, the licensing and regulation of consumer credit is undertaken by the OFT pursuant to powers conferred on it under the Consumer Credit Act 1974 (as amended) (the "CCA").

Compliance with the CCA involves, among other things, being appropriately licensed by the OFT and complying with other requirements relating to, for example, the advertisement of consumer credit and the form and content requirements of CCA-regulated agreements. Alexander Hall is currently licensed by the OFT under the CCA.



The Government has decided to transfer responsibility for the regulation of consumer credit from the OFT to the FCA. It is expected that the FCA will assume that responsibility on 1 April 2014, with the introduction of an interim regime pending consultation and development of a full regime which the FCA would look to apply from 2016 onwards. How that interim or new regime will affect the Group's CCA-licensed entities is as yet unknown, but it is possible that any FCA-administered consumer credit regime could be more rigorous (and potentially more intrusive) than that overseen by the OFT.

### **3.5. Reform of UK consumer law**

Both the EU and the UK have proposed significant changes to various aspects of consumer law. Following the enactment of the Consumer Rights Directive (2011/83/EU), Member States must adopt and publish measures necessary to implement the Directive by 13 December 2013, and apply those measures from 13 June 2014. The Government has been consulting on the implementation of the Directive in the UK. The consultation closed on 1 November 2012 and the Government's responses were published in June and August of 2013. While the Government originally intended to implement the Directive via the proposed Consumer Bill of Rights, the Government has announced that the Directive will be implemented by the Consumer Contracts (Information, Cancellation and Additional Payments) Regulations.

Following its consultation on consumer contracts, the Government has concluded that the UTCCRs will be revoked by the Consumer Bill of Rights, which is currently in draft form. In particular, preliminary meetings with stakeholders revealed a common desire for certainty and strong recognition that, in order to be exempt from an assessment for fairness, price and main subject contract terms must be transparent and prominent in consumer contracts. In the context of estate agency businesses, the proposed reforms will increase the existing requirement to inform consumers of all fees and charges payable so that any price or main subject contract terms are presented clearly and are readily available to the consumer. It is intended that such terms should be sufficiently prominent and transparent in a supplier consumer contract such that a reasonable consumer would be aware of the terms even if they did not read the full contractual agreement. The Government intends to replace the "grey list" found in the UTCCRs with Part I of Schedule 2 of the Consumer Bill of Rights which will clarify and extend the indicative list of terms which may be regarded as unfair if used unreasonably by suppliers.

The Government has also consulted on reforms to the measures of redress available to consumers in respect of misleading and aggressive business practices. On 25 April 2013, the Enterprise and Regulatory Act 2013 received Royal Assent which makes provision for the Government to introduce a requirement that letting and/or managing agents of domestic property must belong to a redress scheme. In addition, the Government has also recently produced the draft Consumer Protection from Unfair Trading (Amendment) Regulations which propose, among other things, to introduce a private right of redress for consumers who have been victims of misleading and aggressive practices. If the Government were to introduce these requirements, consumers will be afforded greater protection as they will give them additional avenues to complain if their consumer rights have been ignored. While any such schemes may increase consumer confidence, they will not directly affect the principles enshrined in the CPUTRs which estate agencies and other businesses need to comply with, in particular, the principle that suppliers must ensure that all material information is supplied to consumers in relation to consumer contracts.

## **4. Effect of future developments and reforms on the Group's businesses**

Despite the number of proposed changes to the UK regulatory regime discussed in this Part II which may affect the Group, the Directors do not expect those changes to have a material effect on the Group's businesses.



## PART III—DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

### 1. Directors

The current members of the Board are:

Name	Position	Date of Birth
Garry Watts . . . . .	Independent Non-Executive Chairman	09/12/1956
Michael Ross Brown . . . . .	Chief Executive Officer	21/07/1962
Gerard Reinhold Nieslony . . . . .	Chief Financial Officer	01/09/1961
Annette Elizabeth Court . . . . .	Senior Independent Non-Executive Director	24/03/1962
Andrew John Adcock . . . . .	Independent Non-Executive Director	10/09/1953
Ian Edward Barlow . . . . .	Independent Non-Executive Director	30/09/1951
Stefano Pietro Quadrio Curzio . . . . .	Non-independent Non-Executive Director	21/11/1965

The business address of each Director is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE.

The management expertise and experience of each Director is set out in their biography below:

#### **Garry Watts, Independent Non-Executive Chairman**

Garry Watts was appointed to the Board on 23 August 2013. He 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. Garry is a chartered accountant and a former partner at KPMG. In 1996 he joined Medeva plc as its finance director and in 2000, following a merger with Celltech Chiroscience, he was appointed as a director of Celltech Group plc and became CEO of its Celltech Medeva division. Garry joined SSL International plc in 2001 as its finance director and was subsequently appointed as its Chief Executive Officer 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 (for which he was awarded an MBE). Between 2004 and 2008, he was a non-executive director and chairman of the audit committee of Protherics plc, and 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, Chief Executive Officer**

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. Michael started his career as a solicitor at Slaughter and May. Prior to joining Foxtons, Michael spent 6 years at Enron Europe as General Counsel and latterly as Chief Operating Officer. He is a former non-executive director of Fitness First Limited and Teesside Gas Processing Plant Limited. Michael holds a degree in law from the University of Leeds.

#### **Gerard Nieslony, Chief Financial Officer**

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, he spent ten years at Duracell Batteries, initially as an analyst and subsequently was promoted to 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**

Annette Court was appointed to the Board on 23 August 2013. 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. 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, 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 from 2001 to 2006. Annette holds a degree in engineering from the University of Oxford.

**Andrew Adcock, *Independent Non-Executive Director***

Andrew Adcock was appointed to the Board on 23 August 2013. He is chairman of Majedie Investments plc and a non-executive director of F&C Global Smaller Companies PLC, Kleinwort Benson Group Limited and Kleinwort Benson Bank Limited. He is also a director of the Courtauld Institute of Art and The Samuel Courtauld Trust. He 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 and has over 30 years of experience in the City of London. Andrew holds an MA in law and history of art from the University of Cambridge.

**Ian Barlow, *Independent Non-Executive Director***

Ian Barlow was appointed to the Board on 23 August 2013. 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, a board member of the China-Britain Business Council and a trustee of the Historic Royal Palaces. Ian is a past chairman of WSP Group plc. Ian retired from KPMG LLP in 2008 as senior partner, London. 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***

Stefano Quadrio Curzio has been involved with the Foxtons business since 2007 when BC European Capital acquired a majority interest in the Foxtons business. He was appointed as a Non-Executive Director in June 2013. 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. 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.

## **2. Senior Managers**

In addition to the Executive Directors, each of the following persons is a senior manager and member of the Group's Executive Management Team:

**Nicholas Budden, *Chief Operating Officer of Foxtons***

Nicholas Budden joined Foxtons in 2005 as its Chief Operating Officer. Prior to joining Foxtons, Nicholas had an international career in business development, operations, marketing, strategy and finance, having held positions at BT Group plc (1990 to 1997), Cable & Wireless Group (1997 to 2002) and Severn Trent Group (2003 to 2005). Nicholas holds a degree in economics from the University of Essex.

**Andrew Pratt, *Chief Executive Officer of Alexander Hall***

Andrew Pratt joined Alexander Hall in September 2003 as Chief Operating Officer and was appointed as Chief Executive Officer of Alexander Hall in April 2013. Prior to joining Alexander Hall, Andrew spent 3 years at MX Financial Solutions Limited (part of the Bank of Ireland Group) (2000 to 2003) initially as Chief Operating Officer and latterly as Managing Director. Prior to MX Financial Solutions, Andrew worked at Barclays Bank plc (1991 to 2000) in various roles, and spent five years at Scicon Limited (1986 to 1991). Andrew holds a degree in mathematics from the University of East Anglia.

## **3. Corporate governance**

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company (excluding the chairman) should comprise "independent" non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgement. It also recommends that a UK listed company's remuneration and audit committees should comprise at least three independent non-executive directors, and that its nomination committee should comprise a majority of independent non-executive directors.

The Board is committed to the highest standards of corporate governance. The Board comprises seven members, four independent Non-Executive Directors (including the Chairman who is considered independent at the date of his appointment), two Executive Directors and one Non-Executive Director

who is not deemed to be independent for the purposes of the UK Corporate Governance Code. The Company regards Garry Watts, Annette Court, Andrew Adcock and Ian Barlow as independent Non-Executive Directors for the purposes of the UK Corporate Governance Code. Stefano Quadrio Curzio, a Non-Executive Director, is not considered to be independent for the purposes of the UK Corporate Governance Code as a result of being a senior executive of BC Partners, the adviser to BC European Capital which indirectly controls the Major Shareholder.

The UK Corporate Governance Code recommends that the Board should appoint one of its independent non-executive directors to be the senior independent director (the “**SID**”). The SID should be available to Shareholders if they have concerns that the normal channels of Chairman, Chief Executive Officer or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate. Annette Court takes the role of SID on the Board.

#### **4. Relationship with the Major Shareholder**

Immediately following Admission (assuming no exercise of the Over-allotment Option) the Major Shareholder will own, directly or indirectly, 28.3% of the issued share capital of the Company. The Major Shareholder, Adnams BBPM Group Limited and the general partner of BC European Capital (acting on behalf of BC European Capital) have entered into a Relationship Agreement with the Company which will have effect from Admission. The Relationship Agreement is intended to ensure that the Company and the Group are capable of carrying on business independently of the Major Shareholder, Adnams BBPM Group Limited, BC European Capital, their respective associates and persons acting in concert with them or their respective associates, at all times after Admission in accordance with the terms of the Relationship Agreement.

It is expected that following Admission (but not within the period of 90 days immediately after Admission), the Major Shareholder will be liquidated and its holding of Ordinary Shares will be distributed *in specie* to Adnams BBPM Group Limited, its immediate holding company. Following such distribution, Adnams BBPM Group Limited will be liquidated and the Ordinary Shares held by it will be distributed *in specie* to BC European Capital and the Partners Funds in the proportions which reflect their respective interests of 98.8% and 1.2% of the share capital of Adnams BBPM Group Limited. This distribution *in specie* will result in BC European Capital directly holding, in aggregate, approximately 28.0% of the Ordinary Shares and the Partners Funds directly holding, in aggregate, approximately 0.3% of the Ordinary Shares (in each case assuming no exercise of the Over-allotment Option).

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the Major Shareholder, Adnams BBPM Group Limited and BC European Capital and their respective associates and ensure that all agreements and transactions between the Group, on the one hand, and the Major Shareholder, Adnams BBPM Group Limited or BC European Capital and/or any of their respective associates and/or persons acting in concert with any of them or their associates, on the other hand, will be at arm’s length and on a normal commercial basis. For further information in relation to the key terms of the Relationship Agreement, please see section 18.4 of Part XI (*Additional Information*).

#### **5. Board Committees**

As envisaged by the UK Corporate Governance Code, the Board has established four committees: Audit, Remuneration, Nomination and Disclosure Committees, each with written terms of reference. If the need should arise, the Board may set up additional committees as appropriate.

##### **5.1. Audit Committee**

The Audit Committee has responsibility for, among other things, the monitoring of the financial integrity of the financial statements of the Group and the involvement of the Group’s auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will meet at least three times a year at the appropriate times in the financial reporting and audit cycle.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, as mentioned above, together with requirements of any quorum for and the right to attend meetings. The responsibilities of the Audit Committee covered in its terms of reference include the

following: external audit, financial reporting, internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Audit Committee comprises at least three members who are all independent non-executive directors and includes one member with recent and relevant financial experience. The Audit Committee currently comprises three members, all of whom are independent Non-Executive Directors: Andrew Adcock, Ian Barlow and Annette Court. The committee is chaired by Ian Barlow.

### ***5.2. Remuneration Committee***

The Remuneration Committee has responsibility for determination of specific remuneration packages for each of the Executive Directors and certain senior executives of the Group, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management, and the implementation of share option, or other performance related schemes. It will meet at least two times a year.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, as mentioned above, together with the requirements for quorum and the right to attend meetings. The responsibilities of the Remuneration Committee covered in its terms of reference include the following: determining and monitoring policy on and setting levels of remuneration, termination, performance-related pay, pension arrangements, reporting and disclosure, share incentive plans and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that the Remuneration Committee comprises at least three members who are all independent non-executive directors, and may additionally include an independent chairman (who may not chair the Remuneration Committee). The Remuneration Committee comprises four members, all of whom are independent Non-Executive Directors: Andrew Adcock, Ian Barlow, Annette Court and Garry Watts. The committee is chaired by Andrew Adcock.

### ***5.3. Nomination Committee***

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary, taking into account the skills and expertise that will be needed on the Board in the future. The Nomination Committee's terms of reference deal with such things as membership, quorum and reporting responsibilities. The Nomination Committee will meet at least twice a year.

The UK Corporate Governance Code recommends that a majority of the members of the Nomination Committee should be independent non-executive directors. The Nomination Committee comprises four members, all of whom are independent Non-Executive Directors: Andrew Adcock, Ian Barlow, Annette Court and Garry Watts. The committee is chaired by Garry Watts.

### ***5.4. Disclosure Committee***

The Disclosure Committee is responsible for, among other things, determining the disclosure treatment of inside information relating to the Company and arranging for the disclosure of such information in accordance with the Company's obligations under the Disclosure and Transparency Rules. The Disclosure Committee is also responsible for reviewing and making recommendations to the Board in relation to the design and operation of the Company's disclosure controls and procedures.

The terms of reference of the Disclosure Committee cover such issues as membership, quorum and the right to attend meetings. The responsibilities of the Disclosure Committee covered in its terms of reference include the following: identifying inside information, reviewing announcements dealing with significant developments in the Company's business, and considering the requirements for announcements in case of rumours relating to the Company.

The Disclosure Committee will meet as shall be necessary or appropriate. The Disclosure Committee shall initially consist of Garry Watts, Michael Brown, Gerard Nieslony and Nicholas Budden. The committee is chaired by Garry Watts.

## **6. Securities dealing code**

Upon Admission, the Company will adopt a code on dealings in relation to the securities of the Group which requires full compliance with the requirements of the Model Code. The Company shall require the Directors, other persons discharging managerial responsibilities within the Group and other relevant employees of the Group to comply with the Company's securities dealing code, and shall take all proper and reasonable steps to secure their compliance.



## PART IV—SELECTED FINANCIAL INFORMATION AND KEY PERFORMANCE INDICATORS

### 1. SELECTED FINANCIAL INFORMATION

The tables below set out selected financial information of the Group as at and for the periods ended 31 December 2010, 2011 and 2012 and 30 June 2012 and 2013. The selected financial information of the Group as at and for the periods ended 31 December 2010, 2011 and 2012 and 30 June 2013 has been audited. The selected financial information of the Group as at and for the period ended 30 June 2012 has not been audited.

The financial information has been extracted without material adjustment from Part VII (*Historical Financial Information*) and has been prepared on the basis described in the notes to the consolidated historical information of the Group in that Part VII.

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The table below sets out the consolidated statement of comprehensive income relating to the Group for the three years ended 31 December 2010, 2011 and 2012 and for the six month periods ended 30 June 2012 (unaudited) and 2013.

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Revenue					
Sales . . . . .	45,989	52,666	53,084	25,257	28,530
Lettings . . . . .	52,870	59,860	63,089	29,652	31,804
Mortgage Broking . . . . .	3,957	3,705	3,478	1,652	2,035
Other income . . . . .	256	122	304	112	232
Total revenue . . . . .	103,072	116,353	119,955	56,673	62,601
Administrative expenses . . . . .	(76,286)	(84,388)	(86,973)	(42,062)	(45,146)
<b>Operating profit before exceptional items . . . . .</b>	<b>26,786</b>	<b>31,965</b>	<b>32,982</b>	<b>14,611</b>	<b>17,455</b>
Exceptional items . . . . .	4,689	368	(1,588)	(1,066)	—
<b>Operating profit . . . . .</b>	<b>31,475</b>	<b>32,333</b>	<b>31,394</b>	<b>13,545</b>	<b>17,455</b>
Finance income . . . . .	158	143	115	55	43
Finance costs . . . . .	(18,470)	(6,921)	(6,634)	(3,423)	(2,825)
<b>Profit before tax . . . . .</b>	<b>13,163</b>	<b>25,555</b>	<b>24,875</b>	<b>10,177</b>	<b>14,673</b>
Tax . . . . .	(5,367)	(5,639)	(4,101)	(1,958)	(3,536)
<b>Profit and total comprehensive income for the period . . . . .</b>	<b>7,796</b>	<b>19,916</b>	<b>20,774</b>	<b>8,219</b>	<b>11,137</b>
<b>Earnings per share</b>					
Basic and diluted (pence per share) . . . .	10.62	27.03	28.16	11.14	15.10

#### Notes:

As explained in note 3 “Basis of preparation” and note 5 “Combined Group results and cash flows” in Part VII (*Historical Financial Information*), the financial information for the year ended 31 December 2010 is the aggregate of Foxtons Intermediate Holdings Limited (formerly known as Foxtons Intermediate Holdings 3 Limited) and its subsidiaries for the period ended 30 March 2010 and of the Group for the period from 31 March 2010 to 31 December 2010. For all other periods the financial information presented is that of the Group.

Such an approach of aggregate periods is not in accordance with the requirements of IFRS 3, which would exclude the pre-acquisition period from 1 January 2010 to 30 March 2010, but is in accordance with accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to Public Reporting Engagements on Historical Financial Reporting) issued by the UK Auditing Practices Board.

As discussed in note 3 in Part VII (*Historical Financial Information*), the year ended 31 December 2010 is not comparable with that of the Group for the years ended 31 December 2011 and 2012 and the six month periods ended 30 June 2012 (unaudited) and 2013 due to the impact of the acquisition at 30 March 2010. The acquisition resulted in the completion of a fair valuation exercise with respect to the assets and liabilities of Foxtons Intermediate Holdings Limited and its subsidiaries which impacted the recorded amounts of assets and liabilities at that date, and thereafter impacted recognised income, expense and equity amounts, in particular finance costs.

## CONSOLIDATED BALANCE SHEET

The table below sets out the consolidated balance sheet relating to the Group as at 31 December 2010, 2011 and 2012 and as at 30 June 2013.

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
<b>Non-current assets</b>				
Goodwill . . . . .	19,168	19,168	19,168	19,168
Other intangible assets . . . . .	99,000	99,000	99,000	99,000
Property, plant and equipment . . . . .	16,307	15,887	18,131	21,043
Deferred tax assets . . . . .	1,367	778	537	724
	<u>135,842</u>	<u>134,833</u>	<u>136,836</u>	<u>139,935</u>
<b>Current assets</b>				
Trade and other receivables . . . . .	12,268	11,317	10,715	14,497
Prepayments . . . . .	4,630	5,103	6,630	5,194
Cash and cash equivalents . . . . .	16,364	13,738	9,774	14,538
	<u>33,262</u>	<u>30,158</u>	<u>27,119</u>	<u>34,229</u>
<b>Total assets . . . . .</b>	<u>169,104</u>	<u>164,991</u>	<u>163,955</u>	<u>174,164</u>
<b>Current liabilities</b>				
Trade and other payables . . . . .	(8,381)	(7,793)	(10,028)	(11,137)
Current tax liabilities . . . . .	(3,456)	(4,620)	(3,171)	(3,320)
Obligations under finance leases . . . . .	(293)	(563)	(310)	(125)
Provisions . . . . .	(657)	(169)	(127)	(129)
Borrowings . . . . .	(3,365)	(739)	—	—
Deferred revenue . . . . .	(3,963)	(4,248)	(4,322)	(5,583)
	<u>(20,115)</u>	<u>(18,132)</u>	<u>(17,958)</u>	<u>(20,294)</u>
<b>Net current assets . . . . .</b>	<u>13,147</u>	<u>12,026</u>	<u>9,161</u>	<u>13,935</u>
<b>Non-current liabilities</b>				
Borrowings . . . . .	(107,317)	(86,459)	(67,165)	(63,180)
Obligations under finance leases . . . . .	(70)	(656)	(80)	—
Deferred tax liabilities . . . . .	(27,040)	(25,266)	(23,500)	(22,770)
	<u>(134,427)</u>	<u>(112,381)</u>	<u>(90,745)</u>	<u>(85,950)</u>
<b>Total liabilities . . . . .</b>	<u>(154,542)</u>	<u>(130,513)</u>	<u>(108,703)</u>	<u>(106,244)</u>
<b>Net assets . . . . .</b>	<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>
<b>Equity</b>				
Share capital . . . . .	—	—	—	—
Retained earnings . . . . .	14,562	34,478	55,252	67,920
<b>Total equity . . . . .</b>	<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>

## CONSOLIDATED CASH FLOW STATEMENT

The table below sets out the consolidated cash flow statement relating to the Group for the three years ended 31 December 2010, 2011 and 2012 and for the six month periods ended 30 June 2012 (unaudited) and 2013.

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>Net cash from operating activities . . . . .</b>	<u>23,939</u>	<u>30,165</u>	<u>29,140</u>	<u>11,648</u>	<u>16,360</u>
<b>Investing activities</b>					
Interest received . . . . .	158	143	115	55	43
Proceeds on disposal of property, plant and equipment . . . . .	330	404	514	331	270
Purchases of property, plant and equipment . . . . .	<u>(4,969)</u>	<u>(3,790)</u>	<u>(6,236)</u>	<u>(2,784)</u>	<u>(4,833)</u>
<b>Net cash used in investing activities . . .</b>	<u>(4,481)</u>	<u>(3,243)</u>	<u>(5,607)</u>	<u>(2,398)</u>	<u>(4,520)</u>
<b>Financing activities</b>					
Dividends paid . . . . .	—	—	(32,000)	—	—
Interest paid . . . . .	(4,191)	(5,005)	(4,645)	(2,460)	(1,810)
Repayments of borrowings . . . . .	(15,987)	(25,364)	(22,000)	(7,000)	(5,000)
(Repayments)/inflow of obligations under finance leases . . . . .	(767)	821	(852)	(476)	(266)
Proceeds on issue of shares . . . . .	—	—	32,000	—	—
<b>Net cash used in financing activities . . .</b>	<u>(20,945)</u>	<u>(29,548)</u>	<u>(27,497)</u>	<u>(9,936)</u>	<u>(7,076)</u>
<b>Net decrease in cash and cash equivalents . . . . .</b>	<u>(1,487)</u>	<u>(2,626)</u>	<u>(3,964)</u>	<u>(686)</u>	<u>4,764</u>
<b>Cash and cash equivalents at beginning of period . . . . .</b>	<u>17,851</u>	<u>16,364</u>	<u>13,738</u>	<u>13,738</u>	<u>9,774</u>
<b>Cash and cash equivalents at end of period . . . . .</b>	<u>16,364</u>	<u>13,738</u>	<u>9,774</u>	<u>13,052</u>	<u>14,538</u>

### Notes:

As explained in note 3 “Basis of preparation” and note 5 “Combined Group results and cash flows” in Part VII (*Historical Financial Information*), the financial information for the year ended 31 December 2010 is the aggregate of the cash flows of Foxtons Intermediate Holdings Limited (formerly known as Foxtons Intermediate Holdings 3 Limited) and its subsidiaries for the period ended 30 March 2010 and of the Group for the period from 31 March 2010 to 31 December 2010. For all other periods the financial information presented is that of the Group.

Such an approach of aggregate periods is not in accordance with the requirements of IFRS 3, which would exclude the pre-acquisition period from 1 January 2010 to 30 March 2010, but is in accordance with accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to Public Reporting Engagements on Historical Financial Reporting) issued by the UK Auditing Practices Board.

As discussed in note 3 in Part VII (*Historical Financial Information*), the year ended 31 December 2010 is not comparable with that of the Group for the years ended 31 December 2011 and 2012 and the six month periods ended 30 June 2012 (unaudited) and 2013 due to the impact of the acquisition at 30 March 2010. The acquisition resulted in the completion of a fair valuation exercise with respect to the assets and liabilities of Foxtons Intermediate Holdings Limited and its subsidiaries which impacted the recorded amounts of assets and liabilities at that date, and thereafter impacted recognised income, expense and equity amounts, in particular finance costs.

## 2. KEY PERFORMANCE INDICATORS

The following table sets out the Group's key performance indicators:

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
Total Group revenue (£000) . . . . .	103,072	116,353	119,955	56,673	62,601
Average number of branches . . . . .	26.5	30.5	34.5	34.0	39.5
Average total headcount . . . . .	975	1,074	1,068	1,034	1,163
Revenue per branch (£000) . . . . .	3,890	3,815	3,477	1,667	1,585
Revenue per employee (£000) . . . . .	106	108	112	55	54
Sales revenue (£000) . . . . .	45,989	52,666	53,084	25,257	28,530
Sales units . . . . .	3,645	4,406	4,512	2,098	2,441
Revenue per sales unit (£) . . . . .	12,617	11,953	11,765	12,038	11,688
Lettings revenue (£000) . . . . .	52,870	59,860	63,089	29,652	31,804
Lettings units . . . . .	17,514	18,904	19,242	9,129	10,027
Revenue per lettings unit (£) . . . . .	3,019	3,167	3,279	3,248	3,172
Mortgage broking revenue (£000) . . . . .	3,957	3,705	3,478	1,652	2,035
Mortgage broking units . . . . .	2,004	1,858	1,938	928	1,047
Revenue per mortgage broking unit (£) .	1,975	1,994	1,795	1,780	1,944

For further information regarding the Group's key performance indicators, including details of how they are defined, see section 6 of Part V (*Operating and Financial Review*).



## PART V—OPERATING AND FINANCIAL REVIEW

*The following operating and financial review is intended to convey the Directors' perspective on the Group's operating performance and its financial condition. The Directors intend this disclosure to assist readers in understanding and interpreting the historical financial information set out in Part VII (Historical Financial Information) and summarised in Part IV (Selected Financial Information and Key Performance Indicators). This Part V should be read in conjunction with the section entitled "Risk Factors", Part I (Information on the Company and the Group), Part IV (Selected Financial Information and Key Performance Indicators), Part VII (Historical Financial Information) and the other information contained in this Prospectus. The consolidated financial statements are prepared in accordance with IFRS, as set out in Part VII (Historical Financial Information).*

*References in this Part to "2010", "2011" and "2012" are to the financial years ended 31 December 2010, 31 December 2011 and 31 December 2012, respectively. References to "the periods under review" are to 2010, 2011 and 2012 and the six month period ended 30 June 2012 ("HY2012") and the six month period ended 30 June 2013 ("HY2013").*

*The Company was incorporated on 18 December 2009 and on 30 March 2010 purchased Foxtons Intermediate Holdings Limited ("FIH") which, at the time, was the holding company for the Group's business. Concurrently, a consensual capital reorganisation took place. For further details, see note 26 of Part VII (Historical Financial Information).*

*As a result of the acquisition and related acquisition accounting, in order to present the combined financial information for 2010 (a) the consolidated statement of comprehensive income and consolidated statement of cash flows of FIH and its subsidiaries for the period from 1 January 2010 to 30 March 2010 (the period until acquisition by the Company); and (b) the consolidated financial information of the Company and its subsidiaries for the period from 31 March 2010 to 31 December 2010 have been combined. For further details of the combination, see section 9 of this Part V and note 5 in Part VII (Historical Financial Information). For all other periods the historical consolidated financial information presented is that of the Group.*

*Such an approach is not in accordance with the requirements of IFRS 3, which would exclude the pre-acquisition period from 1 January 2010 to 30 March 2010, but is in accordance with certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial reporting) issued by the UK Auditing Practices Board. In all other respects the financial information has been prepared in accordance with IFRS.*

### 1. Overview

The Group is a leading London estate agency, offering residential property sales and lettings services through its Foxtons business. The Group also offers independent mortgage advice and other related services through Alexander Hall, the Group's mortgage broking business.

In 2012, the Group generated total revenue of £120.0 million, operating profit of £31.4 million and Adjusted EBITDA of £38.3 million, and achieved an operating profit margin of 26.2% and an Adjusted EBITDA Margin of 31.9%. The Group has a balanced mix of property sales and lettings revenues, with 44.3% of its revenue in 2012 derived from its sales segment and 52.6% from its lettings segment.

As at 19 September 2013, the Group operated 42 Foxtons branches (40 located in London and two in Surrey) and one Alexander Hall office located in London. The Group's headquarters in west London provides centralised sales and service support to the Foxtons and Alexander Hall businesses.

### 2. Significant factors impacting results of operations

The principal factors that affect the Group's results of operations are:

- the London housing market;
- the Group's organic growth strategy;
- the Group's cost structure; and
- the seasonality of the housing market.

### *The London housing market*

Demand fundamentals for residential property sales and lettings in London are strong in comparison to the rest of the UK, primarily driven by favourable socio-demographic factors including higher levels of economic activity, domestic and international mobility and population growth, a more affluent population and a higher population of young adults. The Directors believe that the limited geographical area of London (and in particular its prime residential areas), combined with low levels of house building in London and planning restrictions on new building or redevelopment of property, have led to a constraint on the supply of residential properties in London and created excess demand which has resulted in resilient prices.

#### *Sales*

Foxtons' sales commissions are calculated as a percentage of the sales prices achieved on the relevant transactions and are generally charged at non-negotiable rates. Consequently, the revenue generated by Foxtons' property sales business depends on volumes of sales transactions and sales prices for residential property in London.

Sales transaction volumes are dependent on many factors which are beyond the Group's control. The economic downturn and the low levels of mortgage approvals experienced in the UK since 2008 have caused a significant decline in volumes of residential property sales transactions in London. Based on Land Registry data, LTM average residential property sales transaction volumes in London fell by 67% between July 2007 and June 2009, and between 2008 and 2012, average annual residential property sales transaction volumes in London were approximately 55% of the 2000 to 2006 average levels.

Sales prices for residential property in London are dependent on many factors which are beyond the Group's control and have historically been subject to fluctuations.

Changes in residential property prices will affect the Group's total revenue and profitability. However, the Directors believe that the effect of changes in residential property prices is not as significant to the Group as the effect of changes in the volume of residential property sales transactions.

#### *Lettings*

Foxtons' property lettings business charges fees to its clients on lettings and renewals transactions calculated as a percentage of the value of the total rent payable by the tenant during the term of the relevant tenancy agreement. Fees for the comprehensive property management service are charged on a monthly basis and calculated as a percentage of the monthly rent payable under the relevant tenancy. Consequently, the revenue generated by Foxtons' property lettings business depends on lettings transaction volumes (including renewals), rental prices and the duration of tenancies for residential property lettings in London, as well as the propensity of landlords to use Foxtons' comprehensive property management service.

Changes in rent levels or duration of tenancies will affect the Group's total revenue and profitability. However, the Directors believe that over the longer term the effect of changes in rent levels or duration of tenancies is not as significant to the Group as the effect of changes in the volume of residential property lettings transactions.

### *The Group's organic growth strategy*

Historically the Group has grown organically through new branch openings with no acquisitions. The Group's history of new Foxtons branch openings is shown in the following table:

Year	New Foxtons branches opened during the year	Cumulative number of Foxtons branches at the end of the year	Average number of Foxtons branches during the year <sup>(1)</sup>
2001	—	10	10
2002	4	14	12
2003	—	14	14
2004	3	17	15.5
2005	—	17	17
2006	3	20	18.5
2007	3	23	21.5
2008	1	24	23.5
2009	—	24	24
2010	5	29	26.5
2011	3	32	30.5
2012	5	37	34.5

Note:

- (1) Average number of Foxtons branches is defined as the aggregate of the number of Foxtons branches operating at the beginning and at the end of the relevant year divided by two.

The Group accelerated its expansion strategy in 2010, opening 13 new Foxtons branches between 2010 and 2012. The Group has opened five Foxtons branches in HY2013 and a further two Foxtons branches are expected to open during the second half of 2013. As at 19 September 2013, the Group operated 42 Foxtons branches and one Alexander Hall office located in London.

The Group intends to open between five and 10 new Foxtons branches per annum between 2014 and 2018. In the medium term, the Directors intend to focus the Group's expansion in London. The Group has identified at least 60 additional local markets in London which share similar attractive market fundamentals as Foxtons' existing branch territories, and which it expects to offer similar financial potential as its existing branches. In the longer term the Directors intend to expand the Group's business outwards into local markets in the OLCB and the South East Ring where the Group has identified at least a further 100 local markets which offer financial potential similar to its existing branch territories in London.

The Group undertakes granular analysis of the local market opportunity in respect of potential new Foxtons branch territories by assessing the local sales market opportunity using Land Registry data and estimating the local lettings market potential. Following the identification of an appropriate site, the Group will enter into a lease in relation to the branch premises and commence the fit out of that branch (although in some cases there is a delay between entering into the lease and commencing the fit out). On opening, each new Foxtons branch will generally have two managers, two or three Valuers and between three and 10 Negotiators. Prior to the opening of a new branch, the staff that are to be based there will work in existing branches which results in those branches being temporarily overstaffed relative to normal levels. In addition, a promotional marketing programme is undertaken for a new Foxtons branch shortly before opening and during its first year of operation.

On opening, a Foxtons branch will operate a "Zero" commission campaign for three months. During the operation of that campaign, Foxtons offers to sell all properties without charging commission and, as a result, the branch will not generate revenue in relation to property sales transactions although it will pay basic salaries and commission to its property sales staff who are located in that branch. For further details regarding the "Zero" commission campaign, see section 11 of Part I (*Information on the Company and the Group*). The "Zero" commission campaign does not apply to new lettings, and a new branch tends to generate lettings revenue from the first month of opening.

### Key financial metrics of a new Foxtons branch

The key financial metrics the Group considers in opening a new Foxtons branch are set out in the table below alongside the averages achieved by the five Foxtons branches opened during 2010.

Financial metric	Average for the five Foxtons branches opened during 2010
Capital cost to open a Foxtons branch <sup>(1)</sup> . . . . .	Approximately £583,000* (range from approximately £500,000* to approximately £700,000*)
ROCE in second year of operation <sup>(2)(3)</sup> . . . . .	152% <sup>#</sup> (range from 86% <sup>#</sup> to 200% <sup>#</sup> )
Month in which Adjusted EBITDA per Foxtons branch turns positive <sup>(3)</sup> . . . . .	Month 6* (range from month 6* to month 8*)
Month in which a Foxtons branch achieves break even <sup>(4)</sup> . . . . .	Month 19* (range from month 16* to month 26*)

#### Notes:

- (1) Capital cost to open a branch includes all direct costs of fitting out a branch, namely any partitioning, glasswork, electrical work, air conditioning, heating, lighting, office furniture, IT equipment and any associated professional fees. No head office costs are included in the capital cost to open a branch.
- (2) ROCE is defined as Adjusted EBITDA per branch divided by capital cost to open the branch.
- (3) Adjusted EBITDA per branch is defined as direct revenues (being revenue generated from sales and lettings) less direct operating costs of the branch (excluding apportioned head office costs). Adjusted EBITDA is measured from the time the branch opens to the public.
- (4) Month in which cumulative Adjusted EBITDA per branch exceeds the capital cost to open the branch (without discounting monetary values). Adjusted EBITDA is measured from the time the branch opens to the public.

The following table shows how the average unit profile of the five Foxtons branches opened during 2010 has developed for each of the three years ended 31 December 2012 as compared to the average for the Foxtons branches opened prior to 2010 for the year ended 31 December 2012 and also shows the incremental fixed costs of the five Foxtons branches opened during 2010 for each of the three years ended 31 December 2012.

	Average for the five Foxtons branches opened during 2010 for each of the years ended 31 December			Average for a more mature Foxtons branch for the year ended 31 December 2012 <sup>(1)</sup>
	2010	2011	2012	
<b>Unit profile</b>				
Sales units <sup>(2)</sup> . . . . .	7	90	98	140 <sup>(3)</sup>
New lettings units <sup>(4)</sup> . . . . .	53	192	203	408
<b>Incremental fixed costs</b>				
Support salaries (£000) . . . . .	9.4†	21.6†	21.8†	
Building expenses (£000) . . . . .	91.5†	161.9†	140.9†	
Marketing costs <sup>(5)</sup> (£000) . . . . .	65.0†	1.3†	0.1†	
<b>Total incremental fixed costs (£000) . . . . .</b>	<b>165.8†</b>	<b>184.8†</b>	<b>162.7†</b>	

#### Notes:

- (1) More mature branches are those branches opened prior to 2010.
- (2) Excludes new homes units and excludes any residential property sales transactions which arose during each branch's "Zero" commission campaign.

\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

<sup>#</sup> Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

- (3) Excludes new homes units.
- (4) New lettings units excludes renewals, which are handled separately. New lettings units accounted for 62.5% of total letting units in 2012.
- (5) Marketing costs defined as third party marketing expenditure directly attributable to a branch.

The Directors believe there is significant growth potential for Foxtons branches opened between 2010 and 2012 as they mature. In general, the Directors consider a Foxtons branch to be more mature with respect to sales after approximately five years and more mature with respect to lettings after between five and seven years.

In addition, the Directors believe that over the last five years the Group's increasing local market shares and the improved flexibility of its cost base have improved the profitability of its more mature Foxtons branches. For example, the Adjusted EBITDA Margin generated by the Group's Foxtons branches which were opened prior to 2008 increased by 58% between 2007 and 2012<sup>(44)</sup> whilst over the same period, the revenue generated by those branches decreased by 17%<sup>(45)</sup>.

In 2012, each of the Group's Foxtons branches which were opened prior to 2010 generated, on average, £3.2 million\* of direct revenue (being revenues attributable to a branch, which excludes revenue in connection with lettings renewals and property management, which are managed centrally, and interest earned from tenants' deposits) and contributed £1.8 million\* to the Group's Adjusted EBITDA (after taking into account each branch's direct operating costs). The Group's Foxtons branches opened prior to 2010 are significant contributors to the Group's profitability with contribution margins (being direct revenue for the branch less the sales and lettings salaries attributable to the branch expressed as a percentage of revenue per branch) for those branches ranging between 59%# and 75%# in 2012. In 2012, each of the Group's Foxtons branches which were opened between 2010 and 2012 generated, on average, £1.2 million\* of direct revenue and contributed £0.4 million\* to the Group's Adjusted EBITDA (after taking into account each branch's direct operating costs).

### ***The Group's cost structure***

The Group benefits from operational gearing as a substantial proportion of its costs is fixed. In particular, the Group's business model has been designed to allow for a substantial increase in the number of branches without requiring significant further investment in IT and other central operating costs. The Directors believe that central operating costs are mainly fixed in relation to both business volumes and new branch openings. During the three years ended 31 December 2012, the number of Foxtons branches operated by the Group increased by 54% to 37 branches while central operational costs increased by only 5.3%# to £27.8 million†. Consequently, the Directors believe that the Adjusted EBITDA Margin generated by new branches as they become more mature should normally be higher than the Group's historical Adjusted EBITDA Margin. The Directors categorise the relevant items of administrative expenses as follows.

Direct salary costs are fully variable in relation to new branch openings. They are partly variable and partly fixed with respect to increases in residential property sales and lettings market transaction volumes principally due to anticipated efficiency gains from existing staff. The Company believes that if there were to be an improvement in mortgage availability leading to an increase in residential property sales market volumes, the number of property sales transactions which exchange expressed as a percentage of property viewings carried out would increase although an increase in the number of Negotiators employed by the

(44) Calculated in accordance with UK GAAP to allow comparability over the period. Derived from the unaudited accounting records used to compile the Group's UK GAAP financial information. See section 4 of the section entitled "*Presentation of Information*".

(45) Calculated in accordance with UK GAAP to allow comparability over the period. Derived using figures extracted from the Group's UK GAAP audited statutory accounts, which are neither included nor incorporated by reference herein. See section 4 of the section entitled "*Presentation of Information*".

\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

# Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".



Group would not be required. Conversely, in the event of a reduction in property sales and lettings market volumes, in the Group's experience staffing levels can be reduced quickly due, in part, to certain staff being engaged on contracts which (subject to statutory notice periods) have a one week notice period. The percentage that direct salary costs represent of the corresponding source of revenue has been relatively stable during the three years ended 31 December 2012 as sales and lettings market volumes have been at relatively stable levels during that period. The following table sets out the Group's direct salary costs by operating segment and the percentage of revenue generated by each operating segment that those salary costs represent.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012
<b>Direct salary costs</b>			
Sales (£ million) . . . . .	13,033†	15,112†	16,196†
% of sales revenue . . . . .	28.3%#	28.7%#	30.5%#
Lettings (£ million) . . . . .	12,048†	13,510†	13,580†
% of lettings revenue . . . . .	22.8%#	22.6%#	21.5%#
Mortgage broking (£ million) . . . . .	2,078†	1,951†	2,008†
% of mortgage broking revenue . . . . .	52.5%#	52.6%#	57.7%#
Other <sup>(1)</sup> (£ million) . . . . .	1,895†	1,896†	2,110†
% of sales and lettings revenue . . . . .	1.9%#	1.7%#	1.8%#
<b>Total direct salary costs . . . . .</b>	<b>29,054†</b>	<b>32,469†</b>	<b>33,894†</b>

Note:

(1) Salaries payable to senior managers who oversee both the sales and lettings segments.

The Directors consider selling and marketing costs, motor, travel and entertainment expenses, other staff costs and other expenses to be variable in nature. The Group considers that support salaries and building expenses are largely fixed in relation to changes in sales and lettings transaction volumes and are partly variable with respect to new branches. For further details of the Group's administrative expenses for each of the periods under review, see section 7 of this Part V.

### ***The seasonality of the housing market***

The UK housing market is moderately seasonal which impacts the phasing of the Group's revenue. On a quarterly basis and ignoring the effect of new branch openings, the Group generates relatively low levels of revenue in the first quarter in respect of both sales and lettings. Thereafter, sales revenue tends to pick up and remain relatively stable for the rest of the year. Lettings revenue tends to pick up in the second quarter of the year and peak in the third quarter principally as a consequence of the rise in lettings transaction volumes which accompanies the start of the academic year for universities and colleges. Thereafter, lettings revenue falls in the fourth quarter of the year. As a result, the Group's revenues have historically been similar between the first and second halves of the year.

In order to capitalise on the increased volumes of residential property sales transactions, the Group typically opens new Foxtons branches in March and April or September and October. Despite this market seasonality and adjusting for the effect of new branch openings, the Group has typically generated approximately 50%# of its revenue in each half of the years in the periods under review. However, including the effect of new branch openings, both revenues and Adjusted EBITDA have tended to be slightly higher in the second half of each of the years in the periods under review. For example, in 2012, the Group generated 52.8%# of its revenues and 55.7%# of its Adjusted EBITDA in the second half of the year.

# Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

### 3. The Group's operating segments

The Group generates revenue from its three operating segments:

- the sales segment, which relates to residential property sales services;
- the lettings segment, which relates to residential property lettings services; and
- the mortgage broking segment, which relates to the provision of advice on the arrangement of mortgages and certain other financial services through its subsidiary Alexander Hall.

The Group has a large number of communal administrative expenses and other costs which are shared between its operating segments. For example, both the sales and lettings segments share the same branches, and those segments are both supported by the Group's head office in Chiswick in west London. Consequently, the Group apportions communal costs as between its sales and lettings segments on the basis of sales and lettings headcount numbers. These considerations do not apply to the mortgage broking segment as it is operated as a separate legal entity and all of its costs are identifiable and attributable to it.

The Group's lettings segment achieved higher profitability than its sales segment in 2012, principally as 34.2%<sup>#</sup> of its lettings revenue was generated from high margin, recurring activities such as property management services, renewals and income on tenants' deposits.

Alexander Hall principally derives its revenue from arranging mortgages (85.3%<sup>#</sup> of its revenue in 2012), with its mortgage revenue comprising fees paid by its clients and procuration fees paid by lenders (accounting for 31.6%<sup>#</sup> and 53.7%<sup>#</sup> respectively of Alexander Hall's total revenue in 2012). Alexander Hall generated 12.0%<sup>#</sup> of its revenue in 2012 from commissions and referral fees paid by providers of financial protection products and 1.8%<sup>#</sup> from commissions and referral fees paid by providers of general insurance policies.

The Group has certain other revenues and costs which are not allocated to an operating segment. For details of the Group's other revenues see section 4 of this Part V. Other costs include certain holding company costs such as non-executive director salaries and certain professional and banking fees.

### 4. Principal components of the Group's statement of comprehensive income

The following is a description of the principal components of the Group's statement of comprehensive income.

#### *Revenue*

In 2012, the sales segment represented 44.3% of the Group's revenue, the lettings segment represented 52.6% of the Group's revenue and the mortgage broking segment represented 2.9% of the Group's revenue.

#### *Sales segment*

Foxtons generates revenue from its sales segment by charging fees to its clients on sales transactions if sales contracts are exchanged. Fees are calculated as a percentage of the sales price achieved by Foxtons on behalf of its client. Sales commissions are earned on a "no sale, no fee" basis. In 2012, Foxtons' average sales commission rate was 2.5%. Foxtons charges a 2.5% rate for sole agency and 3.0% rate for multi-agency instructions on sales transactions, with the exception of its Woking and Guildford branches (which both charge 2.25% for sole agency and 3.0% for multi-agency instructions) and its New Homes and Investments team. Foxtons operates a strict policy of not allowing its employees to negotiate lower commission rates on sales transactions (other than its New Homes and Investments team as discussed below). Foxtons' commission rate for sales services provided by its New Homes and Investments team in relation to newly built homes is generally agreed by negotiation with the relevant house builder or property developer due to the larger volumes of properties sold by individual house builders and property developers, and ranged between 2.0% and 3.0% in 2012. In 2012, the average sales commission rate achieved by Foxtons' New Homes and Investments team in relation to the sale of newly built homes was 2.2%.

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<sup>#</sup> Percentage has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

### *Lettings segment*

Foxtons generates revenue from its lettings segment by charging fees to landlords on lettings transactions based on the value of the total rents payable by the tenant under the relevant tenancy agreement. Foxtons charges non-negotiable rates of 11% for initial long-lets, 20% for initial short-lets (and short-let renewals) and 9% for renewals of long-lets. Foxtons' fee for its comprehensive property management service is charged monthly at a rate of 6% of the monthly rent payable by the tenant under the relevant tenancy. Foxtons also charges fees to tenants and landlords in relation to certain tenancy-related matters, including a tenancy agreement fee of £350 plus VAT charged to tenants on each new long-let tenancy agreement and a fee of £175 plus VAT on each new short-let tenancy agreement. Administration fees for changes of occupancy during a tenancy are also charged to tenants. In addition, Foxtons receives commissions and other payments from contractors in connection with its comprehensive property management and lettings services, and also receives interest income on tenants' deposits held on behalf of landlords under secure deposit arrangements (although it has no rights to the capital amount of tenants' deposits).

### *Mortgage broking segment*

Alexander Hall generates revenue by charging a fixed administration fee per mortgage application submitted on behalf of clients and also receives procuration fees from lenders in return for distributing their mortgage products when a mortgage completes, typically calculated as a percentage of the value of the initial amount borrowed under the relevant mortgage product. Alexander Hall's current fixed administration fees are £499 for residential mortgage loans, 0.5% of the value of the mortgage loan in respect of buy-to-let properties, and 1% of the value of the mortgage loan in respect of overseas or commercial properties. Procuration fees are usually fixed by the relevant lender but they may be the subject of negotiation between the lender and Alexander Hall. Any such negotiations are usually conducted jointly with the Legal & General Mortgage Club (of which Alexander Hall is a member), although Alexander Hall may negotiate directly with a lender if the lender does not distribute its products via the Legal & General Mortgage Club. Some private banks do not pay procuration fees to mortgage intermediaries and therefore Alexander Hall will seek to agree bespoke fee arrangements with its clients where they are borrowing from such banks. Alexander Hall also receives commission paid by insurers for protection products introduced that go on risk, and commissions and referral fees from other providers of financial products (such as general insurance and currency exchange) whom it has recommended to its clients.

### *Other revenue*

Other revenue comprises revenue derived from ancillary sources and consists principally of solicitor referral fees paid following referrals by the Company in connection with property sales transactions and a limited amount of rental income from subletting parts of certain of its branches (typically self contained areas above a branch).

The revenue recognition policy of the Group is explained in note 3 in Part VII (*Historical Financial Information*).

### *Administrative expenses*

Administrative expenses comprise direct salary costs, support salaries, other staff costs, selling and marketing costs, motor, travel and entertainment expenses, building expenses and other expenses. In addition, administrative expenses also include profit or loss on disposal of property, plant and equipment, payments made under the Group's debt repayment incentive scheme and depreciation.

### *Direct salary costs*

The Group's direct salary costs comprise the cost of the Group's sales and lettings employees located in its branches, Area Directors and staff employed by Alexander Hall. Where the Group opens a new Foxtons branch and operates its "Zero" commission campaign, commission is still paid to sales staff even though the Group does not generate any revenue from property sales during that campaign and such commissions are included in direct salary costs.

### *Support salaries*

Support salaries are the salary costs of the Group's staff who provide operational support.

### *Other staff costs*

Other staff costs principally include employer's national insurance contributions on employees' benefits in kind (principally the provision of company cars) and the annual PAYE settlement for tax on certain staff entertainment costs and other benefits in kind (in respect of which the Group usually enters into a PAYE settlement agreement each year). In addition, other staff costs include training and recruitment costs. Other staff costs relate to both direct and support staff and are directly related to the average number of staff employed by the Group during each financial year.

### *Selling and marketing costs*

Selling and marketing costs principally comprise all third party marketing costs, for example, general newspaper advertising, internet portal listings, production of the Group's *AREA* magazine, signboards and direct marketing campaigns.

### *Motor, travel and entertainment expenses*

Motor, travel and entertainment expenses are directly related to branch staff with the majority of such expenses being related to the Group's fleet of cars. The majority of the Group's fleet of cars are subject to contract hire arrangements which are accounted for as operating leases, whereby the related rental expense is recorded as a motor, travel and entertainment expense. In addition to contract hire costs, there are other significant costs related to the Group's fleet of cars including insurance, parking, repairs and fuel costs.

### *Building expenses*

Building expenses are expenses in connection with the Group's branches and the Group's head office, and include rent (including rent paid under lease agreements entered into ahead of opening a new branch), rates, service charges, maintenance and utility costs.

### *Other expenses*

Other expenses comprise those other expenses which are required to run the Group's business including, amongst others, telecommunication costs, professional fees, stationery costs, bad debts, bank charges and IT expenses (such as the costs of software licences and hardware maintenance).

### *Profit on disposal of property, plant and equipment*

The profit on disposal of property, plant and equipment represents the difference between the proceeds received on the disposal of such assets and their net book value at the time of disposal.

### *Debt repayment incentive scheme*

The debt repayment incentive scheme was introduced at the time of the Group's consensual capital reorganisation in March 2010 to incentivise the Group's management to repay the Group's senior debt as quickly as possible. The total amount of payments which could be made under the scheme was limited to £5.0 million (plus an amount equal to the employer's national insurance contributions paid by the Group as a result of any payments made under the scheme). As at 30 June 2013, this limit had been reached and, therefore, no further accruals can be made in respect of the debt repayment incentive scheme. As at 30 June 2013, the Group had accrued an aggregate amount of £0.5 million<sup>†</sup> in respect of the final payments to be made under the debt repayment incentive scheme. As at the date of this Prospectus, that amount has not been paid out to those entitled to receive it.

### *Depreciation*

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 basis:

- leasehold improvements—over the term of the lease;

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<sup>†</sup> Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

- fixtures, fittings and equipment—between 20% and 25% straight-line; and
- motor vehicles—25% straight-line.

Assets held under hire purchase leases (such hire purchase leases are accounted for and described as finance leases for the purposes of Part VII (*Historical Financial Information*)) are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Goodwill is not amortised and other intangible assets consisting of the Foxtons brand are considered to have an indefinite life. Consequently there is no annual amortisation charge in respect of those assets. Goodwill and indefinite-lived intangible assets are tested annually for impairment at each balance sheet date.

### *Exceptional items*

Exceptional items are those items that the Group considers by virtue of their nature, size or incidence to be significant and unusual enough to warrant separate disclosure and explanation in the Group's financial statements. The following table sets out the exceptional items for the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>(Expense)/income</b>					
Abandoned Notting Hill Gate project <sup>(1)</sup> . . .	—	—	(1,118)	(1,066)	—
PAYE legal settlement receivable/ (payable) <sup>(2)</sup> . . . . .	1,844	(52)	(470)	—	—
OFT renewal commission case <sup>(3)</sup> . . . . .	2,845	420	—	—	—
<b>Total</b> . . . . .	<u>4,689</u>	<u>368</u>	<u>(1,588)</u>	<u>(1,066)</u>	<u>—</u>

#### Notes:

- (1) Foxtons was contractually committed, as part of the sale of its business in 2007, to redevelop 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 million settlement was made with the landlord. Additional project costs were also expensed, in the latter half of 2012, including design costs.
- (2) On 4 April 2011, a legal settlement was agreed for inadequate professional advice given to Foxtons prior to the sale of its 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' 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.
- (3) The credit relating to the OFT renewal commission case reflects the partial release of a provision booked in 2009 relating to a case brought against Foxtons by the OFT that resulted in the court deciding that Foxtons' renewal commission terms were not clear. Due to a lower incidence of claims than anticipated, a portion of the provision was not required and was therefore substantially released during 2010 and 2011.

### *Finance income*

Finance income consists of interest received on bank deposits (but does not include interest income on tenants' deposits held under secure deposit arrangements, which is included in revenue).

### *Finance costs*

Finance costs consist of interest on the Existing Debt Facilities, which the Company intends to repay in full using the net proceeds it receives from the Offer and £9.9 million of its existing cash resources (assuming repayment is made on 27 September 2013), and interest on hire purchase leases in relation to certain cars within the Group's fleet of cars.

The Group's results for 2010 included the write-off of capitalised loan costs of £6.7 million which related to the previous debt structure.



## ***Tax***

During the periods under review, the standard rates of corporation tax in the UK were 28% from 1 April 2009, 26% from 1 April 2011, 24% from 1 April 2012 and 23% from 1 April 2013. Changes to the standard rate of corporation tax were announced in the December 2012 UK budget statement. Based on that announcement, the standard rate of corporation tax will be reduced to 21% by 1 April 2014.

The Group's effective tax rate, which was 24.1% in HY2013, 16.5% in 2012, 22.1% in 2011 and 40.8% in 2010, may be affected by changes in UK tax laws or the interpretation of UK tax laws, including those tax laws relating to the utilisation of capital allowances, net operating losses and tax loss or credit carry forwards, changes in the Directors' assessment of certain matters, such as the ability to realise deferred tax assets and as a result of the Group's financial reporting periods being different from the tax years during which particular rates apply. For a reconciliation of the Group's effective tax rate to the standard rate, see note 12 in Part VII (*Historical Financial Information*).

The effective tax rate in 2010 was higher than the corporation tax rate of 28% principally due to the consensual capital reorganisation which took place in 2010. The effective tax rate in 2011 and 2012 was lower than the blended corporation tax rate of 26.5% and 24.5% respectively, principally due to the impact on deferred tax caused by the changes in the standard rate of corporation tax which led to a reduction in the Group's tax expense for each period. The Directors expect that in the future the Group's effective tax rate will be higher than it was in 2012 and expect it to move in line with the standard rate of corporation tax.

In 2012, the Group recorded a provision in its accounts of £23.5 million which related to a deferred tax liability on the valuation of the Foxtons brand. This potential liability will not crystallise unless the Foxtons brand is impaired (in which case the liability would be released, partially offsetting the associated impairment charge) or sold by the Group which could result in a cash outflow.

## **5. Use of Non-IFRS measures of financial performance**

The Group presents Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Costs, Adjusted Operating Cash Flow, Adjusted Cash Conversion and ROCE (collectively, "**Non-IFRS measures**"), which are not measures of financial performance under IFRS or other generally accepted accounting principles. These Non-IFRS measures are used by the Directors to assess the financial performance and liquidity of the Group. Such measures as presented in this Prospectus may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for, or superior to, measures calculated and presented in accordance with IFRS or those calculated using financial measures that are calculated in accordance with IFRS. The Non-IFRS measures should not be considered in isolation of, or as a substitute for, the Group's operating results as reported under IFRS. For further details of the Non-IFRS measures, including details of their limitations as analytical tools, see the section entitled "*Presentation of Information*".

### ***Adjusted EBITDA***

The Group defines Adjusted EBITDA as profit for the period before finance costs, finance income, tax, exceptional items, profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and depreciation. In addition to excluding finance costs, finance income, tax and depreciation from profit for the period, the Group further excludes exceptional items, profit on disposal of property, plant and equipment and costs of the debt repayment incentive scheme because the Company believes such items hinder comparison of the underlying performance of the Group's business (either period to period or with other businesses) and including them would not be representative of the trading performance of the Group. Adjusted EBITDA is presented in this Prospectus because the Company considers it to be an important supplemental measure of the Group's financial performance. Additionally, the Company believes this measure is frequently used by investors, securities analysts and other interested parties to evaluate the efficiency of a group's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. The following table sets out a

reconciliation of profit and total comprehensive income for each of the periods under review to Adjusted EBITDA for such period.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
<b>Profit and total comprehensive income for the period</b> . . . . .	<b>7,796</b>	<b>19,916</b>	<b>20,774</b>	<b>8,219</b>	<b>11,137</b>
Tax . . . . .	5,367	5,639	4,101	1,958	3,536
Finance costs . . . . .	18,470	6,921	6,634	3,423	2,825
Finance income . . . . .	(158)	(143)	(115)	(55)	(43)
Exceptional items . . . . .	(4,689)	(368)	1,588	1,066	—
Profit on disposal of property, plant and equipment . . . . .	(44)	(30)	(125)	(76)	(87)
Debt repayment incentive scheme . . . . .	1,639	1,912	1,841	560	283
Depreciation . . . . .	3,417	3,836	3,603	1,872	1,739
<b>Adjusted EBITDA</b> . . . . .	<b>31,798</b>	<b>37,683</b>	<b>38,300</b>	<b>16,967</b>	<b>19,390</b>

#### *Adjusted EBITDA Margin*

The Group defines Adjusted EBITDA Margin as Adjusted EBITDA divided by total revenue, expressed as a percentage. Adjusted EBITDA Margin is presented in this Prospectus because the Company considers it to be a useful measure for comparing the Group's margins in respect of its operations between periods without the distortions of exceptional and other non-operating items. The following table sets out the Adjusted EBITDA Margin for each of the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
				(unaudited)	
Adjusted EBITDA (£000) . . . . .	31,798	37,683	38,300	16,967	19,390
Total revenue (£000) . . . . .	103,072	116,353	119,955	56,673	62,601
<b>Adjusted EBITDA Margin (%)</b> . . . . .	<b>30.9</b>	<b>32.4</b>	<b>31.9</b>	<b>29.9</b>	<b>31.0</b>

#### *Adjusted Operating Costs*

The Group defines Adjusted Operating Costs as administrative expenses excluding profit on disposal of property, plant and equipment, costs of the debt repayment incentive scheme and depreciation. Adjusted Operating Costs is presented in this Prospectus because the Company considers it to be an important supplemental measure of the Group's cost structure given the Group's focus on Adjusted EBITDA. Adjusted Operating Costs is equal to the difference between the Group's revenues and Adjusted EBITDA. The following table sets out a reconciliation of administrative expenses for each of the periods under review to Adjusted Operating Costs for such period.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
<b>Administrative expenses</b> . . . . .	<b>(76,286)</b>	<b>(84,388)</b>	<b>(86,973)</b>	<b>(42,062)</b>	<b>(45,146)</b>
Profit on disposal of property, plant and equipment . . . . .	(44)	(30)	(125)	(76)	(87)
Debt repayment incentive scheme . . . . .	1,639	1,912	1,841	560	283
Depreciation . . . . .	3,417	3,836	3,603	1,872	1,739
<b>Adjusted Operating Costs</b> . . . . .	<b>(71,274)</b>	<b>(78,670)</b>	<b>(81,655)</b>	<b>(39,706)</b>	<b>(43,211)</b>

### *Adjusted Operating Cash Flow*

The Group defines Adjusted Operating Cash Flow as the sum of Adjusted EBITDA, change in working capital and purchases of property, plant and equipment net of proceeds on disposal of property, plant and equipment. Adjusted Operating Cash Flow is presented in this Prospectus because the Company believes that it provides a useful measure for comparing the Group's liquidity in respect of its operations period to period without the distortions of exceptional and other non-operating items. The following table sets out the Adjusted Operating Cash Flow for each of the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>Adjusted EBITDA</b> . . . . .	<b>31,798</b>	<b>37,683</b>	<b>38,300</b>	<b>16,967</b>	<b>19,390</b>
Change in working capital . . . . .	(6,178)	173	1,384	(96)	24
Purchases of property, plant and equipment . . . . .	(4,969)	(3,790)	(6,236)	(2,784)	(4,833)
Proceeds on disposal of property, plant and equipment . . . . .	330	404	514	331	270
<b>Adjusted Operating Cash Flow</b> . . . . .	<b>20,981</b>	<b>34,470</b>	<b>33,962</b>	<b>14,418</b>	<b>14,851</b>

### *Adjusted Cash Conversion*

The Group defines Adjusted Cash Conversion as Adjusted Operating Cash Flow divided by Adjusted EBITDA, expressed as a percentage. Adjusted Cash Conversion is presented in this Prospectus because the Company believes that it provides a useful measure for comparing the Group's liquidity in respect of its operations period to period, and to evaluate the efficiency with which the Group converts Adjusted EBITDA into cash. The following table sets out the Adjusted Cash Conversion for each of the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
Adjusted Operating Cash Flow (£000) . .	20,981	34,470	33,962	14,418	14,851
Adjusted EBITDA (£000) . . . . .	31,798	37,683	38,300	16,967	19,390
<b>Adjusted Cash Conversion (%)</b> . . . . .	<b>66.0</b>	<b>91.5</b>	<b>88.7</b>	<b>85.0</b>	<b>76.6</b>

### *ROCE*

ROCE is computed on a per branch basis as Adjusted EBITDA per branch (excluding head office costs) divided by the capital cost of fitting out that branch which includes all direct costs (being any partitioning, glasswork, electrical work, air conditioning, heating, lighting, office furniture and IT equipment and any associated professional fees). The Company believes ROCE provides an important alternative measure with which to assess the Group's branch expansion programme as it measures how effectively the Group is utilising its capital resources.

## **6. Key performance indicators**

The Group presents certain key performance indicators in this Prospectus. The Directors believe that these indicators are important to understanding the Group's performance from period to period and that they facilitate comparison with the Group's peers although these indicators may not be comparable with similarly titled performance indicators presented by others in the Group's industries and the methods of calculation may differ across those industries. These performance indicators are not intended to be a substitute for, or superior to, any IFRS measures of performance. These performance indicators are based on Company estimates, are not part of the Group's historical financial information and have not been

audited or otherwise reviewed by external auditors, consultants or experts. The Group's key performance indicators are:

- **Average number of branches**, which is defined as the aggregate of the number of Foxtons branches operating at the beginning and at the end of the relevant period divided by two.
- **Average total headcount**, which is defined as the sum of the number of staff employed by the Group at the middle of each month in the period divided by the number of months in the period.
- **Revenue per branch**, which is defined as the total Group revenue during the relevant period divided by the average number of branches during that period.
- **Revenue per employee**, which is defined as the total Group revenue during the relevant period divided by the average total headcount during that period.
- **Sales units**, which is defined as the total number of property sales transactions which have exchanged during the relevant period (excluding any property sales transactions which have arisen during any of the Group's "Zero" commission campaigns operated during the period).
- **Revenue per sales unit**, which is defined as the sales segment's revenue during the relevant period divided by the number of sales units during that period.
- **Lettings units**, which is defined as the aggregate of the number of long and short lets entered into by tenants and the number of renewals agreed between tenants and landlords during the relevant period.
- **Revenue per lettings unit**, which is defined as the lettings segment's revenue during the relevant period divided by the number of lettings units during that period.
- **Mortgage broking units**, which is defined as the total number of mortgages arranged by Alexander Hall during the relevant period.
- **Revenue per mortgage broking unit**, which is defined as the mortgage broking segment's revenue during the relevant period divided by the number of mortgage broking units during that period.

The Group's key performance indicators for the periods under review are set out in the following table.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
Total Group revenue (£000) . . . . .	103,072	116,353	119,955	56,673	62,601
Average number of branches . . . . .	26.5	30.5	34.5	34.0	39.5
Average total headcount . . . . .	975	1,074	1,068	1,034	1,163
Revenue per branch (£000) . . . . .	3,890	3,815	3,477	1,667	1,585
Revenue per employee (£000) . . . . .	106	108	112	55	54
Sales revenue (£000) . . . . .	45,989	52,666	53,084	25,257	28,530
Sales units . . . . .	3,645	4,406	4,512	2,098	2,441
Revenue per sales unit (£) . . . . .	12,617	11,953	11,765	12,038	11,688
Lettings revenue (£000) . . . . .	52,870	59,860	63,089	29,652	31,804
Lettings units . . . . .	17,514	18,904	19,242	9,129	10,027
Revenue per lettings unit (£) . . . . .	3,019	3,167	3,279	3,248	3,172
Mortgage broking revenue (£000) . . . . .	3,957	3,705	3,478	1,652	2,035
Mortgage broking units . . . . .	2,004	1,858	1,938	928	1,047
Revenue per mortgage broking unit (£) . . . . .	1,975	1,994	1,795	1,780	1,944

## 7. Results of operations

### Six months ended 30 June 2013 compared with six months ended 30 June 2012 (unaudited)

#### Revenue

The following table shows the Group's revenue by operating segment and the percentage each operating segment contributed to the Group's revenue in HY2012 (unaudited) and HY2013.

	Six months ended 30 June 2012		Six months ended 30 June 2013	
	(unaudited)			
	£000	%	£000	%
Sales . . . . .	25,257	44.6	28,530	45.6
Lettings . . . . .	29,652	52.3	31,804	50.8
Mortgage broking . . . . .	1,652	2.9	2,035	3.3
Other <sup>(1)</sup> . . . . .	112	0.2	232	0.3
Total . . . . .	<u>56,673</u>	<u>100</u>	<u>62,601</u>	<u>100</u>

Note:

- (1) "Other" has been included for the purposes of reconciling the operating segments to the Group's consolidated revenue. "Other" represents certain other revenues and costs which are not allocated to an operating segment.

Revenue increased by £5.9 million (10.4%) to £62.6 million in HY2013 (HY2012: £56.7 million). This increase was principally due to an increase of £3.3 million\* in the sales segment's commission revenue as a result of a higher number of property sales transactions. The lettings segment's revenue increased by £2.2 million principally due to an increase in the lettings segment's commission revenue relating to new lettings, renewals and property management offset partially by a small reduction in other lettings revenue. The increase in the lettings segment's commission revenue was principally due to the increasing maturity profile of the Group's branches and the opening of five new Foxtons branches during HY2013 which resulted in higher lettings transaction volumes. In HY2013, 62.6% of all lettings transaction volumes related to new lettings.

#### Administrative expenses

Administrative expenses increased by £3.1 million (7.3%) to £45.1 million in HY2013 (HY2012: £42.1 million). The following table sets out the Group's administrative expenses in HY2012 and HY2013.

	Six months ended 30 June 2012	Six months ended 30 June 2013
	(unaudited)	
	£000	£000
Direct salary costs . . . . .	16,101†	18,003†
Support salaries . . . . .	8,453†	8,739†
Other staff costs . . . . .	608†	761†
Selling and marketing costs . . . . .	1,851†	1,615†
Motor, travel and entertainment expenses . . . . .	4,171†	4,822†
Building expenses . . . . .	5,301†	6,221†
Other expenses . . . . .	3,223†	3,049†
Profit on disposal of property, plant and equipment . . . . .	(76)	(87)
Debt repayment incentive scheme . . . . .	560	283
Depreciation . . . . .	1,872	1,739
Total . . . . .	<u>42,064</u>	<u>45,145</u>

\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

#### *Direct salary costs*

Direct salary costs increased by £1.9 million\* to £18.0 million† in HY2013 (HY2012: £16.1 million†) principally as a result of an increase in commission payable to staff due to the increasing maturity profile of the Group's existing branches and the opening of five new Foxtons branches during HY2013.

#### *Support salaries*

Support salaries increased by £0.3 million\* to £8.7 million† in HY2013 (HY2012: £8.4 million†) principally as a result of an increase in the number of support staff as a result of the opening of five new Foxtons branches during HY2013 (HY2012: four new Foxtons branches).

#### *Other staff costs*

Other staff costs increased by £0.2 million\* to £0.8 million† in HY2013 (HY2012: £0.6 million†) principally due to increased tax rates in relation to staff entertainment costs and certain other benefits in kind provided to employees.

#### *Selling and marketing costs*

Selling and marketing costs reduced by £0.3 million\* to £1.6 million† in HY2013 (HY2012: £1.9 million†) principally as a result of a higher than usual marketing spend in HY2012 which was not repeated in HY2013. The higher than usual marketing spend in HY2012 was due to a one-off marketing campaign used to test the impact of a short term increase in marketing intensity across new and existing media on brand awareness and client acquisition. Following an analysis of the results of the effectiveness of the campaign, it was not repeated.

#### *Motor, travel and entertainment expenses*

Motor, travel and entertainment expenses increased by £0.6 million\* to £4.8 million† in HY2013 (HY2012: £4.2 million†) principally as a result of an increase in the number of staff employed in HY2013 compared to HY2012, meaning the Group provided a larger number of cars, and increased insurance and fuel costs.

#### *Building expenses*

Building expenses increased by £0.9 million\* to £6.2 million† in HY2013 (HY2012: £5.3 million†) principally as a result of the expansion of the Group's branch network by the opening of five new Foxtons branches in HY2013 (HY2012: four new Foxtons branches).

#### *Other expenses*

Other expenses decreased by £0.2 million\* to £3.0 million† in HY2013 (HY2012: £3.2 million†) with no single item causing a material decrease.

#### *Profit on disposal of property, plant and equipment*

There were no material changes in profit on disposal of property, plant and equipment between HY2013 and HY2012.

#### *Debt repayment incentive scheme*

Debt repayment incentive scheme payments decreased by £0.3 million to £0.3 million in HY2013 (HY2012: £0.6 million) as a result of the debt repayment incentive scheme reaching the limit of payments which could be made. As at 30 June 2013, the Group had accrued an aggregate amount of £0.5 million in respect of the final payments to be made under the debt repayment incentive scheme. As at the date of this Prospectus, that amount has not been paid out to those entitled to receive it.

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\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".



### *Depreciation*

Depreciation decreased by £0.2 million to £1.7 million in HY2013 (HY2012: £1.9 million) with the impact of the Group's five new Foxtons branches being more than offset by certain assets of the Group becoming fully depreciated.

### *Exceptional items*

In HY2013, the Group recorded no exceptional items (HY2012: £1.1 million exceptional charge). In HY2012, the exceptional charge related to the abandoned Notting Hill Gate project.

### *Finance income*

There were no material changes in finance income between HY2013 and HY2012.

### *Finance costs*

Finance costs fell by £0.6 million to £2.8 million in HY2013 (HY2012: £3.4 million) principally due to the voluntary early repayment of loans of £27.0 million†.

### *Tax*

The tax charge increased by £1.6 million in HY2013 to £3.6 million (HY2012: £2.0 million) principally due to the increased profitability of the Group.

### *Profit and total comprehensive income for the period*

Profit and total comprehensive income for the period increased by £2.9 million (35.5%) to £11.1 million in HY2013 (HY2012: £8.2 million) principally as a result of the factors set out above.

### *Adjusted EBITDA and Adjusted EBITDA Margin*

The Group increased its Adjusted EBITDA by £2.4 million in HY2013 to £19.4 million (HY2012: £17.0 million) principally as a result of the factors set out above. Despite the incremental cost of opening five new Foxtons branches during HY2013 (HY2012: four new Foxtons branches), the Group increased its Adjusted EBITDA Margin to 31.0% (HY2012: 29.9%).

## **2012 compared with 2011**

### *Revenue*

The following table shows the Group's revenue by operating segment and the percentage each operating segment contributed to the Group's revenue in 2011 and 2012.

	Year ended 31 December 2011		Year ended 31 December 2012	
	£000	%	£000	%
Sales . . . . .	52,666	45.3	53,084	44.3
Lettings . . . . .	59,860	51.4	63,089	52.6
Mortgage broking . . . . .	3,705	3.2	3,478	2.9
Other <sup>(1)</sup> . . . . .	122	0.1	304	0.2
Total . . . . .	<u>116,353</u>	<u>100</u>	<u>119,955</u>	<u>100</u>

Note:

(1) "Other" has been included for the purposes of reconciling the operating segments to the Group's consolidated revenue. "Other" represents certain other revenues and costs which are not allocated to an operating segment.

Revenue increased by £3.6 million (3.1%) to £120.0 million in 2012 (2011: £116.4 million). This increase was principally due to an increase in revenue from the lettings segment which increased by £3.2 million (5.3%) to £63.1 million in 2012 (2011: £59.9 million), principally as a result of an increase in lettings units (and in particular renewals). Despite a challenging sales market, the sales segment's commission revenue

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

increased by £0.4 million (0.8%) to £53.1 million in 2012 (2011: £52.7 million) as a result of a modest increase in sales units partially offset by a small decrease in sales commission per unit.

### *Administrative expenses*

Administrative expenses increased by £2.6 million (3.1%) to £87.0 million in 2012 (2011: £84.4 million). The following table sets out the Group's administrative expenses in 2011 and 2012.

	Year ended 31 December 2011	Year ended 31 December 2012
	£000	£000
Direct salary costs . . . . .	32,469†	33,893†
Support salaries . . . . .	17,140†	16,808†
Other staff costs . . . . .	1,078†	1,540†
Selling and marketing costs . . . . .	2,445†	3,202†
Motor, travel and entertainment expenses . . . . .	8,551†	9,094†
Building expenses . . . . .	9,949†	11,126†
Other expenses . . . . .	7,038†	5,992†
Profit on disposal of property, plant and equipment . . . . .	(30)	(126)
Debt repayment incentive scheme . . . . .	1,912	1,841
Depreciation . . . . .	3,836	3,603
Total . . . . .	<u>84,388</u>	<u>86,973</u>

### *Direct salary costs*

Direct salary costs increased by £1.4 million\* to £33.9 million† in 2012 (2011: £32.5 million†) principally as a result of an increase in commission payable to staff due to the opening of five new Foxtons branches during 2012.

### *Support salaries*

Support salaries decreased by £0.3 million\* to £16.8 million† in 2012 (2011: £17.1 million†) principally as a result of a reduction in employee numbers.

### *Other staff costs*

Other staff costs increased by £0.4 million\* to £1.5 million† in 2012 (2011: £1.1 million†) principally reflecting the impact of the increased costs incurred in the Group's annual PAYE settlement agreement, the increased cost of employer's national insurance contributions in relation to the provision of company cars (in turn principally a result of an increase in employee numbers), increased tax rates (which resulted in an additional £0.2 million\* cost), increased recruitment agency fees of £0.1 million\* and increases in staff training and other miscellaneous costs (which resulted in an additional £0.1 million\* cost).

### *Selling and marketing costs*

Selling and marketing costs increased by £0.8 million\* to £3.2 million† in 2012 (2011: £2.4 million†) principally as a result of higher marketing spend during HY2012 and the incremental cost of opening five new Foxtons branches during 2012 (2011: three new Foxtons branches). The higher than usual marketing spend in HY2012 was due to a one-off marketing campaign used to test the impact of a short term increase in marketing intensity across new and existing media on brand awareness and client acquisition.

### *Motor, travel and entertainment expenses*

Motor, travel and entertainment expenses increased by £0.5 million\* to £9.1 million† in 2012 (2011: £8.6 million†) principally as a result of an increase in the number of staff employed in 2012 compared to 2011, meaning the Group provided a larger number of cars, and increased insurance and fuel costs.

\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

### *Building expenses*

Building expenses increased by £1.2 million\* to £11.1 million† in 2012 (2011: £9.9 million†) principally as a result of the expansion of the Group's branch network, increased rates charges and increased rent charges at certain branches following periodic rent reviews.

### *Other expenses*

Other expenses decreased by £1.0 million\* to £6.0 million† in 2012 (2011: £7.0 million†) principally as a result of the successful settlement by Alexander Hall of an insurance claim which resulted in a net credit of £0.6 million† in 2012 (2011: £0.8 million† net cost). In addition, other expenses increased by £0.4 million\* with no single item causing a material increase.

### *Profit on disposal of property, plant and equipment*

Profit on disposal of property, plant and equipment increased to £0.1 million in 2012 (2011: £nil) as a result of the disposal of cars by the Group.

### *Debt repayment incentive scheme*

Debt repayment incentive scheme payments decreased by £0.1 million to £1.8 million in 2012 (2011: £1.9 million) principally as a result of lower debt repayments being made during 2012 leading to lower payments made under the scheme and a reduction in associated employer's national insurance contributions.

### *Depreciation*

Depreciation decreased by £0.2 million to £3.6 million in 2012 (2011: £3.8 million) principally due to certain assets in the more mature branches becoming fully depreciated, with the related decrease more than offsetting the incremental increase in depreciation from the new branches.

### *Exceptional items*

In 2012, the Group had two exceptional expenses of, in aggregate, £1.6 million (2011: in aggregate £0.4 million exceptional credit). The exceptional expenses comprised £1.1 million in respect of the abandoned Notting Hill Gate project and £0.5 million in respect of the release of a provision in respect of a payment made in connection with the PAYE legal settlement to the original vendors of the Group. In 2011, an exceptional credit reflected the partial release of the OFT renewal commission case provision (being £0.4 million) offset partially by the cost of the PAYE legal settlement payable (being £0.05 million). For further details, see note 11 in Part VII (*Historical Financial Information*).

### *Finance income*

There were no material changes in finance income between 2011 and 2012.

### *Finance costs*

Finance costs fell by £0.3 million to £6.6 million in 2012 (2011: £6.9 million) principally due to the voluntary early repayment of loans of £21.5 million. This was offset partially by the full year effect of the increase in the interest rate margin on the senior facility, which forms part of the Existing Debt Facilities, from 3.5% to 5% in October 2011.

### *Tax*

The tax charge fell by £1.5 million in 2012 to £4.1 million (2011: £5.6 million) principally due to a release of an outstanding tax provision from 2010 of £1.2 million and a reduction in the standard rate of UK corporation tax.

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\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

### *Profit and total comprehensive income for the period*

Profit and total comprehensive income for the period increased by £0.9 million (4.5%) to £20.8 million in 2012 (2011: £19.9 million) principally as a result of the factors set out above.

### *Adjusted EBITDA and Adjusted EBITDA Margin*

The Group increased its Adjusted EBITDA by £0.6 million in 2012 to £38.3 million (2011: £37.7 million) principally as a result of the factors set out above. Despite the incremental cost of opening five new Foxtons branches during the year (2011: three new Foxtons branches), the Group managed to maintain its Adjusted EBITDA Margin at 32%.

### **2011 compared with 2010**

#### *Revenue*

The following table shows the Group's revenue by operating segment and the percentage each operating segment contributed to the Group's revenue in 2010 and 2011.

	Year ended 31 December 2010		Year ended 31 December 2011	
	£000	%	£000	%
Sales . . . . .	45,989	44.6	52,666	45.3
Lettings . . . . .	52,870	51.3	59,860	51.4
Mortgage broking . . . . .	3,957	3.8	3,705	3.2
Other <sup>(1)</sup> . . . . .	256	0.3	122	0.1
Total . . . . .	103,072	100	116,353	100

Note:

(1) "Other" has been included for the purposes of reconciling the operating segments to the Group's consolidated revenue. "Other" represents certain other revenues and costs which are not allocated to an operating segment.

Revenue increased by £13.3 million (13%) to £116.4 million in 2011 (2010: £103.1 million). This increase was principally due to strong growth in both the sales and lettings segments. Sales revenue increased by £6.7 million which was principally sales transaction volume driven. The lettings segment's revenue increased by £7.0 million (13%) to £59.9 million in 2011 (2010: £52.9 million) due to strong growth in all elements of lettings revenue.

#### *Administrative expenses*

Administrative expenses increased by an aggregate amount of £8.1 million (10.6%) to £84.4 million in 2011 (2010: £76.3 million). The following table sets out the Group's administrative expenses in 2010 and 2011.

	Year ended 31 December 2010	Year ended 31 December 2011
	£000	£000
Direct salary costs . . . . .	29,054†	32,469†
Support salaries . . . . .	16,190†	17,140†
Other staff costs . . . . .	755†	1,078†
Selling and marketing costs . . . . .	2,663†	2,445†
Motor, travel and entertainment expenses . . . . .	7,483†	8,551†
Building expenses . . . . .	8,949†	9,949†
Other expenses . . . . .	6,180†	7,038†
Profit on disposal of property, plant and equipment . . . . .	(44)	(30)
Debt repayment incentive scheme . . . . .	1,639	1,912
Depreciation . . . . .	3,417	3,836
Total . . . . .	76,286	84,388

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

#### *Direct salary costs*

Direct salary costs increased by £3.4 million\* to £32.5 million† in 2011 (2010: £29.1 million†) principally as a result of an increase in commission payable to staff due to the increasing maturity profile of the Group's existing branches and the opening of three new Foxtons branches during 2011.

#### *Support salaries*

Support salaries increased by £0.9 million\* to £17.1 million† in 2011 (2010: £16.2 million†) principally as a result of the recruitment of a number of employees to support the Group's expansion strategy.

#### *Other staff costs*

Other staff costs increased by £0.3 million\* to £1.1 million† in 2011 (2010: £0.8 million†) principally as a result of the increased costs incurred in the Group's annual PAYE settlement agreement, together with the increased cost of employer's national insurance contributions as a result of increased employee numbers and an increase in the rate of national insurance contributions.

#### *Selling and marketing costs*

Selling and marketing costs decreased by £0.2 million\* to £2.4 million† in 2011 (2010: £2.7 million†) principally as a result of the reduction in marketing costs incurred in respect of branch openings during 2011 compared to 2010. This reduction was due to a reduction in the number of new branches opened during the year compared to 2010.

#### *Motor, travel and entertainment expenses*

Motor, travel and entertainment expenses increased by £1.0 million\* to £8.5 million† in 2011 (2010: £7.5 million†) principally as a result of an increase in the number of staff employed in 2011 compared to 2010, meaning the Group provided a larger number of cars, and increased insurance and fuel costs.

#### *Building expenses*

Building expenses increased by £1.0 million\* to £9.9 million† in 2011 (2010: £8.9 million†) principally as a result of the expansion of the Group's branch network, increased rates charges and increased rent charges at certain branches following periodic rent reviews.

#### *Other expenses*

Other expenses increased by £0.8 million\* to £7.0 million† in 2011 (2010: £6.2 million†) principally as a result of Alexander Hall incurring £0.4 million\* of legal costs. In addition, other expenses increased by a further £0.4 million\* with no single item causing a material increase.

#### *Profit on disposal of property, plant and equipment*

There were no material changes in profit on disposal of property, plant and equipment between 2010 and 2011.

#### *Debt repayment incentive scheme*

Debt repayment incentive scheme payments increased by £0.3 million to £1.9 million in 2011 (2010: £1.6 million) principally as a result of an increase in debt repayments made during 2011 and an increase in associated employer's national insurance contributions.

#### *Depreciation*

Depreciation increased by £0.4 million to £3.8 million in 2011 (2010: £3.4 million) principally due to an increase in fixed assets following the opening of new branches in 2010.

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\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "Presentation of Information".

### ***Exceptional items***

In 2011, the Group had a net exceptional credit of £0.4 million (2010: aggregate £4.7 million exceptional credit) which comprised the release of £0.4 million of the OFT renewal commission case provision offset partially by the costs of the PAYE legal settlement payable of £0.05 million. In 2010 the Group benefited from the release of the OFT renewal commission case provision, being £2.8 million, together with a PAYE legal settlement receivable of £1.8 million. For further details, see note 12 in Part VII (*Historical Financial Information*).

### ***Finance income***

There were no material changes in finance income between 2010 and 2011.

### ***Finance costs***

Finance costs fell by £11.5 million in 2011 to £6.9 million (2010: £18.4 million) principally as a result of higher interest costs in 2010 during the period before the Group's consensual capital reorganisation and the write-off of capitalised loan costs relating to the previous debt structure in March 2010.

### ***Tax***

The tax charge increased by £0.2 million in 2011 to £5.6 million (2010: £5.4 million) principally due to the increase in the Group's profit before tax. The increase in profit before tax resulted in the tax payable by the Group increasing by £3.1 million\* compared to 2010. The increase in tax payable was offset partially by the effect of reduced tax rates on deferred tax on the Group's brand asset (being £1.0 million) and the effect of unutilised tax losses in 2010 of £1.8 million not recurring in 2011.

### ***Profit and total comprehensive income for the period***

Profit and total comprehensive income for the period increased by £12.1 million (155%) to £19.9 million in 2011 (2010: £7.8 million) principally as a result of the factors set out above.

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

The Group increased its Adjusted EBITDA by £5.9 million in 2011 to £37.7 million (2010: £31.8 million) principally as a result of the factors set out above. Despite the incremental cost pressure of opening three new Foxtons branches during 2011 (2010: five new Foxtons branches), the Group increased its Adjusted EBITDA Margin to 32.4% (2010: 30.9%).

## **8. Current trading and prospects**

The Group's strong financial performance has continued since 30 June 2013, with results ahead of those of the same period in the prior year as well as being ahead of the Directors' expectations. Group revenue for the eight months ended August 2013 was £87.5 million, an increase of 12.3% compared with the same period in the prior year, with sales, lettings and mortgage broking revenue showing an increase of 15.2%, 8.9% and 30.2% respectively.

The Group reported operating profit of £27.0 million and Adjusted EBITDA of £29.1 million for the eight months ended August 2013, compared with £19.9 million and £23.2 million for the same period in the prior year, an increase of 36.0% and 21.8% respectively. The operating profit margin and Adjusted EBITDA Margin increased to 30.9% and 33.3% respectively for the eight months ended August 2013, compared with 25.5% and 30.7% for the same period in the prior year.

## **9. Liquidity and capital resources**

### ***Overview***

During the periods under review, the principal source of funds for the Group was cash generated from operations. During the periods under review, the Group's principal use of funds has been to fund:

- its branch expansion programme;
- interest payments and capital repayments under the Existing Debt Facilities;
- working capital; and
- corporation tax payments.

\* Amount has been derived using numbers extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".



The Company intends to use the net proceeds it receives from the Offer, together with £9.9 million of its existing cash resources, to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities (being payments of, in aggregate, £58.9 million assuming the payments occur on 27 September 2013).

The Group manages its cash on a daily basis with positive funds in its current accounts and has no need for an overdraft facility. The terms of the Group's £5.0 million revolving credit facility were amended and restated on 30 March 2010. However, no funds were drawn down under this facility and it was terminated in March 2013. Following Admission, the Group aims to hold a minimum of approximately £8.0 million of cash and/or cash equivalents at all times.

The Group's operating activities are highly cash generative and the Group requires a relatively low level of capital expenditure to support its planned branch expansion programme.

The Company is a holding company with no direct source of operating income. It is therefore dependent on dividend payments from its subsidiaries which are all 100% owned.

### *Cash flow*

The following table sets out information relating to the Group's cash flow statement and calculation of Adjusted Operating Cash Flow for the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited) £000	Six months ended 30 June 2013 £000
	£000	£000	£000	£000	£000
<b>Operating activities</b>					
<b>Operating profit</b> . . . . .	<b>31,475</b>	<b>32,333</b>	<b>31,394</b>	<b>13,545</b>	<b>17,455</b>
Adjustments for:					
Depreciation on property, plant and equipment . . . . .	3,417	3,836	3,603	1,872	1,739
Gain on disposal of property, plant and equipment . . . . .	(44)	(30)	(125)	(76)	(87)
Decrease in provisions . . . . .	(3,583)	(488)	(42)	(18)	2
<b>Operating Cash Flow before movements in working capital</b> . . . . .	<b>31,265</b>	<b>35,651</b>	<b>34,830</b>	<b>15,323</b>	<b>19,108</b>
<b>Change in working capital</b> . . . . .	<b>(6,178)</b>	<b>173</b>	<b>1,384</b>	<b>(96)</b>	<b>24</b>
Cash generated by operations . . . . .	25,087	35,824	36,214	15,228	19,132
Income taxes paid . . . . .	(1,148)	(5,659)	(7,074)	(3,579)	(2,772)
Net cash from operating activities . . . . .	<u>23,939</u>	<u>30,165</u>	<u>29,140</u>	<u>11,648</u>	<u>16,360</u>
<b>Investing activities</b>					
Interest received . . . . .	158	143	115	55	43
Proceeds on disposal of property, plant and equipment . . . . .	330	404	514	331	270
Purchases of property, plant and equipment . . . . .	(4,969)	(3,790)	(6,236)	(2,784)	(4,833)
Net cash used in investing activities . . . . .	<u>(4,481)</u>	<u>(3,243)</u>	<u>(5,607)</u>	<u>(2,398)</u>	<u>(4,520)</u>
<b>Financing activities</b>					
Net cash used in financing activities <sup>(1)</sup> . . . . .	<u>(20,945)</u>	<u>(29,548)</u>	<u>(27,497)</u>	<u>(9,936)</u>	<u>(7,076)</u>
Net (decrease) in cash and cash equivalents . . . . .	<u>(1,487)</u>	<u>(2,626)</u>	<u>(3,964)</u>	<u>(686)</u>	<u>(4,764)</u>
Cash and cash equivalents at beginning of period . . . . .	<u>17,851</u>	<u>16,364</u>	<u>13,738</u>	<u>13,738</u>	<u>9,774</u>
Cash and cash equivalents at end of period . . . . .	<u>16,364</u>	<u>13,738</u>	<u>9,774</u>	<u>13,052</u>	<u>14,538</u>
<b>Adjusted Operating Cash Flow<sup>(2)</sup></b> . . . . .	<b>20,981</b>	<b>34,470</b>	<b>33,962</b>	<b>14,418</b>	<b>14,851</b>
Adjusted EBITDA <sup>(3)</sup> . . . . .	31,798	37,683	38,300	16,967	19,390
Adjusted Cash Conversion <sup>(4)</sup> . . . . .	66.0%	91.5%	88.7%	85.0%	76.6%

Notes:

- (1) Net cash used in financing activities includes dividends paid, interest paid, repayments of borrowings, repayments and inflows from obligations under hire purchase leases (such hire purchase leases are accounted for and described as finance leases for the purposes of Part VII (*Historical Financial Information*)) and proceeds on issue of shares. For further information, see the consolidated cash flow statement for the periods under review in Part VII (*Historical Financial Information*).
- (2) For details of the definition of Adjusted Operating Cash Flow and for a calculation of Adjusted Operating Cash Flow for each of the periods under review, see section 5 of this Part V.
- (3) For a reconciliation of Adjusted EBITDA to profit and total comprehensive income for the period, see section 5 of this Part V.
- (4) For details of the definition of Adjusted Cash Conversion and for a calculation of Adjusted Cash Conversion for each of the periods under review, see section 5 of this Part V.

#### *Net cash from operating activities*

Net cash from operating activities increased by £4.8 million in HY2013 to £16.4 million (HY2012: £11.6 million) principally due to an increase in operating cash flow before movements in working capital of £3.8 million to £19.1 million (HY2012: £15.3 million), an increase of £0.1 million from changes in working capital and a decrease in taxes paid of £0.8 million during HY2013 as a result of group relief on interest payments from the Major Shareholder (the Company's immediate parent company).

Net cash from operating activities decreased by £1.1 million in 2012 to £29.1 million (2011: £30.2 million) principally due to a decrease in operating cash flow before movements in working capital of £0.9 million to £34.8 million (2011: £35.7 million), an increase in taxes paid of £1.4 million and payments of an additional £1.4 million in taxes as compared to 2011 due to the phasing of quarterly tax payments with the lower tax liability from 2010 being paid in 2011, offset partially by an increase of £1.2 million resulting from changes in working capital.

Net cash from operating activities increased by £6.3 million in 2011 to £30.2 million (2010: £23.9 million) principally due to an increase in operating cash flow before movements in working capital of £4.4 million to £35.7 million (2010: £31.3 million) and an increase of £6.4 million from changes in working capital, offset partially by an increase of £4.6 million in taxes paid. The increase in tax paid was principally due to an increase in the Group's profit for the period compared to 2010 and the phasing of quarterly tax payments. In 2010 the increase in working capital reflected both the aggregate amount of the PAYE legal settlement (for which payment was received in 2011) and the reduction of creditors in 2010 due to the payment of fees in connection with the consensual capital reorganisation which took place in 2010 (the costs of which had been accrued in 2009).

#### *Net cash used in investing activities*

Net cash used in investing activities increased by £2.1 million in HY2013 to £4.5 million (HY2012: £2.4 million). These cash outflows were principally related to the Group's branch expansion programme. In HY2013 the Group spent £4.8 million on purchases of property, plant and equipment (HY2012: £2.8 million), principally in connection with the opening of five new Foxtons branches (HY2012: four new Foxtons branches) and the opening of Alexander Hall's head office in Holborn in central London.

Net cash used in investing activities increased by £2.4 million in 2012 to £5.6 million (2011: £3.2 million). These cash outflows were principally related to the Group's branch expansion programme. In 2012 the Group spent £6.2 million on purchases of property, plant and equipment (2011: £3.8 million). This amount was spent principally in connection with the opening of five new Foxtons branches (2011: three new Foxtons branches) as well as in connection with a significant investment in the Group's IT infrastructure of £1.5 million† of which £1.0 million† was spent on improving the resilience of the Group's IT systems, including building a new server room at its headquarters.

Net cash used in investing activities decreased by £1.3 million in 2011 to £3.2 million (2010: £4.5 million). These cash outflows were principally related to the expenditure on branch openings. The Group spent £3.8 million on purchases of property, plant and equipment (2010: £5.0 million). During 2011, the Group opened three new Foxtons branches (2010: five new Foxtons branches).

#### *Net cash used in financing activities*

Net cash used in financing activities decreased by £2.8 million in HY2013 to £7.1 million (HY2012: £9.9 million). During HY2013, the Group's voluntary repayments under the Existing Debt Facilities and associated interest were £5.0 million and £1.8 million, respectively (HY2012: £7.0 million and £2.5 million, respectively).

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† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

Net cash used in financing activities decreased by £2.0 million in 2012 to £27.5 million (2011: £29.5 million). The £32.0 million dividends paid in 2012 related solely to the special ordinary shares in the Company held by Mizuho Corporate Bank, Ltd. Simultaneously with the payment of that dividend, BC European Capital subscribed for £32.0 million of shares in the Company and the special ordinary shares held by Mizuho Corporate Bank, Ltd. were converted into deferred shares. The remaining change in net cash from financing activities was due to lower voluntary repayments under the Existing Debt Facilities and interest paid on those facilities offset partially by repayments of obligations under hire purchase leases. In 2012 the Group repaid £22.0 million under the Existing Debt Facilities, a decrease of £3.4 million compared to 2011 (2011: £25.4 million). Interest paid in 2012 decreased by £0.4 million to £4.6 million (2011: £5.0 million). During 2011, the Group entered into sale and leaseback arrangements in relation to the majority of its owned vehicles which generated a net cash inflow of £0.8 million as compared to repayments of obligations under finance leases relating to the sale and leaseback arrangements of £0.9 million during 2012.

Net cash used in financing activities increased by £8.6 million in 2011 to £29.5 million (2010: £20.9 million). During 2011, the Group's voluntary repayments of the Existing Debt Facilities and associated interest were £25.4 million and £5.0 million, respectively (2010: £16.0 million and £4.2 million, respectively). During 2011, the Group entered a sale and leaseback of the majority of its owned vehicles which generated a £0.8 million net cash inflow as compared to repayments of obligations under finance leases of £0.8 million during 2010.

### ***Borrowings***

As of 31 August 2013 the Group's total outstanding borrowings, which comprised the Existing Debt Facilities, were £58.5 million†. It is intended that the net proceeds of the Offer received by the Company, together with £9.9 million of its existing cash resources (assuming repayment is made on 27 September 2013), will be used to repay in full the Existing Debt Facilities.

### ***2010 consensual capital reorganisation***

In 2008, following a material decline in the UK residential property sales market (see section 4.2 of Part I (*Information on the Company and the Group*)), FIH experienced a significant reduction in profitability and, as a result, its level of debt was not sustainable. BC European Capital, the previous ultimate controlling shareholder of FIH and its subsidiaries, in conjunction with Mizuho Corporate Bank, Ltd., Bank of America N.A. and certain entities affiliated with Partners Group, agreed the terms of a consensual capital reorganisation on 28 December 2009. The Company was incorporated on 18 December 2009 and acquired the entire issued share capital of FIH as part of the reorganisation when it completed on 30 March 2010. As part of this transaction, the Group's debt was reduced substantially to £125.0 million. The Group's debt following the reorganisation comprised senior debt of £75.0 million and subordinated debt of £50.0 million (being the Existing Debt Facilities). The fair value of the debt extinguished, which was established through acquisition accounting, was insignificant. For further details see notes 3, 5, 11 and 26 in Part VII (*Historical Financial Information*).

### ***The Existing Debt Facilities***

The Existing Debt Facilities are secured by debentures with a fixed and floating charge over the assets of the Company, FIH, Foxtons Operational Holdings Limited and Foxtons Limited. These companies have provided cross guarantees over their assets as security for the Existing Debt Facilities. The Existing Debt Facilities comprise the senior debt and the subordinated debt which are described below.

### ***Senior debt***

The Company entered into a £75.0 million term loan facility under a facility agreement dated 15 June 2007 (as amended and restated on 30 March 2010) with, among others, FIH, Mizuho Corporate Bank, Ltd. and Banc of America Securities Limited. The facility agreement contains standard covenants including covenants in relation to cash flow cover, interest cover and leverage. As at 31 August 2013, £16.6 million† was outstanding under this facility. This facility is repayable via an annual cash sweep (with the amount payable pursuant to the cash sweep being determined with reference to the amount of cash generated by the Group during the year) with the balance repayable on or before 30 March 2015. The cash sweep is dependent on cash generation during the relevant financial year. Interest is currently payable on this

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".

facility, in cash, at the rate of LIBOR plus a margin of 5%. This facility is also repayable in full on Admission becoming effective.

During 2012 the Group repaid £22.0 million of the amounts outstanding under this facility which comprised a £0.4 million mandatory repayment under the 2011 cash sweep obligation and a £21.6 million voluntary repayment. Due to the significant voluntary repayments made during 2012, no cash sweep repayment was required in respect of 2012. During the first half of 2013 a voluntary repayment of £5.0 million was made.

#### *Subordinated debt*

The Company entered into a £50.0 million term loan facility under a subordinated facility agreement on 30 March 2010 (as amended and restated on 30 March 2010) with, among others, FIH, Mizuho Corporate Bank, Ltd., Banc of America Securities Limited and FSFV Limited (a company wholly owned by BC European Capital). Interest is payable on this facility at the rate of LIBOR plus a margin of 10% (comprising 5% non-cash interest which rolls up into the outstanding loan amount and 5% cash interest). The facility agreement contains standard covenants including covenants in relation to cash flow cover, interest cover and leverage. During 2010, the Company repaid £15.0 million† of principal and the remaining outstanding amounts owed to Mizuho Corporate Bank, Ltd. and Banc of America Securities Limited were acquired by FSFV Limited. As at 31 August 2013, £41.9 million was outstanding under this facility (including accrued interest) which is repayable on 30 March 2016. This facility is also repayable in full on Admission becoming effective.

#### *Revolving credit facility*

The Company entered into a £5.0 million revolving credit facility under a facility agreement dated 15 June 2007 (as amended and restated on 30 March 2010) with, among others, FIH, Mizuho Corporate Bank, Ltd. and Banc of America Securities Limited. However, no funds were drawn down under this facility and it was terminated in March 2013. A commitment fee equal to 1.25% of the amounts available under this facility was paid by the Company annually until the facility was terminated.

#### *Capital expenditure*

The Group's capital expenditure comprises expenditure on leasehold improvements, furniture, fittings and equipment, IT hardware, the Group's fleet of cars and major projects which principally comprise the capital cost to open new branches. The Group commenced a significant expansion plan in 2010 opening five Foxtons branches in that year, three in 2011 and five in 2012. It has opened another five Foxtons branches in the first half of 2013 and a further two branches are expected to open during the second half of 2013. The Group intends to continue with its investment programme and the Group intends to open between five and 10 new Foxtons branches per annum between 2014 and 2018. During the periods under review, the Group has typically funded its capital expenditure through operating cash flow and expects to continue to do so in the future. The following table sets out the Group's capital expenditure during the periods under review.

	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Leasehold improvements . . . . .	31†	274†	40†	26†	3†
IT . . . . .	526†	261†	470†	184†	306†
Car fleet . . . . .	1,039†	385†	677†	353†	302†
Furniture, fittings and equipment . . . . .	180†	285†	138†	99†	150†
Major projects <sup>(1)</sup> . . . . .	3,193†	2,585†	4,911†	2,122†	4,072†
Total . . . . .	<u>4,969†</u>	<u>3,790†</u>	<u>6,236†</u>	<u>2,784†</u>	<u>4,833†</u>

Note:

(1) Major projects principally comprise the capital cost to open new branches. In 2012, the spend on major projects included a sum of £1.0 million† on improving the resilience of the Group's IT systems, including building a new server room at its headquarters.

The Directors expect the Group to incur capital expenditure of £2.0 million in the remainder of 2013. This capital expenditure will principally comprise expenditure in connection with the opening of two new Foxtons branches during 2013 and initial expenditure on branches scheduled to open in early 2014.

## 10. Off-balance sheet arrangements

The Group has no off-balance sheet arrangements other than:

- the portion of the contract hire arrangements in respect of the Group's fleet of cars that are classified as operating leases;
- its operating leases entered into in respect of branch properties; and
- the tenants' deposits it holds on behalf of landlords under secure deposit arrangements.

For further details of the Group's future minimum lease payments under its non-cancellable operating leases, see section 11 of this Part V.

## 11. Contractual obligations

The following table sets out, as at 30 June 2013, a summary of the Group's key contractual obligations and the payments that it will be obliged to make under those obligations.

	Less than 1 year	2-5 years	After 5 years	Total
	£000	£000	£000	£000
Leasehold property <sup>(1)</sup> . . . . .	120†	7,757†	57,368†	65,245†
Car fleet—Contract hire arrangements <sup>(2)</sup> . . . . .	285†	3,207†	—	3,492†
Car fleet—Sale and leaseback arrangements <sup>(2)</sup> . . . . .	125†	—	—	125†
Existing Debt Facilities <sup>(3)</sup> . . . . .	—	63,180†	—	63,180†
<b>Total</b> . . . . .	<b>530†</b>	<b>74,144†</b>	<b>57,368†</b>	<b>132,042†</b>

Notes:

- (1) Comprises minimum lease payments on leasehold properties for the Group's branch network, head office and warehouse.
- (2) The majority of the Group's fleet of cars is subject to contract hire arrangements pursuant to which the Group pays a monthly rental charge and, upon the expiry of the contract hire arrangements, those cars are returned to the counterparty. Contract hire arrangements are accounted for as operating leases. In 2011, the Group entered into sale and leaseback arrangements in respect of the majority of its owned cars as at that date. The Group makes both interest payments and capital payments under the sale and leaseback arrangements, which are considered hire purchase leases and treated for accounting purposes as finance leases.
- (3) It is intended that the net proceeds of the Offer receivable by the Company, together with £9.9 million of its existing cash resources (assuming repayment is made on 27 September 2013), will be used to repay in full the Existing Debt Facilities.

## 12. Pensions

The Group offers membership of a Scottish Widows defined contribution pension scheme. It does not make contributions on behalf of employees and employees must fund any contribution themselves. However, where an employee enters into a salary sacrifice arrangement, the Group contributes an amount equal to the employer's national insurance contribution that it has saved as a consequence of the salary sacrifice into that employee's pension scheme.

As with all employers in the UK, the Group will be impacted by the requirement to enrol all eligible jobholders (which includes all employees aged between 22 and the state pension age who earn over £9,440 in the tax year 2013-2014) into a defined contribution pension scheme automatically (a process known as auto-enrolment). Auto-enrolment requires the Group to make contributions to each participating jobholder's defined contribution pension (based on "qualifying earnings" (as defined below)) with effect from the Group's staging date. The Group's staging date is currently 1 October 2013 although the Group expects to postpone its staging date for three months (to 1 January 2014). During that three month period, eligible jobholders may elect to join a defined contribution pension scheme and so qualify for employer contributions. The Group has opted to adopt the qualifying earnings ("QE") basis of contributions. Qualifying earnings (for the purposes of the 2013-2014 tax year) are earnings between £5,668 and £41,450. Compulsory employer contributions are being phased in at a rate of 1% of a participating employee's QE until 30 September 2017, rising to 2% from 1 October 2017 until 30 September 2018 and 3% thereafter. The Directors believe that if all of the Group's employees as at August 2013 were to elect to participate in the scheme, the expected costs to the Group in the year immediately following the Group's staging date would not be material.

† Amount or percentage has been extracted from the unaudited accounting records used to compile the Group's IFRS historical financial information presented in Part VII (*Historical Financial Information*). See section 4 of the section entitled "*Presentation of Information*".



**13. Qualitative and quantitative disclosures on market risk**

The Company believes the primary components of market risk affecting the Group are interest rate risk, credit risk and liquidity risk. As it is intended that the net proceeds of the Offer receivable by the Company, together with £9.9 million of its existing cash resources (assuming repayment is made on 27 September 2013), will be used to repay in full the Existing Debt Facilities, any negative interest rate risk will be eliminated on Admission.

Following Admission, and subject to insignificant balances remaining on finance leases (including hire purchase leases), the Group's only exposure to interest rates will be in relation to its own cash balances and its cash balances in respect of tenants' deposits held under secure deposit arrangements.

For an analysis of the Group's interest rate, credit and liquidity risk management, see note 29 in Part VII (*Historical Financial Information*).

**14. Post-balance sheet events**

For details of the Group's post-balance sheet events, see note 33 in Part VII (*Historical Financial Information*).

**15. Related party transactions**

For details of the Group's related party transactions, see section 14 of Part XI (*Additional Information*).

**16. Critical judgements in applying the Group's accounting policies**

For details of critical judgements in applying the Group's accounting policies, see note 4 in Part VII (*Historical Financial Information*).

**17. Recent accounting pronouncements**

For details of recent accounting pronouncements, see note 2 in Part VII (*Historical Financial Information*).



## PART VI—CAPITALISATION AND INDEBTEDNESS

You should read the following tables together with Part V (*Operating and Financial Review*) and Part VII (*Historical Financial Information*). The following tables do not reflect the impact of the Offer on the Group's capitalisation and indebtedness (including receipt of the net proceeds of the Offer by the Company). Please refer to Part VIII (*Unaudited Pro Forma Statement of Net Assets*) for an analysis of the impact of the Offer on the consolidated net assets of the Group.

### 1. CAPITALISATION AND INDEBTEDNESS

The following table sets out the Group's consolidated capitalisation and indebtedness as at 30 June 2013. The capitalisation and indebtedness of the Group has been extracted without material adjustment from the historical financial information in Part VII (*Historical Financial Information*).

	As at 30 June 2013 £000
<b>Total current debt</b>	
Secured . . . . .	125
<b>Total non-current debt</b>	
Guaranteed . . . . .	—
Secured . . . . .	63,180
Unguaranteed/unsecured . . . . .	—
Total non-current debt . . . . .	63,180
<b>Total debt</b> . . . . .	<b>63,305</b>
<b>Shareholders' equity</b>	
Share capital . . . . .	—
Retained earnings . . . . .	67,920
<b>Total capitalisation</b> . . . . .	<b>67,920</b>
<b>Total capitalisation and indebtedness</b> . . . . .	<b>131,225</b>

There has been no material change to the Group's total capitalisation or indebtedness since 30 June 2013. The Bonus Issue and Share Consolidation resulted in an equal and opposite increase and decrease in share capital and retained earnings, respectively, in an amount of £5.2 million, having no impact on the Group's total capitalisation.

### 2. NET FINANCIAL INDEBTEDNESS

The following table sets out the total net financial indebtedness of the Group as at 30 June 2013, which has been extracted without material adjustment from the historical financial information in Part VII (*Historical Financial Information*).

	As at 30 June 2013 £000
Cash . . . . .	14,538
<b>Liquidity</b> . . . . .	<b>14,538</b>
Other current financial debt . . . . .	125
<b>Current financial debt</b> . . . . .	<b>125</b>
<b>Net current financial funds</b> . . . . .	<b>(14,413)</b>
Other non-current loans . . . . .	63,180
<b>Non-current financial indebtedness</b> . . . . .	<b>63,180</b>
<b>Net financial indebtedness</b> . . . . .	<b>48,767</b>

## PART VII—HISTORICAL FINANCIAL INFORMATION

### Section A: Accountants' report on consolidated historical financial information of the Group

**Deloitte.**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

The Board of Directors  
Foxtons Group plc  
Building One, Chiswick Park  
566 Chiswick High Road  
London  
W4 5BE

Credit Suisse Securities (Europe) Limited  
One Cabot Square  
London  
E14 4QJ

Numis Securities Limited  
10 Paternoster Square  
London  
EC4M 7LT

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

20 September 2013

Dear Sirs

#### **Foxtons Group plc**

We report on the financial information of Foxtons Group plc (the “**Company**”) and its subsidiaries (together with the Company, the “**Group**”) for the three years and six months ended 30 June 2013 set out in section B of Part VII of the prospectus dated 20 September 2013 (the “**Prospectus**”). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 3 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that requirement and for no other purpose.

We have not audited or reviewed the financial information for the six months ended 30 June 2012 which has been included for comparative purposes only, and accordingly do not express an opinion thereon.

#### **Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 3 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

## **Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

## **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at 31 December 2010, 31 December 2011, 31 December 2012 and 30 June 2013 and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 3 to the financial information.

## **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP  
Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

**Member of Deloitte Touche Tohmatsu Limited**

## Section B: Consolidated historical financial information of the Group

### Consolidated statement of comprehensive income

For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 (unaudited) and 30 June 2013

	Notes	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
		£000	£000	£000	£000	£000
Revenue						
Sales . . . . .		45,989	52,666	53,084	25,257	28,530
Lettings . . . . .		52,870	59,860	63,089	29,652	31,804
Mortgage Broking . . . . .		3,957	3,705	3,478	1,652	2,035
Other income . . . . .		256	122	304	112	232
Total revenue . . . . .	6	103,072	116,353	119,955	56,673	62,601
Administrative expenses . . . . .		(76,286)	(84,388)	(86,973)	(42,062)	(45,146)
<b>Operating profit before exceptional items . . . . .</b>		<b>26,786</b>	<b>31,965</b>	<b>32,982</b>	<b>14,611</b>	<b>17,455</b>
Exceptional items . . . . .	11	4,689	368	(1,588)	(1,066)	—
<b>Operating profit . . . . .</b>		<b>31,475</b>	<b>32,333</b>	<b>31,394</b>	<b>13,545</b>	<b>17,455</b>
Finance income . . . . .	9	158	143	115	55	43
Finance costs . . . . .	10	(18,470)	(6,921)	(6,634)	(3,423)	(2,825)
<b>Profit before tax . . . . .</b>		<b>13,163</b>	<b>25,555</b>	<b>24,875</b>	<b>10,177</b>	<b>14,673</b>
Tax . . . . .	12	(5,367)	(5,639)	(4,101)	(1,958)	(3,536)
<b>Profit and total comprehensive income for the period . . . . .</b>		<b>7,796</b>	<b>19,916</b>	<b>20,774</b>	<b>8,219</b>	<b>11,137</b>
<b>Earnings per share . . . . .</b>	14					
Basic and diluted (pence per share) . . . . .		10.62	27.03	28.16	11.14	15.10

As explained in note 3 “Basis of preparation” and note 5 “Combined Group results and cash flows”, the financial information for the year ended 31 December 2010 is the aggregate of Foxtons Intermediate Holdings Limited (“FIH”) (formerly known as Foxtons Intermediate Holdings 3 Limited) and its subsidiaries for the period ended 30 March 2010 and Foxtons Group plc (the “Company”) and its subsidiaries (collectively, the “Group”) for the period from 31 March 2010 to 31 December 2010. For all other periods the financial information presented is that of the Group.

As discussed in note 3, due to the impact of the acquisition that occurred in 2010 and the related acquisition accounting, the aggregated financial information, and in particular information relating to finance costs, for the year ended 31 December 2010 is not comparable with that of the Group for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 (unaudited) and 30 June 2013.

# **Consolidated balance sheet**

As at 31 December 2010, 2011 and 2012 and 30 June 2013

	Notes	31 December 2010 £000	31 December 2011 £000	31 December 2012 £000	30 June 2013 £000
<b>Non-current assets</b>					
Goodwill . . . . .	15, 26	19,168	19,168	19,168	19,168
Other intangible assets . . . . .	15	99,000	99,000	99,000	99,000
Property, plant and equipment . . . . .	16	16,307	15,887	18,131	21,043
Deferred tax assets . . . . .	20	1,367	778	537	724
		<u>135,842</u>	<u>134,833</u>	<u>136,836</u>	<u>139,935</u>
<b>Current assets</b>					
Trade and other receivables . . . . .	18	12,268	11,317	10,715	14,497
Prepayments . . . . .		4,630	5,103	6,630	5,194
Cash and cash equivalents . . . . .		16,364	13,738	9,774	14,538
		<u>33,262</u>	<u>30,158</u>	<u>27,119</u>	<u>34,229</u>
<b>Total assets</b> . . . . .		<u>169,104</u>	<u>164,991</u>	<u>163,955</u>	<u>174,164</u>
<b>Current liabilities</b>					
Trade and other payables . . . . .	22	(8,381)	(7,793)	(10,028)	(11,137)
Current tax liabilities . . . . .		(3,456)	(4,620)	(3,171)	(3,320)
Obligations under finance leases . . . . .	19, 21	(293)	(563)	(310)	(125)
Provisions . . . . .	23	(657)	(169)	(127)	(129)
Borrowings . . . . .	19	(3,365)	(739)	—	—
Deferred revenue . . . . .		(3,963)	(4,248)	(4,322)	(5,583)
		<u>(20,115)</u>	<u>(18,132)</u>	<u>(17,958)</u>	<u>(20,294)</u>
<b>Net current assets</b> . . . . .		<u>13,147</u>	<u>12,026</u>	<u>9,161</u>	<u>13,935</u>
<b>Non-current liabilities</b>					
Borrowings . . . . .	19	(107,317)	(86,459)	(67,165)	(63,180)
Obligations under finance leases . . . . .	19, 21	(70)	(656)	(80)	—
Deferred tax liabilities . . . . .	20	(27,040)	(25,266)	(23,500)	(22,770)
		<u>(134,427)</u>	<u>(112,381)</u>	<u>(90,745)</u>	<u>(85,950)</u>
<b>Total liabilities</b> . . . . .		<u>(154,542)</u>	<u>(130,513)</u>	<u>(108,703)</u>	<u>(106,244)</u>
<b>Net assets</b> . . . . .		<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>
<b>Equity</b>					
Share capital . . . . .	24	—	—	—	—
Retained earnings . . . . .		14,562	34,478	55,252	67,920
<b>Total equity</b> . . . . .		<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>

## Consolidated statement of changes in equity

For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2013

<u>Foxtons Intermediate Holdings Limited</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Total equity</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Balance at 1 January 2010</b> . . . . .	—	22,984	(255,221)	(232,237)
Total comprehensive income for the period . . . . .	—	—	(6,766)	(6,766)
<b>Balance at 30 March 2010</b> . . . . .	—	22,984	(261,987)	(239,003)
 <u>Foxtons Group plc</u>	 <u>Share capital</u>	 <u>Share premium</u>	 <u>Retained earnings</u>	 <u>Total equity</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
<b>Balance at 31 March 2010</b> . . . . .	—	—	—	—
Total comprehensive income for the period . . . . .	—	—	14,562	14,562
<b>Balance at 31 December 2010</b> . . . . .	—	—	14,562	14,562
Total comprehensive income for the year . . . . .	—	—	19,916	19,916
<b>Balance at 31 December 2011</b> . . . . .	—	—	34,478	34,478
Total comprehensive income for the year . . . . .	—	—	20,774	20,774
Issue of share capital . . . . .	—	32,000	—	32,000
Dividends . . . . .	—	—	(32,000)	(32,000)
Capital reduction . . . . .	—	(32,000)	32,000	—
<b>Balance at 31 December 2012</b> . . . . .	—	—	55,252	55,252
Total comprehensive income for the period . . . . .	—	—	11,137	11,137
Capital contribution (group relief) . . . . .	—	—	1,531	1,531
<b>Balance at 30 June 2013</b> . . . . .	—	—	67,920	67,920



## Consolidated cash flow statement

For the years ended 31 December 2010, 2011 and 2012 and six months ended 30 June 2012 (unaudited) and 30 June 2013

	Notes	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
		£000	£000	£000	£000	£000
<b>Net cash from operating activities</b>	27	23,939	30,165	29,140	11,648	16,360
<b>Investing activities</b>						
Interest received		158	143	115	55	43
Proceeds on disposal of property, plant and equipment		330	404	514	331	270
Purchases of property, plant and equipment		(4,969)	(3,790)	(6,236)	(2,784)	(4,833)
<b>Net cash used in investing activities</b>		(4,481)	(3,243)	(5,607)	(2,398)	(4,520)
<b>Financing activities</b>						
Dividends paid		—	—	(32,000)	—	—
Interest paid		(4,191)	(5,005)	(4,645)	(2,460)	(1,810)
Repayments of borrowings		(15,987)	(25,364)	(22,000)	(7,000)	(5,000)
(Repayments)/inflow of obligations under finance leases		(767)	821	(852)	(476)	(266)
Proceeds on issue of shares		—	—	32,000	—	—
<b>Net cash used in financing activities</b>		(20,945)	(29,548)	(27,497)	(9,936)	(7,076)
<b>Net decrease in cash and cash equivalents</b>		(1,487)	(2,626)	(3,964)	(686)	4,764
<b>Cash and cash equivalents at beginning of period</b>		17,851	16,364	13,738	13,738	9,774
<b>Cash and cash equivalents at end of period</b>		16,364	13,738	9,774	13,052	14,538

As explained in note 3 “Basis of preparation” and note 5 “Combined Group results and cash flows”, the financial information for the year ended 31 December 2010 is the aggregate of the cash flows of FIH and its subsidiaries for the period ended 30 March 2010 and of the Group for the period from 31 March 2010 to 31 December 2010. For all other periods the financial information presented is that of the Group.

As discussed in note 3, due to the impact of the acquisition that occurred in 2010 and the related acquisition accounting, the aggregated financial information, and in particular information relating to finance costs, for the year ended 31 December 2010 is not comparable with that of the Group for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 (unaudited) and 30 June 2013.

## 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.

As of 30 June 2013, 87.5% of the Company is owned by Adnams BBPM Holdings Limited, with certain members of management owning the remaining 12.5% of the shares. A ratchet mechanism in the Company’s articles of association may result in the entitlements arising from management’s shareholding increasing to up to 25% of the Company’s income, capital and voting rights upon the achievement of certain financial targets. Adnams BBPM Holdings Limited is 100% owned by Adnams BBPM Group Limited, which in turn is majority owned by funds advised by BC Partners (“**BC European Capital**”).

Prior to March 2010, the ownership percentages in the Company were as detailed in note 26. Following the capital reorganisation detailed in that note, Mizuho Corporate Bank, Ltd. (“**Mizuho**”) and Bank of America, N.A. (“**Bank of America**”) exited their equity stakes in the Company in two tranches (November 2010 and March 2012).

This historical financial information is 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 this historical financial information, the following standards and interpretations applicable to the Group’s financial statements which have not been applied in this historical financial information were in issue but not yet effective (any other standard not listed below has been applied in this historical financial information):

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

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

With the exception of the aggregation of the financial information for the year ended 31 December 2010 as discussed under “Basis of preparation” the historical financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) 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**”).

### 3. Significant accounting policies (continued)

This is the Group's first set of consolidated financial statements that comply with IFRS (except as stated above). Please refer to note 32 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 historical financial information for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 (unaudited) and 30 June 2013.

#### Basis of preparation

The historical financial information has 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.

On 30 March 2010, the Company (which was incorporated on 18 December 2009 as Adnams BBPM Ltd and is now known as Foxtons Group plc), purchased FIH and its subsidiaries. Concurrently, a consensual capital reorganisation was agreed. See note 26 for further details.

The financial information for the year ended 31 December 2010 is an aggregation of:

- the consolidated statement of comprehensive income and consolidated statement of cash flows of FIH and its subsidiaries for the period from 1 January 2010 to 30 March 2010 (the period until acquisition by the Company); and
- the consolidated financial information of the Company and its subsidiaries for the period from 31 March 2010 to 31 December 2010. Prior to the acquisition of FIH, the Company had no trading activities.

Information for the periods aggregated is presented in note 5. Such an approach of aggregating periods is not in accordance with the requirements of IFRS 3, which would exclude the pre-acquisition period from 1 January 2010 to 30 March 2010, but is in accordance with accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to Public Reporting Engagements on Historical Financial Reporting) issued by the UK Auditing Practices Board. In all other respects the financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

As a consequence of the application of acquisition accounting to reflect the acquisition of FIH by the Company on 30 March 2010, which resulted in the application of fair value adjustments at that date and changes to the financing structure of the Group as a result of the concurrent consensual capital reorganisation, the aggregated financial information for the year ended 31 December 2010 is not directly comparable with that of the Group for the years ended 31 December 2011 and 2012 and the six months ended 30 June 2012 (unaudited) and 30 June 2013.

For all other periods the historical financial information presented is that of the Group.

#### Basis of consolidation

The historical financial information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year and 30 June in the case of the six month periods. 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 period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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. The Directors have considered

### **3. Significant accounting policies (continued)**

the company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty, and are satisfied that the Group should be able to operate within the level of its current facilities. Accordingly, they have adopted the going concern basis in preparing the financial statements.

#### **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 profit or loss 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.

#### *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:

- (i) securing the letting for the landlord including rent collection; and
- (ii) managing the letting on behalf of the landlord.

### **3. Significant accounting policies (continued)**

Commissions earned on the above services are recognised as follows:

- (i) Commissions on securing the letting are recognised immediately subject to a deferral of revenue in recognition of the following:
  - a. 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.
- (ii) 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 three 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 IAS18, is included within Lettings revenue. See note 31.

#### **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.

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 profit or loss. 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 include project settlement costs, impairment of goodwill and legal expenses. See note 11.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

### 3. Significant accounting policies (continued)

#### *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.

#### **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

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 profit or loss.

#### **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



### 3. Significant accounting policies (continued)

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 profit or loss.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a 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.

##### *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 profit or loss.

##### *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.

### **3. Significant accounting policies (continued)**

#### *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 or 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.

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

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 financial statements.

##### **Revenue recognition**

###### *Allocation of consideration between deliverables*

Judgment is applied in determining how much revenue to allocate to commission and the rent collection fee earned under a lettings contract. The fair value of the rent collection fee is based upon management's estimate of the cost of such collections plus a reasonable profit margin.

###### *Estimate of deferred revenue*

For those contracts with break clauses, there is judgment involved around 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 judgment. 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 FIH 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%
- 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.

##### **Provisions**

When evaluating the impact of potential liabilities arising from claims against the Group, the Directors take legal and professional advice to assist them in arriving at their estimation of the liability taking into account the probability of the success of any claims and also the likely development of claims based on recent trends.

In 2008, the Group recorded a provision relating to a case brought against Foxtons Limited by the Office of Fair Trading ("OFT") that resulted in the court deciding that Foxtons Limited's renewal commission terms were not clear. The provision was established for potential claims. Judgements were made on setting up the provision to determine the initial amount recognised. As actual, justifiable and settled claims were ultimately lower than initial expectations the provision was substantially released during 2010 and 2011. See note 11.

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

##### ***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 below.

##### **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. Combined Group results and cash flows

The financial information for the year ended 31 December 2010 below represents the combination of the results of FIH and its subsidiaries for the period ended 30 March 2010 and of the Company and its subsidiaries for the period from 31 March 2010 to 31 December 2010.

	1 January 2010 to 30 March 2010	31 March 2010 to 31 December 2010	Combined year ended 31 December 2010
	£000	£000	£000
Revenue			
Sales . . . . .	10,894	35,095	45,989
Lettings . . . . .	11,500	41,370	52,870
Mortgage Broking . . . . .	967	2,990	3,957
Other income . . . . .	87	169	256
Total revenue . . . . .	23,448	79,624	103,072
Administrative expenses . . . . .	(17,203)	(59,083)	(76,286)
<b>Operating profit before exceptional items . . . . .</b>	<b>6,245</b>	<b>20,541</b>	<b>26,786</b>
Exceptional items . . . . .	—	4,689	4,689
<b>Operating profit after exceptional items . . . . .</b>	<b>6,245</b>	<b>25,230</b>	<b>31,475</b>
Finance income . . . . .	8	150	158
Finance costs . . . . .	(12,558)	(5,912)	(18,470)
<b>Profit before tax . . . . .</b>	<b>(6,305)</b>	<b>19,468</b>	<b>13,163</b>
Tax . . . . .	(460)	(4,907)	(5,367)
<b>(Loss)/Profit and total comprehensive income for the year . . . . .</b>	<b>(6,765)</b>	<b>14,561</b>	<b>7,796</b>
	1 January 2010 to 30 March 2010	31 March 2010 to 31 December 2010	Combined Year ended 31 December 2010
	£000	£000	£000
<b>Net cash from operating activities . . . . .</b>	<b>4,255</b>	<b>19,684</b>	<b>23,939</b>
<b>Investing activities</b>			
Interest received . . . . .	8	150	158
Proceeds on disposal of property, plant and equipment . . . . .	44	286	330
Purchases of property, plant and equipment . . . . .	(1,275)	(3,694)	(4,969)
<b>Net cash used in investing activities . . . . .</b>	<b>(1,223)</b>	<b>(3,258)</b>	<b>(4,481)</b>
<b>Financing activities</b>			
Interest paid . . . . .	(1)	(4,191)	(4,192)
Repayments of borrowings . . . . .	—	(15,986)	(15,986)
Repayment of obligations under finance leases . . . . .	(232)	(535)	(767)
<b>Net cash used in financing activities . . . . .</b>	<b>(233)</b>	<b>(20,712)</b>	<b>(20,945)</b>
<b>Net increase/(decrease) in cash and cash equivalents . . . . .</b>	<b>2,799</b>	<b>(4,286)</b>	<b>(1,487)</b>
<b>Cash and cash equivalents at beginning of period . . . . .</b>	<b>17,851</b>	<b>20,650</b>	<b>17,851</b>
<b>Cash and cash equivalents at end of period . . . . .</b>	<b>20,650</b>	<b>16,364</b>	<b>16,364</b>

## 6. 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 have identified that the Directors are the chief operating decision maker 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.

## 6. Business and geographical segments (continued)

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 combined year ended 31 December 2010:

	Sales	Lettings	Mortgage Broking	Total reportable segments	Other	Combined
	£000	£000	£000	£000	£000	£000
<b>Revenue</b> . . . . .	45,989	52,870	3,957	102,816	256	103,072
Adjusted EBITDA . . . . .	16,896	15,440	(534)	31,802	(4)	31,798
Depreciation . . . . .						(3,417)
Profit on disposal of property, plant and equipment . . . . .						44
Finance income . . . . .						158
Finance costs . . . . .						(18,470)
Exceptional items . . . . .						4,689
Debt repayment incentive scheme <sup>(1)</sup> . . . . .						(1,639)
Profit before tax . . . . .						13,163

Note:

- (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 maximum amount has been recorded as a charge to comprehensive income in the three years and six months ended 30 June 2013.



## 6. Business and geographical segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2011:

	Sales	Lettings	Mortgage Broking	Total reportable segments	Other	Consolidated
	£000	£000	£000	£000	£000	£000
<b>Revenue</b> . . . . .	52,666	59,860	3,705	116,231	122	116,353
Adjusted EBITDA . . . . .	18,928	19,835	(934)	37,829	(146)	37,683
Depreciation . . . . .						(3,836)
Profit on disposal of property, plant and equipment . . . . .						30
Finance income . . . . .						143
Finance costs . . . . .						(6,921)
Exceptional items . . . . .						368
Debt repayment incentive scheme . . . . .						(1,912)
Profit before tax . . . . .						25,555

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

	Sales	Lettings	Mortgage Broking	Total reportable segments	Other	Consolidated
	£000	£000	£000	£000	£000	£000
<b>Revenue</b> . . . . .	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
Finance income . . . . .						115
Finance costs . . . . .						(6,634)
Exceptional items . . . . .						(1,588)
Debt repayment incentive scheme . . . . .						(1,841)
Profit before tax . . . . .						24,875

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2012 (unaudited):

	Sales	Lettings	Mortgage Broking	Total reportable segments	Other	Consolidated
	£000	£000	£000	£000	£000	£000
<b>Revenue</b> . . . . .	25,257	29,652	1,652	56,561	112	56,673
Adjusted EBITDA . . . . .	7,596	9,700	(287)	17,009	(42)	16,967
Depreciation . . . . .						(1,872)
Profit on disposal of property, plant and equipment . . . . .						76
Finance income . . . . .						55
Finance costs . . . . .						(3,423)
Exceptional items . . . . .						(1,066)
Debt repayment incentive scheme . . . . .						(560)
Profit before tax . . . . .						10,177

## 6. Business and geographical segments (continued)

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June 2013:

	Sales	Lettings	Mortgage Broking	Total reportable segments	Other	Consolidated
	£000	£000	£000	£000	£000	£000
<b>Revenue</b> . . . . .	28,530	31,804	2,035	62,369	232	62,601
Adjusted EBITDA . . . . .	8,925	10,351	(56)	19,220	170	19,390
Depreciation . . . . .						(1,739)
Profit on disposal of property, plant and equipment . . . . .						87
Finance income . . . . .						43
Finance costs . . . . .						(2,825)
Exceptional items . . . . .						—
Debt repayment incentive scheme . . . . .						(283)
Profit before tax . . . . .						14,673

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.

## 7. Profit and total comprehensive income for the period

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

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Operating leases . . . . .	7,753	8,717	9,752	4,582	5,430
Depreciation of property, plant and equipment . . . . .	2,429	2,412	3,151	1,613	1,611
Depreciation—hire purchase assets . . . .	988	1,424	451	259	128
Gain on disposal of property, plant and equipment . . . . .	(44)	(30)	(125)	(76)	(87)
Staff costs (see note 8) . . . . .	45,244	49,570	50,702	24,555	26,733
Debt repayment incentive scheme (including related taxes) . . . . .	1,639	1,912	1,841	560	283

## 8. Staff costs

The average monthly number of full time equivalent employees (including executive directors) was:

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	Number	Number	Number	Number	Number
Sales . . . . .	557	635	667	631	739
Administration . . . . .	418	439	401	403	424
	975	1,074	1,068	1,034	1,163

## 8. Staff costs (continued)

Their aggregate remuneration comprised:

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
Wages and salaries . . . . .	40,796	44,572	45,364	21,986	24,079
Social security costs . . . . .	4,448	4,998	5,338	2,569	2,654
	<u>45,244</u>	<u>49,570</u>	<u>50,702</u>	<u>24,555</u>	<u>26,733</u>

## 9. Finance income

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
Interest income on bank deposits . . . . .	158	143	115	55	43
Total . . . . .	<u>158</u>	<u>143</u>	<u>115</u>	<u>55</u>	<u>43</u>

## 10. Finance costs

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012	Six months ended 30 June 2013
	£000	£000	£000	(unaudited) £000	£000
Interest on loans . . . . .	11,716	6,805	6,537	3,378	2,810
Amortisation of loan issue costs . . . . .	6,669	—	—	—	—
Interest on obligations under finance leases . . . . .	22	36	22	14	4
Commitment fee . . . . .	59	62	62	31	11
Other interest and similar charges payable . . . . .	4	18	13	—	—
Total . . . . .	<u>18,470</u>	<u>6,921</u>	<u>6,634</u>	<u>3,423</u>	<u>2,825</u>

The capital structure of the Group underwent a significant change on acquisition of FIH which involved a consensual capital reorganisation that had a material effect on interest paid and therefore the split of pre- and post-acquisition interest payable is set out below. This transaction is discussed in note 26.

	1 January to 30 March 2010	31 March to 31 December 2010	Combined Year ended 31 December 2010
	£000	£000	£000
Interest on loans . . . . .	5,889	5,827	11,716
Amortisation of loan issue costs . . . . .	6,669	—	6,669
Interest on obligations under finance leases . . . . .	—	22	22
Commitment fee . . . . .	—	59	59
Other interest and similar charges payable . . . . .	—	4	4
Total interest expense . . . . .	<u>12,558</u>	<u>5,912</u>	<u>18,470</u>

Amortisation of loan issue costs relates to the write-off of unamortised loan issue costs pertaining to the debt that was written off in the consensual capital reorganisation.

## 11. Exceptional items

The following table provides a breakdown of exceptional items:

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>Exceptional credit</b>					
OFT renewal commission case . . . . .	2,845	420	—	—	—
PAYE legal receivable . . . . .	1,844	—	—	—	—
<b>Exceptional expense</b>					
Abandoned Notting Hill Gate project . .	—	—	(1,118)	(1,066)	—
PAYE legal settlement payable . . . . .	—	(52)	(470)	—	—
Total exceptional items . . . . .	<u>4,689</u>	<u>368</u>	<u>(1,588)</u>	<u>(1,066)</u>	<u>—</u>

### OFT renewal commission case

This credit reflects the partial release of a provision booked in 2009 relating to a case brought against Foxtons by the OFT that resulted in the court deciding that Foxtons' renewal commission terms were not clear and a provision was established for potential claims. As actual, justifiable and settled claims were ultimately lower than initial expectations the provision was substantially released during 2010 and 2011.

### PAYE legal settlement receivable/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.

### Abandoned Notting Hill Gate project

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 million settlement was made with the landlord. Additional project costs were also expensed in the latter half of 2012, including design costs.

## 12. Tax

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012  (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>Current tax</b>					
Current period UK corporation tax . .	4,603	6,719	6,007	2,785	4,597
Group relief paid for . . . . .	—	—	800	—	—
Adjustments in respect of prior periods . . . . .	—	105	(1,181)	—	(143)
Total current tax . . . . .	4,603	6,824	5,626	2,875	4,454
<b>Deferred tax</b>					
Origination and reversal of temporary differences . . . . .	1,572	468	479	196	(900)
Impact of change in tax rate . . . . .	(951)	(1,931)	(1,963)	(982)	—
Adjustment in respect of prior periods	143	278	(41)	(41)	(18)
Total deferred tax . . . . .	764	(1,185)	(1,525)	(827)	(918)
Tax on profit on ordinary activities . . . .	5,367	5,639	4,101	1,958	3,536

Corporation tax for the six months ended 30 June 2013 is calculated at 23.25% (six months ended 30 June 2012: 25% (unaudited), years ended 31 December 2012: 24.5%, 2011: 26.5%, 2010: 28%) 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 Holdings Limited (Foxtons Group plc's immediate parent). In the 6 months ended 30 June 2013 the Group received tax losses which generated group relief of £1.5 million. This benefit has been treated as a capital contribution.

## 12. Tax (continued)

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

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Profit before tax . . . . .	13,163	25,555	24,875	10,177	14,673
Tax at the UK corporation tax rate (see above) . . . . .	3,686	6,772	6,094	2,544	3,412
Tax effect of expenses that are not deductible in determining taxable profit . . . . .	709	420	792	437	285
Adjustment in respect of previous periods . . . . .	143	378	(1,222)	(41)	(161)
Impact on deferred tax of change in tax rate . . . . .	(951)	(1,931)	(1,963)	(982)	—
Group relief paid in excess of tax rate . .	—	—	400	—	—
Tax losses not utilised . . . . .	1,780	—	—	—	—
Tax on profit on ordinary activities . . . .	<u>5,367</u>	<u>5,639</u>	<u>4,101</u>	<u>1,958</u>	<u>3,536</u>

## 13. Dividends

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Amounts recognised as distributions to equity holders in the period:					
Interim dividend for the six months ended 30 June 2013 of nil (six months ended 30 June 2012: nil (unaudited), years ended 31 December 2012: 172p, 2011: nil, 2010: nil) per special ordinary share. . . . .	—	—	32,000	—	—
	<u>—</u>	<u>—</u>	<u>32,000</u>	<u>—</u>	<u>—</u>

The dividend payment in 2012 relates solely to special ordinary shares held by Mizuho. Simultaneously, BC European Capital subscribed for £32 million of 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

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Earnings for the purposes of basic and diluted earnings per share being profit for the period . . . . .	7,796	19,916	20,774	8,219	11,137
<b>Number of shares</b>					
Weighted average number of ordinary and A-ordinary shares for the purposes of basic and diluted earnings per share . . . . .	73,408,537 <sup>(1)</sup>	73,684,983	73,777,131	73,777,131	73,777,131
Basic and diluted earnings per share (in pence per share) . . . . .	10.62	27.03	28.16	11.14	15.10
Adjusted for:					
Exceptional items . . . . .	(4,689)	(368)	1,588	1,066	—
Adjusted earnings . . . . .	3,107	19,548	22,362	9,285	11,137
Adjusted earnings per share (in pence per share) . . . . .	<u>4.23</u>	<u>26.53</u>	<u>30.31</u>	<u>12.59</u>	<u>15.09</u>

- (1) Given the changes in capital structure that occurred following the acquisition of FIH and its subsidiaries by the Company, it is not meaningful to combine pre-acquisition and post-acquisition share numbers. As such, the weighted average number of shares for the year ended 31 December 2010 represents the weighted average number of shares for the period from 31 March 2010 to 31 December 2010.

## 15. Intangible assets

### (a) Goodwill

Cost	£000
At 1 January 2010 . . . . .	—
Recognised on acquisition of a subsidiary . . . . .	19,168
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	19,168
<b>Accumulated impairment losses</b>	
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	—
<b>Carrying amount</b>	
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	<u>19,168</u>

Goodwill for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 (unaudited) and 30 June 2013 has been allocated to segments as follows: Sales £9,819, Lettings £9,349 and Mortgage Broking (£nil).

## 15. Intangible assets (continued)

### (b) Other intangible assets

	<u>Brand</u> <u>£000</u>
<b>Cost</b>	
At 1 January 2010 . . . . .	—
Acquired on acquisition of a subsidiary . . . . .	99,000
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	99,000
<b>Accumulated impairment losses</b>	
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	—
<b>Carrying amount</b>	
At 31 December 2010, 2011 and 2012 and 30 June 2013 . . . . .	<u>99,000</u>

The goodwill and other intangible assets recognised arose on the acquisition of FIH and its subsidiaries. See note 26.

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. The growth rates applied in the approved budgets and forecasts are based on past experience. 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 six months ended 30 June 2013 (years ended 31 December 2012: 2%, 2011: 2%, 2010: 2%) into perpetuity. The discount rate used is based on the Group's weighted average costs of capital (six months ended 30 June 2013: 11.16%, years ended 31 December 2012: 11.86%, 2011: 12.3%, 2010: 17.1%).

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.

There have been no indicators of impairment for either goodwill or the brand asset during the periods presented.

## 16. Property, plant and equipment

<u>Foxtons Intermediate Holdings Limited</u>	<u>Leasehold</u> <u>improvements</u> <u>£000</u>	<u>Fixtures,</u> <u>fittings and</u> <u>equipment</u> <u>£000</u>	<u>Motor</u> <u>vehicles</u> <u>£000</u>	<u>Assets</u> <u>under</u> <u>construction</u> <u>£000</u>	<u>Total</u> <u>£000</u>
<b>Cost or valuation</b>					
At 1 January 2010 . . . . .	14,275	12,906	3,444	156	30,781
Additions . . . . .	—	202	610	463	1,275
Disposals . . . . .	—	—	(117)	—	(117)
At 30 March 2010 . . . . .	14,275	13,108	3,937	619	31,939
<b>Accumulated depreciation and impairment</b>					
At 1 January 2010 . . . . .	4,674	10,076	989	—	15,739
Charge for the period . . . . .	318	287	204	—	809
Disposals . . . . .	—	—	(95)	—	(95)
At 30 March 2010 . . . . .	4,992	10,363	1,098	—	16,453
<b>Carrying amount</b>					
At 30 March 2010 . . . . .	<u>9,283</u>	<u>2,745</u>	<u>2,839</u>	<u>619</u>	<u>15,486</u>
At 1 January 2010 . . . . .	<u>9,601</u>	<u>2,830</u>	<u>2,455</u>	<u>156</u>	<u>15,042</u>

## 16. Property, plant and equipment (continued)

<b>Foxtons Group plc</b>	<b>Leasehold improvements</b>	<b>Fixtures, fittings and equipment</b>	<b>Motor vehicles</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
On acquisition of Foxtons Intermediate Holdings Limited . . . . .	9,283	2,745	2,839	619	15,486
Additions . . . . .	31	505	428	2,731	3,695
Disposals . . . . .	(148)	(1)	(406)	—	(555)
Reclassification/transfer . . . . .	2,201	806	—	(3,007)	—
At 31 December 2010 . . . . .	11,367	4,055	2,861	343	18,626
Additions . . . . .	274	553	385	2,578	3,790
Disposals . . . . .	—	(8)	(657)	—	(665)
Reclassification/transfer . . . . .	1,565	968	—	(2,533)	—
At 31 December 2011 . . . . .	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
Additions . . . . .	3	544	335	3,984	4,866
Disposals . . . . .	—	—	(682)	—	(682)
Reclassification/transfer . . . . .	4,130	1,137	—	(5,267)	—
At 30 June 2013 . . . . .	20,143	8,414	1,837	690	31,084
<b>Accumulated depreciation</b>					
On acquisition of Foxtons Intermediate Holdings Limited . . . . .	—	—	—	—	—
Charge for the period . . . . .	1,023	893	692	—	2,608
Disposals . . . . .	(138)	(1)	(150)	—	(289)
At 31 December 2010 . . . . .	885	892	542	—	2,319
Charge for the year . . . . .	1,558	1,450	828	—	3,836
Disposals . . . . .	—	(1)	(290)	—	(291)
At 31 December 2011 . . . . .	2,443	2,341	1,080	—	5,864
Charge for the year . . . . .	1,662	1,299	642	—	3,603
Disposals . . . . .	—	(2)	(696)	—	(698)
At 31 December 2012 . . . . .	4,105	3,638	1,026	—	8,769
Charge for the period . . . . .	865	611	263	—	1,739
Disposals . . . . .	—	—	(467)	—	(467)
At 30 June 2013 . . . . .	4,970	4,249	822	—	10,041
<b>Carrying amount</b>					
At 30 June 2013 . . . . .	15,173	4,165	1,015	690	21,043
At 31 December 2012 . . . . .	11,905	3,095	1,158	1,973	18,131
At 31 December 2011 . . . . .	10,763	3,227	1,509	388	15,887
At 31 December 2010 . . . . .	10,482	3,163	2,319	343	16,307
At 31 March 2010 . . . . .	9,283	2,745	2,839	619	15,486

## 16. Property, plant and equipment (continued)

The Group has finance leases with the following carrying values:

### Carrying amount of finance leases

	Leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Assets under construction	Total
	£000	£000	£000	£000	£000
At 30 June 2013 . . . . .	—	—	125	—	125
At 31 December 2012 . . . . .	—	—	387	—	387
At 31 December 2011 . . . . .	—	—	1,176	—	1,176
At 31 December 2010 . . . . .	—	659	155	—	814

## 17. Subsidiaries

A list of the significant investments in subsidiaries is included below:

Name	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held
		%	%
Foxtons Intermediate Holdings Limited . . . . .	United Kingdom	100%	100%
Foxtons Operational Holdings Limited . . . . .	United Kingdom	100%	100%
Foxtons Limited . . . . .	United Kingdom	100%	100%
Alexander Hall Associates Limited . . . . .	United Kingdom	100%	100%
Alexander Hall Direct Limited . . . . .	United Kingdom	100%	100%

## 18. Trade and other receivables

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Trade receivables . . . . .	9,127	12,045	11,822	15,569
Allowance for doubtful debts . . . . .	(358)	(1,229)	(1,681)	(1,438)
Net trade receivables . . . . .	8,769	10,816	10,141	14,131
Other debtors . . . . .	3,499	501	574	366
	<u>12,268</u>	<u>11,317</u>	<u>10,715</u>	<u>14,497</u>

The figures shown above for Trade receivables and Allowance for doubtful debts reflect the fair value exercise performed on the acquisition of the subsidiary on 30 March 2010, as outlined in Note 26.

The book values of the Trade receivables and Allowance for doubtful debts figures disclosed above prior to fair value adjustments are included in the table below.

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Trade receivables . . . . .	10,957	13,156	12,272	15,758
Allowance for doubtful debts . . . . .	(2,188)	(2,340)	(2,131)	(1,627)
Net trade receivables . . . . .	<u>8,769</u>	<u>10,816</u>	<u>10,141</u>	<u>14,131</u>

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 may be collected over time through the initial rental payments received. The Group has recognised an allowance for doubtful

## 18. Trade and other receivables (continued)

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 (which include interest accrued after the receivable is over 30 days outstanding) are still considered recoverable.

Movement in the allowance for doubtful debts

<u>Foxtons Intermediate Holdings Limited</u>	<u>Allowance for doubtful debts</u>
	<u>£000</u>
1 January 2010 .....	(3,257)
Charged to the Income Statement during the period .....	(50)
Amounts utilised during the period .....	435
At 30 March 2010 .....	<u>(2,872)</u>
 <u>Foxtons Group plc</u>	 <u>Allowance for doubtful debts</u>
	<u>£000</u>
On acquisition of Foxtons Intermediate Holdings Limited .....	(2,872)
Charged to the Consolidated Statement of Comprehensive Income during the period ...	(298)
Amounts utilised during the period .....	982
At 31 December 2010 .....	<u>(2,188)</u>
Charged to the Consolidated Statement of Comprehensive Income during the year .....	(553)
Amounts utilised during the year .....	401
At 31 December 2011 .....	<u>(2,340)</u>
Charged to the Consolidated Statement of Comprehensive Income during the year .....	(710)
Amounts utilised during the year .....	919
At 31 December 2012 .....	<u>(2,131)</u>
Charged to the Consolidated Statement of Comprehensive Income during the period ...	(60)
Amounts utilised during the period .....	564
At 30 June 2013 .....	<u>(1,627)</u>

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.

## 19. Borrowings

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
<b>Secured borrowing at amortised cost</b>				
Loans				
Senior debt . . . . .	74,015	48,649	26,650	21,650
Subordinated debt . . . . .	36,667	38,549	40,515	41,530
Finance lease liabilities (see note 21) . . . . .	363	1,219	390	125
	<u>111,045</u>	<u>88,417</u>	<u>67,555</u>	<u>63,305</u>
<b>Total borrowings</b>				
Amount due for settlement within 12 months . . . . .	<u>3,658</u>	<u>1,302</u>	<u>310</u>	<u>125</u>
Amount due for settlement after 12 months . . . . .	<u>107,387</u>	<u>87,115</u>	<u>67,245</u>	<u>63,180</u>

The other principal features of the Group's borrowings are as follows:

- (i) Loans are secured by debentures with a fixed and floating charge over the assets of the Company, FIH, Foxtons Operational Holdings Limited and Foxtons Limited. These companies have provided cross guarantees over their assets as security against the loans.

The senior debt of £26.6 million is repayable via an annual cash sweep of excess cash with the balance remaining due in 2015. The cash sweep is 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).
- £21,536,390—Voluntary repayment at par.

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

In the six months ended 30 June 2013 the Group made a further voluntary repayment of £5 million.

The subordinated debt of £40.5 million is owned by FSFV Limited (which is wholly owned by BC European Capital) and is repayable in 2016.

Interest is 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 is non-cash and rolls up into the loan.

The loans are 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:

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	%	%	%	%
Senior debt . . . . .	4.1	4.6	5.6	5.5
Subordinated debt . . . . .	10.6	10.6	10.6	10.5
Finance lease liabilities . . . . .	2.9	2.9	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:

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Deferred tax assets . . . . .	1,367	778	537	724
Deferred tax liabilities . . . . .	(27,040)	(25,266)	(23,500)	(22,770)
	<u>(25,673)</u>	<u>(24,488)</u>	<u>(22,963)</u>	<u>(22,046)</u>

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.

<u>Foxtons Intermediate Holdings Limited</u>	Fixed assets	Other temporary differences	Tax losses carried forward	Intangible assets	Total
	£000	£000	£000	£000	£000
At 1 January 2010 . . . . .	1,737	698	376	—	2,811
Charge to profit or loss . . . . .	(277)	(184)	—	—	(461)
At 30 March 2010 . . . . .	<u>1,460</u>	<u>514</u>	<u>376</u>	<u>—</u>	<u>2,350</u>

<u>Foxtons Group plc</u>	Fixed assets	Other temporary differences	Tax losses carried forward	Intangible assets	Total
	£000	£000	£000	£000	£000
On acquisition of Foxtons Intermediate Holdings Limited . . . . .	1,460	514	376	(27,720)	(25,370)
(Charge)/credit to profit or loss . . . . .	(456)	(824)	(13)	990	(303)
At 1 January 2011 . . . . .	1,004	(310)	363	(26,730)	(25,673)
(Charge)/credit to profit or loss . . . . .	(319)	(206)	(270)	1,980	1,185
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 . . . . .	(27)	966	(22)	—	917
At 30 June 2013 . . . . .	<u>322</u>	<u>330</u>	<u>72</u>	<u>(22,770)</u>	<u>(22,046)</u>

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 for the six months ended 30 June 2013 (six months ended 30 June 2012: £1.4 million (unaudited); years ended 31 December 2012: £1.3 million; 2011: £1.5 million; 2010: £1.5 million). In addition no deferred tax asset has been recognised in respect of £45.1 million of unused tax losses in FIH for the year ended 31 December 2011 (2010: £45.1 million) as it is not considered probable that there will be sufficient future taxable profits available to utilise these losses.

## 21. Obligations under finance leases

	Minimum lease payments			
	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
<b>Amounts payable under finance leases:</b>				
Within one year . . . . .	293	563	310	125
In the second to fifth years inclusive . . . . .	70	656	80	—
After five years . . . . .	—	—	—	—
Total minimum lease payments . . . . .	<u>363</u>	<u>1,219</u>	<u>390</u>	<u>125</u>

It is the Group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term on inception is three years. For the six months ended 30 June 2013, the average effective borrowing rate was 2.9% (years ended 31 December 2012: 2.9%, 2011: 2.9%, 2010: 2.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The lease agreement terms include 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.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

During the course of 2011 the Group entered into a sale and leaseback of a number of motor vehicles which generated a cash inflow of £1.8 million.

## 22. Trade and other payables

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Trade creditors and accruals . . . . .	1,550	1,501	2,208	3,869
Social security and other taxes . . . . .	2,570	2,503	2,769	3,216
VAT . . . . .	893	1,372	1,445	2,170
Accruals . . . . .	2,133	2,236	2,968	1,659
Other creditors . . . . .	<u>1,235</u>	<u>181</u>	<u>638</u>	<u>223</u>
	<u>8,381</u>	<u>7,793</u>	<u>10,028</u>	<u>11,137</u>

The Directors consider that the carrying amount of trade payables approximates their fair value. Trade creditor days as at 30 June 2013 were on average 23 days (31 December 2012: 25 days; 2011: 21 days; 2010: 22 days).

## 23. Provisions

<u>Foxtons Intermediate Holdings Limited</u>	<u>OFT Renewal provision</u>	<u>Other provisions</u>	<u>Total</u>
	£000	£000	£000
At 1 January 2010 . . . . .	4,000	241	4,241
Utilisation of provision . . . . .	(79)	—	(79)
At 30 March 2010 . . . . .	<u>3,921</u>	<u>241</u>	<u>4,162</u>

## 23. Provisions (continued)

<u>Foxtons Group plc</u>	<u>OFT Renewal provision</u>	<u>Other provisions</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
On acquisition of Foxtons Intermediate Holdings Limited . . . . .	3,921	241	4,162
Utilisation of provision . . . . .	(576)	(57)	(633)
Release of provision . . . . .	(2,845)	(27)	(2,872)
At 31 December 2010 . . . . .	500	157	657
Utilisation of provision . . . . .	(30)	(73)	(103)
Release of provision . . . . .	(420)	35	(385)
At 31 December 2011 . . . . .	50	119	169
Utilisation of provision . . . . .	(32)	—	(32)
Increase in provision . . . . .	—	16	16
Release of provision . . . . .	—	(26)	(26)
At 31 December 2012 . . . . .	18	109	127
Utilisation of provision . . . . .	(8)	(8)	(16)
Increase in provision . . . . .	—	18	18
Release of provision . . . . .	—	—	—
At 30 June 2013 . . . . .	<u>10</u>	<u>119</u>	<u>129</u>

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

### OFT provision

These costs relate 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. The provision was created in 2009. As actual, justifiable and settled claims were ultimately lower than initial expectations the provision was substantially released during 2010 and 2011.

### Other provisions

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

- **Sales provision:** As at 30 June 2013: £63k (31 December 2012: £63k; 2011: £63k; 2010: £119k)—relates to the repayment of commissions which are expected to be used within the following four years.
- **All other provision:** As at 30 June 2013: £56k (31 December 2012: £47k; 2011: £56k; 2010: £39k)—relates to unresolved client complaints which may result in compensation.

## 24. Share capital

	<u>31 December 2010</u>	<u>31 December 2011</u>	<u>31 December 2012</u>	<u>30 June 2013</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<b>Allotted, issued and fully paid:</b>				
9,222,141 ordinary shares of £0.00000136 each . . . . .	12	13	13	13
64,554,990 A-ordinary shares of £0.00000136 each . . . .	88	88	88	88
18,556,942 deferred shares of £0.00000136 each . . . . .	—	—	25	25
	<u>100</u>	<u>101</u>	<u>126</u>	<u>126</u>

## 24. Share capital (continued)

	Ordinary shares	A-ordinary shares	Special ordinary shares	Deferred shares
	£	£	£	£
At 1 January 2010 . . . . .	—	—	—	—
8,853,547 ordinary shares . . . . .	12	—	—	—
64,554,990 A-ordinary shares . . . . .	—	88	—	—
At 31 December 2010 . . . . .	12	88	—	—
368,594 ordinary shares issued . . . . .	1	—	—	—
At 31 December 2011 . . . . .	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 . . . . .	13	88	—	25
At 30 June 2013 . . . . .	13	88	—	25

18,556,942 A-ordinary shares were issued during 2012 which generated a share premium of £32 million. A-ordinary shares have the same voting rights and rank pari-passu to ordinary shares. A capital reduction was subsequently undertaken to eliminate the share premium. The same number of A-ordinary shares was then converted into special ordinary shares and a dividend of £32 million was paid to the special ordinary shareholder, Mizuho. The special ordinary shares were then converted into deferred shares which have no voting rights attached. Upon liquidation, the deferred shares have no rights in the residual value of the Company.

## 25. Share premium account

	Share premium £000
Balance at 31 December 2010 and 2011 . . . . .	—
Premium arising on issue of equity shares . . . . .	32,000
Capital reduction (see note 24) . . . . .	(32,000)
Balance at 31 December 2012 and 30 June 2013 . . . . .	—

## 26. Acquisition of subsidiary

BC European Capital, the previous ultimate controlling shareholder of FIH and its subsidiaries, in conjunction with Mizuho, Bank of America and certain entities affiliated with Partners Group (“Partners”), incorporated the Company on 18 December 2009. Taking into account shares issued to certain members of management and to a non-executive director on 30 March 2010, their respective ownership interests were 31.2%, 27.8%, 26.9% and 1.0% (the remaining 13.1% being that issued to certain members of management and the non-executive director).

On 30 March 2010, the Company acquired 100% of the issued share capital of FIH. As part of the same transaction, Mizuho, Bank of America and Partners agreed a consensual capital reorganisation with the Group, culminating in the partial extinguishment of the previously outstanding debt of the Group. The debt balance following this transaction was £125 million (being £75 million senior and £50 million subordinated debt). The fair value of the debt extinguished, which was established through acquisition accounting, and the equity issued in the aforementioned transaction was insignificant.

The main trading subsidiaries of FIH are Foxtons Limited and Alexander Hall Associates Limited.

## 26. Acquisition of subsidiary (continued)

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed in the acquisition made by the Company on 30 March 2010 are as set out in the table below.

	£000
Tangible fixed assets . . . . .	15,485
Trade and other receivables . . . . .	14,755
Cash and cash equivalents . . . . .	20,650
Brand name . . . . .	99,000
Loans . . . . .	(125,000)
Hire purchase loans . . . . .	(877)
Trade payables . . . . .	(3,366)
Accruals . . . . .	(10,282)
Provisions . . . . .	(4,162)
Deferred tax assets . . . . .	2,350
Deferred tax liabilities . . . . .	(27,720)
Total identifiable net liabilities . . . . .	(19,167)
Goodwill . . . . .	19,168
Total consideration . . . . .	<u>1</u>
	£
Satisfied by:	
Cash . . . . .	<u>1</u>
Total consideration transferred . . . . .	<u>1</u>

None of the goodwill is expected to be deductible for income tax purposes. The goodwill arising on the acquisition can be attributed to a combination of the value of the workforce, the customer database and the going concern of the business, and various other items. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £13.3 million, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £2.9 million. Other debtors had a gross contractual value of £0.2 million and these cash flows were expected to be collected. Prepayments, deposits held and accrued income had a gross contractual value of £4.1 million and, where relevant, cash flows associated with these receivables were expected to be collected.

Acquisition-related costs (reported in administrative expenses during the year ended 31 December 2009) amounted to £3.9 million.

## 27. Notes to the cash flow statement

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012  (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Operating profit . . . . .	31,475	32,333	31,394	13,545	17,455
Adjustments for:					
Depreciation of property, plant and equipment . . . . .	3,417	3,836	3,603	1,872	1,739
Gain on disposal of property, plant and equipment . . . . .	(44)	(30)	(125)	(76)	(87)
(Decrease)/increase in provisions . . . . .	(3,583)	(488)	(42)	(18)	2
Operating cash flows before movements in working capital . . . . .	31,265	35,651	34,830	15,323	19,108
(Increase)/decrease in receivables . . . . .	(4,328)	477	(925)	(3,291)	(2,345)
(Decrease)/increase in payables . . . . .	(1,850)	(304)	2,309	3,195	2,369
Cash generated by operations . . . . .	25,087	35,824	36,214	15,228	19,132
Income taxes paid . . . . .	(1,148)	(5,659)	(7,074)	(3,579)	(2,772)
Net cash from operating activities . . . . .	<u>23,939</u>	<u>30,165</u>	<u>29,140</u>	<u>11,648</u>	<u>16,360</u>

### Cash and cash equivalents

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Cash and cash equivalents . . . . .	<u>16,364</u>	<u>13,738</u>	<u>9,774</u>	<u>14,538</u>
	<u>16,364</u>	<u>13,738</u>	<u>9,774</u>	<u>14,538</u>

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 funds. See note 31.

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.

## 28. Operating lease arrangements

### The Group as lessee

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012  (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Lease payments under operating leases recognised as an expense in the period . . . . .	<u>7,753</u>	<u>8,717</u>	<u>9,752</u>	<u>4,582</u>	<u>5,430</u>



## 28. Operating lease arrangements (continued)

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:

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Within one year . . . . .	316	55	829	405
In the second to fifth years inclusive . . . . .	4,539	5,679	13,592	10,964
After five years . . . . .	55,194	55,699	59,977	57,368
	<u>60,049</u>	<u>61,433</u>	<u>74,398</u>	<u>68,737</u>

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.

## 29. 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 through the optimisation of the debt and equity balance.

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 renegotiate facilities to reduce debt.

The capital structure of the Group consists of net debt, which includes the loans disclosed in note 19 after deducting cash and cash equivalents, and 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 2012 the threshold was £83,000, which is immaterial to the Group.

### Gearing ratio

The gearing ratio at each period end is as follows:

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
Loans . . . . .	(110,682)	(87,198)	(67,165)	(63,180)
Cash and cash equivalents . . . . .	16,364	13,738	9,774	14,538
Net Debt . . . . .	<u>(94,318)</u>	<u>(73,460)</u>	<u>(57,391)</u>	<u>(48,642)</u>
Equity . . . . .	<u>14,562</u>	<u>34,478</u>	<u>55,252</u>	<u>67,920</u>
Net debt to equity ratio . . . . .	<u>648%</u>	<u>213%</u>	<u>104%</u>	<u>72%</u>

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

## 29. Financial instruments (continued)

### Categories of financial instruments

	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
<b>Financial assets</b>				
Cash and bank balances . . . . .	16,364	13,738	9,774	14,538
Loans and receivables . . . . .	11,950	10,901	10,262	14,275
<b>Financial liabilities</b>				
Financial liabilities recorded at amortised cost . . . . .	<u>(116,856)</u>	<u>(93,707)</u>	<u>(74,814)</u>	<u>(72,682)</u>

### 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 borrow funds at LIBOR plus margin interest rates and earn interest on client deposits (see note 31). The Group does not have in place any financial instruments to hedge against interest rate movements as:

- there is a natural hedge in the Group between interest costs and the yield earned on client deposits;
- the net cost of interest is relatively small relative to total Group cash flows; and
- the Group expects interest rates to remain low for the expected term of the loans.

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 six months ended 30 June 2013 would decrease/increase by £Nil (six months ended 30 June 2012: decrease/increase by £Nil (unaudited), years ended 31 December 2012: decrease/increase by £Nil, 2011: decrease/increase by £0.2 million, 2010: decrease/increase by £0.5 million). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings offset partially by interest earned on client funds.

The Group's sensitivity to interest rates decreased over the three years and six months to 30 June 2013 mainly due to the reduction in borrowings at variable rates of interest.

### 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 on-going 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.

## 29. Financial instruments (continued)

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 31) 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 and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

As part of the senior debt facilities a revolving credit facility of £5 million was available to the Group. This was never utilised and was cancelled in March 2013.

### 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	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
		£000	£000	£000	£000	£000	£000
<b>31 December 2010</b>							
Senior debt . . . . .	5.3%	—	—	6,561	83,455	—	90,016
Subordinated debt . . . . .	10.6%	—	—	2,046	9,264	48,039	59,349
Finance lease liability . . . . .	2.9%	45	131	116	71	—	363
		<u>45</u>	<u>131</u>	<u>8,723</u>	<u>92,790</u>	<u>48,039</u>	<u>149,728</u>
<b>31 December 2011</b>							
Senior debt . . . . .	5.7%	—	—	3,229	54,429	—	57,658
Subordinated debt . . . . .	10.7%	—	—	2,219	55,445	—	57,664
Finance lease liability . . . . .	2.9%	47	141	376	656	—	1,220
		<u>47</u>	<u>141</u>	<u>5,824</u>	<u>110,530</u>	<u>—</u>	<u>116,542</u>
<b>31 December 2012</b>							
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
		<u>26</u>	<u>78</u>	<u>3,900</u>	<u>81,479</u>	<u>—</u>	<u>85,483</u>
<b>30 June 2013</b>							
Senior debt . . . . .	5.5%	—	—	1,190	22,544	—	23,734
Subordinated debt . . . . .	10.5%	—	—	2,281	51,630	—	53,911
Finance lease liability . . . . .	2.9%	16	47	62	—	—	125
		<u>16</u>	<u>47</u>	<u>3,533</u>	<u>74,174</u>	<u>—</u>	<u>77,770</u>

## 29. Financial instruments (continued)

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.

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	Total
	£000	£000
<b>31 December 2010</b>		
Cash and cash equivalents . . . . .	16,364	16,364
Trade and other receivables . . . . .	12,268	12,268
	<u>28,632</u>	<u>28,632</u>
<b>31 December 2011</b>		
Cash and cash equivalents . . . . .	13,738	13,738
Trade and other receivables . . . . .	11,317	11,317
	<u>25,055</u>	<u>25,055</u>
<b>31 December 2012</b>		
Cash and cash equivalents . . . . .	9,774	9,774
Trade and other receivables . . . . .	10,715	10,715
	<u>20,489</u>	<u>20,489</u>
<b>30 June 2013</b>		
Cash and cash equivalents . . . . .	14,538	14,538
Trade and other receivables . . . . .	14,496	14,496
	<u>29,034</u>	<u>29,034</u>

## 30. 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:

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
<b>Interest on loan</b>					
FSFV Limited . . . . .	2,503	4,005	4,180	2,065	2,130
Mizuho Corporate Bank Ltd . . . . .	3,543	1,435	1,223	677	326
Bank of America . . . . .	3,220	—	—	—	—
Foxtons Intermediate Holdings 2 Ltd . . .	<u>2,199</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Agency fee</b>					
Mizuho Corporate Bank Ltd . . . . .	<u>60</u>	<u>60</u>	<u>60</u>	<u>30</u>	<u>30</u>
<b>Commitment fee</b>					
Mizuho Corporate Bank Ltd . . . . .	<u>63</u>	<u>63</u>	<u>63</u>	<u>31</u>	<u>11</u>

### 30. Related party transactions (continued)

The following amounts were outstanding at the balance sheet date:

	Amounts owed to related parties			
	31 December 2010	31 December 2011	31 December 2012	30 June 2013
	£000	£000	£000	£000
FSFV Limited . . . . .	(36,668)	(38,538)	(40,515)	(41,530)
Mizuho Corporate Bank Ltd . . . . .	(38,146)	(25,073)	(13,735)	(8,735)
Michael Brown . . . . .	—	—	(14)	—

Since October 2010 FSFV Limited (“FSFV”) has held 100% of the subordinated debt. FSFV is wholly-owned by BC European Capital. BC European Capital also ultimately hold the majority of the equity in the Company. Prior to October 2010 the subordinated debt was held jointly by FSFV, Mizuho and Bank of America. During the six months ended 30 June 2013 principal repayments of £nil million were made on the subordinated debt (years ended 31 December 2012: nil; 2011: nil; 2010: £15 million, of which £5 million was repaid to FSFV).

Mizuho has held part of the senior debt over the three years and six months to 30 June 2013. During the six months ended 30 June 2013 capital repayments of £5 million were made on the senior debt (years ended 31 December 2012: £11.4 million; 2011: £13 million; 2010: £0.5 million). Mizuho owned 25% of the share capital of the Company until 14 March 2012, at which point it realised its interest.

Bank of America held part of the senior and subordinated debt until October 2010 and was a party to the Group’s revolving credit facility until March 2013.

Foxtons Intermediate Holdings 2 Limited was established as a holding company during the acquisition of the Group in 2007. It was liquidated on the capital reorganisation in March 2010.

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.

	Combined Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2012	Six months ended 30 June 2012 (unaudited)	Six months ended 30 June 2013
	£000	£000	£000	£000	£000
Directors’ remuneration . . . . .	1,887	2,440	2,422	995	675
	<u>1,887</u>	<u>2,440</u>	<u>2,422</u>	<u>995</u>	<u>675</u>
Remuneration of the highest paid director . . . . .	1,052	1,363	1,328	539	334
	<u>1,052</u>	<u>1,363</u>	<u>1,328</u>	<u>539</u>	<u>334</u>

### 31. Client monies

At 30 June 2013 client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £77.8 million (31 December 2012: £77.0 million, 2011: £71.6 million, 2010: £63.5 million). Neither this amount nor the matching liabilities to the clients concerned are included in the consolidated balance sheet. Foxtons Limited’s terms and conditions provide that interest income on these deposits accrues to the company.

Client funds are protected by the 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.

### 32. 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 2010. As the date of transition is prior to the acquisition of the trading companies, no reconciliation of equity for the opening balance sheet has been presented since at that date the Company had nominal cash and share capital.

IFRS 1, *First-time Adoption of International Financial Reporting Standards*, sets out the transitional rules for when IFRS is 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.

	Note	Year ended 31 December 2012 £000
<b>Total equity under UK GAAP</b> .....		33,411
Adjustments to equity to conform with IFRS:		
Goodwill .....	32(i)	(58,469)
Other intangibles .....	32(i)	99,000
Revenue recognition .....	32(ii)	4,203
Net taxation impact .....	32(iii)	(22,893)
<b>Total equity under IFRS</b> .....		<u>55,252</u>
	Note	Year ended 31 December 2012 £000
<b>Profit for the year under UK GAAP<sup>(1)</sup></b> .....		10,693
Adjustments to equity to conform with IFRS:		
Goodwill amortisation .....	32(i)	7,723
Revenue recognition .....	32(ii)	392
Net taxation impact .....	32(iii)	1,966
<b>Profit for the year under IFRS<sup>(1)</sup></b> .....		<u>20,774</u>

(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.

#### Adjustments made under IFRS

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

##### (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



### **32. Restatement of prior periods to IFRS (continued)**

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 consider this better reflects 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.

### **33. Events after the balance sheet date**

On 2 August 2013, the Company made a voluntary repayment of £5.0 million against the senior debt to reduce the total outstanding balance to £16.6 million.

On 12 August 2013, the ordinary shares and A ordinary shares were sub-divided, with existing shareholders receiving 136 ordinary shares of £0.00000136 each for each ordinary share and 136 A ordinary shares of £0.00000136 each for each A ordinary share held by them. The nominal value of each ordinary share and A ordinary share became £0.00000001 with no change in the overall value of share capital. On the same day, a bonus issue was undertaken, whereby each existing shareholder received an additional 51,470 ordinary shares of £0.00000001 each for each ordinary share and A ordinary shares of £0.00000001 each for each A ordinary share held by such shareholder by capitalising reserves totalling £5,164,298, increasing the total value of the ordinary share and A ordinary share capital to £5,164,399. The ordinary shares and A ordinary shares were then consolidated with every one million ordinary shares consolidated into one ordinary share of £0.01 each and every one million of A ordinary shares consolidated in one A ordinary share of £0.01 each. There was no change in the overall value of share capital from this consolidation of shares.

On 16 August 2013, the Company was re-registered under the Companies Act 2006 as a public company under the name of Foxtons Group plc.

## **PART VIII—UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

### **Section A: Unaudited pro forma statement of net assets**

#### **1. Introduction**

The unaudited pro forma statement of net assets of the Group set out below has been prepared to illustrate the effect of receipt of the net proceeds of the Offer and the use of those proceeds (as detailed in Part IX (*Details of the Offer*)) on the net assets of the Group. It has been compiled using the Group's consolidated balance sheet as at 30 June 2013, adjusted to illustrate the pro forma effect of the Offer as if it had occurred on 30 June 2013. The unaudited pro forma statement of net assets has been prepared in a manner consistent with the accounting policies applied in preparing the Group's historical financial information as set out in Part VII (*Historical Financial Information*), on the basis set out in the notes below, and in accordance with the requirements of item 20.2 of Annex I and items 1 to 6 of Annex II to the PD Regulation.

The unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future.

## 2. Unaudited pro forma statement of net assets

	Consolidated net assets of the Group as at 30 June 2013	Adjustments Net proceeds of the Offer	Pro forma net assets of the Group as at 30 June 2013
	£000 <sup>(1)</sup>	£000 <sup>(2)(3)</sup>	£000 <sup>(3)(4)(5)(6)</sup>
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill . . . . .	19,168	—	19,168
Other intangible assets . . . . .	99,000	—	99,000
Property, plant and equipment . . . . .	21,043	—	21,043
Deferred tax assets . . . . .	724	—	724
	<u>139,935</u>	<u>—</u>	<u>139,935</u>
<b>Current assets</b>			
Trade and other receivables . . . . .	14,497	—	14,497
Prepayments . . . . .	5,194	—	5,194
Cash and cash equivalents . . . . .	14,538	(14,180)	358
	<u>34,229</u>	<u>(14,180)</u>	<u>20,049</u>
<b>Total assets . . . . .</b>	<u>174,164</u>	<u>(14,180)</u>	<u>159,984</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables . . . . .	(11,137)	—	(11,137)
Current tax liabilities . . . . .	(3,320)	—	(3,320)
Obligations under finance leases . . . . .	(125)	—	(125)
Provisions . . . . .	(129)	—	(129)
Borrowings . . . . .	—	—	—
Deferred revenue . . . . .	(5,583)	—	(5,583)
	<u>(20,294)</u>	<u>—</u>	<u>(20,294)</u>
<b>Net current assets . . . . .</b>	<u>13,935</u>	<u>(14,180)</u>	<u>(245)</u>
<b>Non-current liabilities</b>			
Borrowings . . . . .	(63,180)	63,180	—
Obligations under finance leases . . . . .	—	—	—
Deferred tax liabilities . . . . .	(22,770)	—	(22,770)
	<u>(85,950)</u>	<u>63,180</u>	<u>(22,770)</u>
<b>Total liabilities . . . . .</b>	<u>(106,244)</u>	<u>63,180</u>	<u>(43,064)</u>
<b>Net assets . . . . .</b>	<u>67,920</u>	<u>49,000</u>	<u>116,920</u>

### Notes:

- (1) The consolidated net assets of the Group as at 30 June 2013 have been extracted, without material adjustment, from the audited historical financial information of the Group for the six month period ended 30 June 2013 as set out in Part VII (*Historical Financial Information*).
- (2) As set out in section 2 of Part IX (*Details of the Offer*), the total net proceeds receivable by the Company from the Offer are estimated to be approximately £49.0 million, after deduction of underwriting commissions and other estimated fees and expenses incurred by the Group in connection with the Offer (assuming the maximum amount of the Managers' discretionary commission will be paid and excluding VAT) of approximately £6.0 million.
- (3) The Company intends to use the net proceeds it receives from the Offer, together with its existing cash resources, to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities. Assuming the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities are repaid by the Company on 27 September 2013, the Company will be required to use £9.9 million of its existing cash resources, together with the net proceeds it receives from the Offer, to make such repayment (being payments of, in aggregate, £58.9 million), reflecting the position as at 27 September 2013. Had the net proceeds of the Offer been received by the Company on 30 June 2013, it would have been required to use £14.2 million of its existing cash resources to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities (being payments of, in aggregate, £63.2 million), reflecting the position as at 30 June 2013.
- (4) The unaudited pro forma statement of net assets does not constitute financial statements within the meaning of section 434 of the Companies Act.
- (5) The unaudited pro forma statement of net assets does not reflect any trading results or other transactions undertaken by the Group since 30 June 2013.
- (6) On 12 August 2013 the Group completed the Bonus Issue and Share Consolidation (as detailed in section 3.2 of Part XI (*Additional Information*)). Immediately prior to Admission, the Group will complete the Share Capital Reorganisation (as detailed in section 3.5 of Part XI). Neither the Bonus Issue and Share Consolidation nor the Share Capital Reorganisation has had or will have any impact on the Company's net assets, nor on any line item presented above.

**Section B: Accountants' report on the unaudited pro forma statement of net assets**

**Deloitte.**

Deloitte LLP  
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London  
EC4A 3BZ

The Board of Directors  
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Credit Suisse Securities (Europe) Limited  
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London  
E14 4QJ

Numis Securities Limited  
10 Paternoster Square  
London  
EC4M 7LT

Canaccord Genuity Limited  
88 Wood Street  
London  
EC2V 7QR

20 September 2013

Dear Sirs,

**Foxtons Group plc (the "Company")**

We report on the pro forma financial information (the "**Pro forma financial information**") set out in Part VIII of the prospectus dated 20 September 2013 (the "**Prospectus**"), which has been prepared on the basis described in notes 1 to 6, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the period ended 30 June 2013. This report is required by Annex I item 20.2 of Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex I item 20.2 and Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, in accordance with Annex I item 20.2 of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with, this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

### **Basis of Opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

### **Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP  
Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

**Member of Deloitte Touche Tohmatsu Limited**

## PART IX—DETAILS OF THE OFFER

### 1. The Offer

The Offer comprises an offer of (i) 23,913,044 New Ordinary Shares to be issued by the Company, raising primary proceeds of approximately £49.0 million (net of underwriting commissions and estimated fees and expenses) and (ii) 145,535,981 Existing Ordinary Shares to be sold by the Selling Shareholders, raising aggregate proceeds of approximately £323.0 million (net of underwriting commissions and estimated fees and expenses, and assuming no exercise of the Over-allotment Option). In addition, up to a further 16,944,902 Over-allotment Shares (representing up to a maximum of 10% of the total number of Offer Shares) are being made available by the Lending Shareholder pursuant to the Over-allotment Option described below. The Company will not receive any proceeds from the sale of Existing Ordinary Shares being sold by the Selling Shareholders (all of which will be paid to the Selling Shareholders), or the proceeds from the sale of the Over-allotment Shares by the Lending Shareholder pursuant to the Over-allotment Option (all of which will be paid to the Lending Shareholder).

Garry Watts, Annette Court, Andrew Adcock and Ian Barlow have each agreed to acquire Offer Shares under the Offer at the Offer Price from their own funds (see section 9.5 of Part XI (*Additional Information*)). The Company has agreed with each of Garry Watts, Annette Court, Andrew Adcock and Ian Barlow to partially match their investments under the Offer by issuing additional new Ordinary Shares to each of them at Admission at a subscription price of £0.01 per Ordinary Share (being the nominal value of an Ordinary Share). Accordingly, the Company will issue 10,869 new Ordinary Shares to Garry Watts, 10,869 new Ordinary Shares to Annette Court, 10,869 new Ordinary Shares to Andrew Adcock and 10,869 new Ordinary Shares to Ian Barlow, in each case at a subscription price of £0.01 per Ordinary Share at Admission.

The Existing Ordinary Shares will be diluted by the issue of (i) 23,913,044 New Ordinary Shares pursuant to the Offer and (ii) 43,476 new Ordinary Shares to be subscribed by certain of the Non-Executive Directors as discussed above. The New Ordinary Shares to be issued pursuant to the Offer will represent approximately 9.3% of the Existing Ordinary Share capital of the Company, and approximately 8.5% of the enlarged Ordinary Share capital of the Company immediately following Admission. The 43,476 new Ordinary Shares to be issued to certain of the Non-Executive Directors will represent approximately 0.02% of the Existing Ordinary Share capital of the Company, and approximately 0.02% of the enlarged Ordinary Share capital of the Company immediately following Admission.

The Offer is being made by way of an offer of the Offer Shares to: (i) certain institutional and professional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S; and (ii) in the United States to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the offer, issue and sale of the Offer Shares in jurisdictions outside the United Kingdom are described in section 12 of this Part IX.

The Offer is subject to satisfaction of conditions which are customary for transactions of this type as set out in the Underwriting Agreement, including, amongst others, completion of the Share Capital Reorganisation, Admission occurring and becoming effective by no later than 8.00 a.m. on 25 September 2013 or such later time and/or date as the Company, the Major Shareholder and the Joint Bookrunners may agree, and the Underwriting Agreement not having been terminated in accordance with its terms.

When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BCKFY513 and SEDOL number BCKFY51 and it is expected that the Ordinary Shares will be traded under the ticker symbol FOXT.

Immediately following Admission, it is expected that 53.9% of the Company's issued Ordinary Share capital will be held in public hands (within the meaning of Listing Rule 6.1.19) assuming no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to approximately 59.9% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

The Offer Shares being issued or sold pursuant to the Offer will, on Admission, rank *pari passu* in all respects with the Ordinary Shares in issue and will rank in full for all dividends and other distributions thereafter declared, made or paid on the Ordinary Share capital of the Company. The Offer Shares will, immediately on and from Admission, be freely transferable, subject to the Articles. The rights attaching to the Offer Shares and any Ordinary Shares sold pursuant to the Over-allotment Option will be uniform in all respects and they will form a single class for all purposes.



The Company, the Directors, the Major Shareholder and the Joint Bookrunners expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to investors without interest.

## **2. Reasons for the Offer and Admission and use of proceeds**

The Directors believe that the Offer and Admission will:

- (a) enhance the Group's public profile and status with existing and potential clients;
- (b) provide a more efficient capital structure which will give the Company better operational flexibility and enable the Company to pursue its organic expansion strategy and to be better placed to take advantage of any future opportunities (see section 3 of Part I (*Information on the Company and the Group*));
- (c) provide access to the capital markets to aid future growth if required;
- (d) create a liquid market in the Ordinary Shares for Existing Shareholders;
- (e) assist in the incentivisation and retention of key management and employees; and
- (f) provide the Selling Shareholders with a partial realisation of their investment in the Company.

The total net proceeds receivable by the Company from the Offer are estimated to be approximately £49.0 million, after deduction of underwriting commissions and other estimated fees and expenses incurred by the Group in connection with the Offer (assuming the maximum amount of the Managers' discretionary commission will be paid and excluding VAT) of approximately £6.0 million.

The Company intends to use the net proceeds it receives from the Offer, together with £9.9 million of its existing cash resources, to repay in full the principal amounts borrowed under, and all accrued and unpaid interest on, the Existing Debt Facilities (being payments of, in aggregate, £58.9 million assuming the payments occur on 27 September 2013). See section 9 of Part V (*Operating and Financial Review*) for further information on the Existing Debt Facilities.

Following the repayment in full of the Existing Debt Facilities immediately following Admission, the Group will have no committed debt facilities in place.

## **3. Financial impact of the Offer**

A pro forma statement illustrating the hypothetical effect of the Offer on the net assets of the Group as at 30 June 2013 as if the net proceeds of £49.0 million had been received by the Company at that date is set out in Part VIII (*Unaudited Pro Forma Statement of Net Assets*). This information is unaudited and has been prepared for illustrative purposes only. It shows that the net proceeds from the Offer of £49.0 million would lead to an increase in net assets from £67.9 million to £116.9 million as at 30 June 2013. If the Offer and the use of proceeds referred to in section 2 of this Part IX had occurred on 1 January 2013, the effect would have been to increase the earnings for the six months ended 30 June 2013 by reducing finance costs.

## **4. Withdrawal rights**

If the Company is required to publish any supplementary prospectus, applicants who have applied for Offer Shares under the Offer shall have at least two clear business days following the publication of the relevant supplementary prospectus within which to withdraw their application to acquire Offer Shares in its entirety. The right to withdraw an application to acquire Offer Shares in these circumstances will be available to all investors under the Offer. If the application is not withdrawn within the stipulated period, any application to apply for Offer Shares under the Offer will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published.

## **5. Allocations under the Offer**

The allocation of Offer Shares among prospective investors will be determined by the Major Shareholder in consultation with the Company and the Joint Bookrunners. All Ordinary Shares sold pursuant to the Offer will be sold, payable in full, at the Offer Price. No commissions, fees, expenses or taxes will be

charged to investors by the Company or the Selling Shareholders under the Offer. Liability for UK stamp duty and SDRT is described in Part X (*Taxation*).

Upon accepting any allocation, prospective investors will be contractually committed to acquire the number of Offer Shares allocated to them at the Offer Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from such commitment. Dealing may not begin before notification is made. A number of factors have been considered in determining the Offer Price and the basis of allocation, including the prevailing market conditions, the level and nature of demand for the Offer Shares, the prices bid to acquire the Offer Shares and the objective of establishing an orderly and liquid after-market in the Ordinary Shares. The Offer Price and the number of Offer Shares have been established at a level determined in accordance with these arrangements, taking into account indications of interest received from prospective investors.

## **6. Underwriting arrangements**

The Company, the Directors (including Michael Brown and Gerard Nieslony in their capacity as Selling Shareholders), the Major Shareholder and the Managers have entered into the Underwriting Agreement pursuant to which, on the terms and subject to certain conditions contained therein (which are customary in agreements of this nature), the Managers have agreed to use their reasonable endeavours to procure purchasers and/or subscribers for the Offer Shares, failing which the Managers will purchase and/or subscribe for such Offer Shares.

The Offer is conditional upon, *inter alia*, Admission occurring not later than 8 a.m. on 25 September 2013 (or such later date and time as the Joint Bookrunners, the Major Shareholder and the Company may agree) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The Underwriting Agreement provides for the Managers to be paid a commission in respect of the Offer Shares sold. Any commissions received by the Managers may be retained and any Offer Shares acquired by them may be retained or dealt in, by them, for their own benefit.

All Offer Shares issued/sold pursuant to the Offer will be issued/sold at the Offer Price. Liability for UK stamp duty and SDRT is described in Part X (*Taxation*).

Further details of the terms of the Underwriting Agreement are set out in Part XI (*Additional Information*).

## **7. Lock-up arrangements**

Each of the Company, the Directors, the Major Shareholder and the Senior Managers has agreed to certain lock-up arrangements.

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain customary exceptions, during the period of 180 days from the date of the Underwriting Agreement, it will not, without the prior written consent of the Joint Bookrunners, issue, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction (including via derivatives) with the same economic effect as any of the foregoing.

Pursuant to the Underwriting Agreement, each of the Directors has agreed that, subject to certain customary exceptions, during the period of 365 days from the date of the Underwriting Agreement, he or she will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing, save that such restrictions shall not apply in respect of any sale of Existing Ordinary Shares held by such person pursuant to the Offer.

Pursuant to the Underwriting Agreement, the Major Shareholder has agreed that, subject to certain customary exceptions, during the period of 180 days from the date of the Underwriting Agreement, it will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing, save that such restrictions shall not apply in respect of any sale of Existing Ordinary Shares held by the Major Shareholder pursuant to the Offer.

Pursuant to Lock-Up Agreements entered into between each Senior Manager, the Company and the Managers, each Senior Manager has agreed that, subject to certain customary exceptions, during the

period of 365 days from the date of his Lock-Up Agreement, he will not, without the prior written consent of the Joint Bookrunners, offer, sell or contract to sell, or otherwise dispose of any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing, save that such restrictions shall not apply in respect of any sale of Existing Ordinary Shares held by such person pursuant to the Offer.

## **8. Stabilisation and Over-allotment Option**

In connection with the Offer, Credit Suisse, the Stabilising Manager, or any of its agents or affiliates, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Ordinary Shares and effect other transactions to maintain the market price of the Ordinary Shares at a level other than that which might otherwise prevail in the open market.

The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise, and may be undertaken at any time during the period from the date of the commencement of conditional dealings of the Ordinary Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents or affiliates to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken with the intention of stabilising the market price of the Ordinary Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents or affiliates intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offer.

In connection with the Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Ordinary Shares up to a maximum of 10% of the total number of Offer Shares. The Stabilising Manager has entered into the Over-allotment Option with the Lending Shareholder pursuant to which the Stabilising Manager may require the Lending Shareholder to sell at the Offer Price additional Ordinary Shares representing up to 10% of the total number of Offer Shares, to allow it to cover short positions arising from over-allotments and/or stabilising transactions. The Over-allotment Option may be exercised only once, in whole or in part, upon notice by the Stabilising Manager, at any time during the period commencing on Admission and ending 30 days thereafter. The Over-allotment Shares made available pursuant to the Over-allotment Option will be transferred at the Offer Price on the same terms and conditions as, and will rank equally with, the other existing Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission and will form a single class for all purposes with the Ordinary Shares. Liability for UK stamp duty and SDRT on transfers of Existing Ordinary Shares pursuant to the Over-allotment Option is described in Part X (*Taxation*).

Following allocation of the Ordinary Shares pursuant to the Offer, the Stabilising Manager may seek to agree the terms of deferred settlement with certain investors who have been allocated Ordinary Shares pursuant to the terms of the Offer. No fees will be payable to such investors.

## **9. Stock Lending Agreement**

In connection with settlement and stabilisation, the Stabilising Manager has entered into the Stock Lending Agreement with the Lending Shareholder pursuant to which the Stabilising Manager will be able to borrow from the Lending Shareholder up to 16,944,902 Ordinary Shares (representing up to 10% of the total number of Offer Shares) for the purposes, among other things, of allowing the Stabilising Manager to settle over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholder in accordance with the terms of the Stock Lending Agreement.

## **10. Dealing arrangements**

Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and application has been made to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange. It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8 a.m. on 20 September 2013. The earliest date for settlement of such dealings will be 25 September 2013. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8 a.m. on 25 September

2013. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a “when issued basis”, will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The above-mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Offer Shares sold to such investor in such manner as shall be directed by the Joint Bookrunners.

It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be despatched by 10 October 2013 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

Following Admission, the Ordinary Shares held by the Directors, the Major Shareholder and the Senior Managers will be subject to the lock-up arrangements described in this Part IX.

## **11. CREST**

CREST is a paperless settlement system enabling securities to be transferred from one person’s CREST account to another person’s CREST account without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **12. Selling and transfer restrictions**

The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Offer Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of the Offer Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to subscribe for or purchase any of the Offer Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

### ***12.1. Australia***

This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission as a disclosure document under Chapter 6D of the Australian Corporations Act 2001 (the “**Corporations Act**”). This Prospectus does not purport to include the information required of a disclosure document under Chapter 6D of the Corporations Act. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of Ordinary Shares must not be issued or distributed directly or indirectly in or into Australia, and no Ordinary Shares may be offered for sale (or transferred, assigned or otherwise alienated) to investors in Australia for at least 12 months after their issue, except in circumstances where disclosure to investors is not required under Part 6D.2 of the Corporations Act.

Each purchaser of Ordinary Shares will be deemed to have acknowledged the above and, by applying for Ordinary Shares under this Prospectus, gives an undertaking to the Company not to offer, sell, transfer, assign or otherwise alienate those securities to persons in Australia (except in the circumstances referred to above) for 12 months after their issue.

### **12.2. European Economic Area**

In relation to each Relevant Member State, an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with each of the Joint Sponsors and the Managers and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For these purposes, the expression an “offer to the public” in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

### **12.3. Hong Kong**

This Prospectus has not been registered as a “prospectus” as defined in the Companies Ordinance (Cap. 32 of the laws of Hong Kong) (the “**Companies Ordinance**”). Accordingly, this Prospectus does not constitute an offer to the public for the purposes of the Companies Ordinance nor of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “**Securities and Futures Ordinance**”). The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. Prospective investors are advised to exercise caution in relation to the Offer. If prospective investors are in any doubt about the contents of this Prospectus, they should obtain independent professional advice.

Please note that: (i) Ordinary Shares may not be offered or sold in Hong Kong by means of this Prospectus or any other document other than to “professional investors” as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance and any rules made thereunder, or in other circumstances which do not result in this Prospectus being a “prospectus” as defined in the Companies Ordinance or which do not constitute an offer or invitation to the public for the purposes of the Companies Ordinance and the Securities and Futures Ordinance; and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to Ordinary Shares which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in Part 1 of Schedule 1 to the Securities and Futures Ordinance and any rules made thereunder.

### **12.4. Japan**

The Ordinary Shares offered hereby have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the “**Financial Instruments and Exchange Act**”). Accordingly, no Ordinary Shares will be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.



### **12.5. Singapore**

The offer or invitation which is the subject of this Prospectus is only allowed to certain persons and institutions and not to the retail public. Moreover, this Prospectus or any written materials issued in connection with the Offer is not a prospectus as defined in the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, statutory liability under the SFA in relation to the contents of prospectuses would not apply. Investors should consider carefully whether the investment is suitable for them.

This Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Ordinary Shares may not be circulated or distributed, nor may any Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than:

- to an institutional investor (as defined in Section 4A of the SFA) in accordance with the conditions specified in Section 274 of the SFA;
- to a relevant person (as defined in Section 275(2) of the SFA) in accordance with the conditions specified in Section 275(1) of the SFA;
- to any person in accordance with the conditions specified in Section 275(1A) of the SFA; or
- pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where any Ordinary Shares are acquired pursuant to an offer made in reliance on an exemption under Section 274 or Section 275 of the SFA, it is a condition of the offer that each person who agrees to acquire any Ordinary Shares is acquiring such Ordinary Shares for investment purposes only and not with a view to distribute or resell such Ordinary Shares and that it will not offer for sale, resell or otherwise distribute or agree to distribute such Ordinary Shares within six months of such acquisition to any person other than to:

- an institutional investor;
- a relevant person; or
- any person pursuant to an offer referred to in Section 275(1A) of the SFA.

Where any Ordinary Shares are acquired pursuant to an offer made in reliance on an exemption under Section 275 of the SFA by a relevant person which is a corporation (other than a corporation which is an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, securities of that corporation shall not be transferred within six months after that corporation has acquired the Ordinary Shares unless such transfer is made in accordance with the conditions specified in Section 276(3) of the SFA.

Where any Ordinary Shares are acquired pursuant to an offer made in reliance on an exemption under Section 275 of the SFA by a relevant person which is a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that trust has acquired the Ordinary Shares unless such transfer is made in accordance with the conditions specified in Section 276(4) of the SFA.

Investors should therefore ensure that their own transfer arrangements comply with the above restrictions.

### **12.6. Switzerland**

The Offer Shares will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27ff. of the SIX Listing Rules or any of listing rules of any other stock exchange or regulated trading facility in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the Company or the Offer Shares has been or will be filed with or approved by any Swiss regulatory authority. In particular, this Prospectus will not be filed with, and the offer of the Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (“FINMA”), and the offer of the Offer Shares has not been and



will not be authorised under the Swiss Federal Act on Collective Investment Schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to purchasers of the Offer Shares.

This Prospectus, as well as any other material relating to the Offer Shares, is personal and confidential and does not constitute an offer to any other person. This Prospectus may only be used by those investors to whom it has been sent in connection with the offering described herein and may neither, directly nor indirectly, be distributed or made available to other persons without the express consent of the Company. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

#### ***12.7. United States***

This Prospectus is not a public offering (within the meaning of the Securities Act) of securities in the United States. The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Managers may offer Ordinary Shares (i) in the United States only through their respective US registered broker-dealer affiliates to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or (ii) outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

#### ***Purchasers in the United States***

Each purchaser of Offer Shares within the United States, by accepting delivery of this Prospectus and the Offer Shares, will be deemed to have represented, agreed and acknowledged that:

- (a) The purchaser is, and at the time of its purchase of any Offer Shares will be, a QIB within the meaning of Rule 144A.
- (b) The purchaser understands and acknowledges that the Offer Shares have not been, nor will they be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph (d) below.
- (c) The purchaser is purchasing the Offer Shares (i) for its own account, or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares.
- (d) The purchaser understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from, or not subject to, the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph (c) above, or any other fiduciary or agent representing such investor, decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only (i) to a person that it, or any person acting on its behalf, reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) outside the United States in an “offshore transaction” pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such Offer Shares into the United States) or (iii) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. The purchaser understands that no representation can be

made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Offer Shares.

- (e) The purchaser understands that for so long as the Ordinary Shares are “restricted securities” within the meaning of the US federal securities laws, no such shares may be deposited into any unrestricted depositary receipt facility established or maintained by a depositary bank.
- (f) The purchaser understands that the Ordinary Shares will not settle or trade through the facilities of DTCC or any other US clearing system.
- (g) The purchaser understands that the Offer Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

**The Ordinary Shares represented hereby have not been, and will not be, registered under the US Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (1) to a person that the seller and any person acting on its behalf reasonably believe is a qualified institutional buyer within the meaning of Rule 144A under the Securities Act purchasing for its own account or for the account of a qualified institutional buyer; (2) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (3) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available or otherwise), in each case in accordance with any applicable securities laws of any state of the United States. No representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Ordinary Shares. Notwithstanding anything to the contrary in the foregoing, the Ordinary Shares represented hereby may not be deposited into any unrestricted depositary receipt facility in respect of the Ordinary Shares established or maintained by a depositary bank. Each holder, by its acceptance of Ordinary Shares, represents that it understands and agrees to the foregoing restrictions.**

- (h) The purchaser understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Managers, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

#### ***Purchasers pursuant to Regulation S***

Each purchaser who acquires Offer Shares pursuant to Regulation S, by accepting delivery of this Prospectus and the Offer Shares, will be deemed to have represented, agreed and acknowledged that:

- (a) The purchaser understands that the Offer Shares have not been, nor will they be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.
- (b) The purchaser (i) is aware that the sale of the Offer Shares to it is being made pursuant to and in accordance with Rule 903 and 904 of Regulation S, (ii) is, or at the time such Offer Shares are purchased will be, the beneficial owner of those Offer Shares and (iii) is purchasing such Offer Shares in an offshore transaction meeting the requirements of Regulation S.
- (c) The purchaser is not an affiliate of the Company or a person acting on behalf of such an affiliate.
- (d) The purchaser understands that the Company, the Managers, their affiliates and others will rely upon truth and accuracy of the foregoing acknowledgements, representations and agreements.

#### ***12.8. Other overseas territories***

Investors in jurisdictions other than Australia, the European Economic Area, Hong Kong, Japan, Singapore, Switzerland and the United States should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to purchase any Offer Shares under the Offer.

## PART X—TAXATION

### A. UK TAXATION

*The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HM Revenue and Customs (“HMRC”) as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled) for tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with their (or another person’s) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold 5% or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including the enterprise investment scheme, venture capital scheme or business expansion scheme, able to claim any inheritance tax relief or holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).*

***Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.***

#### 1. Taxation of dividends

##### 1.1 UK resident individuals

An individual Shareholder who is resident for tax purposes in the UK and who receives a cash dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the cash dividend received, which tax credit will be equivalent to 10% of the aggregate of the dividend received and the tax credit (the gross dividend). Such an individual Shareholder will be subject to income tax on the gross dividend. An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10% so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder’s tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC. An individual UK resident Shareholder who is subject to income tax at the higher rate (but not the additional rate) will be liable to income tax on the gross dividend at the rate of 32.5% to the extent that such sum, when treated as the top slice of that Shareholder’s income, exceeds the threshold for higher rate income tax. After setting the 10% tax credit against part of the Shareholder’s liability, a higher rate tax payer will therefore be liable to account for tax equal to 22.5% of the gross dividend (or 25% of the net cash dividend) to the extent that the Shareholder’s income (including the gross dividend) exceeds the threshold for the higher rate.

An individual UK resident Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5% of the gross dividend, but will be able to set the UK tax credit off against part of this liability. The effect of this set-off of the UK tax credit is that such a Shareholder will be liable to account for additional tax equal to 27.5% of the gross dividend (or approximately 30.6% of the net cash dividend) to the extent that the Shareholder’s income (including the gross dividend) exceeds the threshold for the additional rate.

##### 1.2 No payment of tax credit

Individual UK resident Shareholders whose tax liability in respect of the gross dividends is less than the tax credit, and other UK resident tax payers who are not liable to UK tax on dividends, including UK pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

### ***1.3 Companies***

Shareholders within the charge to UK corporation tax which are “small companies” for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition). Such companies are not entitled to tax credits on any dividends paid by the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are “ordinary shares” and are not “redeemable” (as those terms are used in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than a 10% interest in the Company, should generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules. Such companies are not entitled to tax credits on any dividends paid by the Company.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company at the rate of corporation tax applicable to that Shareholder (currently 23% for companies paying the full rate of corporation tax with effect from 1 April 2013).

### ***1.4. Non-UK resident Shareholders***

An individual Shareholder (other than one carrying on a trade, profession or vocation in the UK) who is resident for tax purposes outside the UK will not have any UK tax to pay on cash dividends received from the Company (provided the Shareholder forgoes any entitlement he may otherwise have had to the UK personal allowance in respect of any other UK taxable income). A company (that is not otherwise subject to UK tax, e.g. by virtue of carrying on a trade through a UK permanent establishment) will not be required to pay UK tax on cash dividends received from the Company.

Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident.

A Shareholder resident outside the UK may be subject to taxation on dividend income under their local law. A Shareholder who is not solely resident in the UK for tax purposes or is not solely subject to UK tax on the dividend income should consult his (or its) own tax advisers concerning his (or its) tax liabilities (in the UK and any other country) on dividends received from the Company, whether they are entitled to claim any repayment of or relief for any part of the tax credit and, if so, the procedure for doing so.

### ***1.5 Withholding taxes***

The Company is not required to withhold UK tax at source from dividend payments it makes to Shareholders.

## **2. Taxation of disposals**

### ***2.1 General***

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains depending upon the Shareholder’s circumstances and subject to any available exemption or relief.

### ***2.2 UK resident individual Shareholders***

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 18% for individuals who are subject to income tax at the basic rate and 28% for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £10,900) in each tax year without being liable to tax.

### **2.3 UK resident corporate Shareholders**

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. An indexation allowance on the cost of acquiring the Ordinary Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company.

### **2.4 Non-UK resident Shareholders**

A Shareholder (individual or corporate) who is not resident in the UK for tax purposes is generally not subject to UK capital gains tax. They may, however, be subject to taxation under their local law.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

An individual Shareholder who acquires Ordinary Shares whilst UK resident and who subsequently ceases to be resident for tax purposes in the UK for a period of less than five complete years of assessment and who disposes of the Ordinary Shares during that period of non-residence may be liable, on his return to the UK, to capital gains tax in respect of any gain arising from the disposal (subject to any available exemption or relief).

## **3. Inheritance tax**

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may therefore give rise to a liability to UK inheritance tax depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares. Special rules apply to close companies and to trustees of certain settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

## **4. Stamp Duty and Stamp Duty Reserve Tax**

### **4.1 General**

The following statements are intended as a general guide to the current UK stamp duty and stamp duty reserve tax ("SDRT") position for holders of Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986. The comments in this section relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

### **4.2 The Offer**

No UK stamp duty or SDRT will arise on the issue of Ordinary Shares by the Company.

The sale of Existing Ordinary Shares by Selling Shareholders pursuant to the Offer and the Over-allotment Option will generally give rise to a liability to stamp duty and/or SDRT for the purchaser at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders will bear the cost of any such liability to stamp duty and/or SDRT. In practice, only one of either stamp duty or SDRT would be paid (see section 4.3 of this Part X which applies equally to sales pursuant to the Offer as to subsequent transfers).

If, in connection with the Offer or the Over-allotment Option, Ordinary Shares are transferred into a clearance service or a depositary receipt system, a liability to stamp duty or SDRT may be payable at the rate of 1.5% of the Offer Price, as discussed further in section 4.5 of this Part X. As discussed above, the Selling Shareholders will bear the cost of any liability to stamp duty and/or SDRT at a rate of 0.5% of the



Offer Price and will not bear any additional liability to stamp duty and/or SDRT (at the 1.5% rate) arising from the transfer of any Ordinary Shares into a clearance service or a depositary receipt system.

#### **4.3 Subsequent transfers**

Stamp duty at the rate of 0.5% of the amount or value of the consideration given (rounded up to the nearest multiple of £5) is generally payable on an instrument transferring Ordinary Shares. An exemption from stamp duty applies to an instrument transferring Ordinary Shares where the amount or value of the consideration (whether in the form of cash or otherwise) is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

#### **4.4 Ordinary Shares held through CREST**

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5% of the amount or value of the consideration for the Ordinary Shares.

#### **4.5 Depositary receipt systems and clearance services**

Under current UK legislation, where Ordinary Shares are transferred (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the nearest multiple of £5 in the case of stamp duty).

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an appropriate election which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any transfer of Ordinary Shares into the clearance service and to any transactions in Ordinary Shares held within the clearance service.

Any liability for stamp duty or SDRT in respect of the transfer into a clearance service or depositary receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

Specific professional advice should be sought before paying the 1.5% stamp duty or SDRT charge in any circumstances.

### **5. Close company**

It is likely that the Company and each member of the Group is a "close company" within the meaning of Part 10 of the Corporation Tax Act 2010 as at the date of this Prospectus.

It is unlikely that the Company and each member of the Group will be a close company following the close of the Offer, however, this is dependent on the voting power controlled by certain Shareholders, and cannot be definitively determined.



If the Company is a close company following the close of the Offer, certain transactions entered into by the Company or other members of the Group may have tax implications for Shareholders. In particular, certain gifts, transfers of assets at less than market value or other transfers of value by the Company or other members of the Group may be apportioned to Shareholders for the purposes of UK inheritance tax, although the payment of a dividend to a Shareholder or the payment of dividends or transfers of assets between members of the Group will not normally attract such an apportionment. Any charge to UK inheritance tax arising from such a transaction will primarily be a liability of the relevant company, although in certain circumstances Shareholders may be liable for the tax if it is left unpaid by that company. In addition, any transfer of assets at less than market value by the Company or other members of the Group may result in a reduction of a Shareholder's base cost in his Ordinary Shares for the purposes of UK taxation of capital gains, although transfers of assets between members of the Group will not normally attract such treatment. Shareholders should consult their own professional advisers on the potential impact of the close company rules.

## **B. CERTAIN MATERIAL US FEDERAL INCOME TAX CONSEQUENCES**

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS AND/OR PURCHASERS OF ORDINARY SHARES ARE HEREBY NOTIFIED THAT (A) ANY DISCUSSION OF FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS AND/OR PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS AND/OR PURCHASERS UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED IN THIS PROSPECTUS BY THE ISSUERS IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUERS OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS PROSPECTUS; AND (C) HOLDERS AND/OR PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

The following is a discussion of certain material US federal income tax consequences of the acquisition, ownership and disposition of the Ordinary Shares that are applicable to you if you are a US Holder (as defined below) that acquires Ordinary Shares pursuant to this Prospectus. This discussion is not a complete analysis or listing of all of the possible tax consequences of such transactions and does not address all tax considerations that might be relevant to particular holders in light of their personal circumstances or to persons that are subject to special tax rules. In particular, the information set forth below deals only with US Holders that will hold Ordinary Shares as capital assets for US federal income tax purposes (generally, property held for investment) and that do not own, and are not treated as owning, at any time 10% or more of the total combined voting power of all classes of the Group's shares entitled to vote. In addition, this description of certain material US federal income tax consequences does not address the tax treatment of special classes of US Holders, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt entities;
- insurance companies;
- persons holding Ordinary Shares as part of a hedging, integrated or conversion transaction, constructive sale or "straddle";
- persons who acquired Ordinary Shares through the exercise or cancellation of employee stock options or otherwise as compensation for their services;
- US expatriates;
- persons who are resident in the UK for tax purposes or who carry on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable;
- persons subject to the alternative minimum tax;
- dealers or traders in securities or currencies; or
- holders whose functional currency is not the US dollar.

This summary does not address estate and gift tax or any US federal tax consequences other than income tax, or tax consequences under any state, local or foreign laws other than as provided in the section entitled “UK Taxation” of this Part X.

For the purposes of this summary, a “**US Holder**” is: (1) an individual citizen of the United States or a resident alien of the United States as determined for US federal income tax purposes; (2) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to US federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have authority to control all substantial decisions of the trust, or (B) that has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

If a partnership or other pass-through entity is a beneficial owner of Ordinary Shares, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If you are a partner (or other owner) of a pass-through entity that acquires Ordinary Shares, you should consult your tax adviser regarding the tax consequences of acquiring, owning and disposing of Ordinary Shares.

The following discussion is based upon the US Internal Revenue Code of 1986, as amended (the “**Code**”), US judicial decisions, administrative pronouncements, existing and proposed US Treasury regulations, all as in effect as of the date of this Prospectus. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in US federal income tax consequences different from those discussed below. The Company has not requested, and will not request, a ruling from the US Internal Revenue Service (the “**IRS**”) with respect to any of the US federal income tax consequences described below, and as a result there can be no assurance that the IRS will not disagree with or challenge any of the conclusions the Group has reached and described below.

The following discussion assumes that the Company is not a passive foreign investment company (or “**PFIC**”) as discussed in section 3 below entitled “Passive Foreign Investment Company Considerations”.

**The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder or prospective holder of Ordinary Shares and no opinion or representation with respect to the US federal income tax consequences to any such holder or prospective holder is made. Prospective purchasers are urged to consult their tax advisers as to the particular consequences to them under US federal, state and local, and applicable foreign, tax laws of the acquisition, ownership and disposition of Ordinary Shares.**

## **1. Distributions**

Subject to the PFIC rules discussed below, the gross amount of any distribution made by the Company will generally be subject to US federal income tax as dividend income to the extent paid out of the Group’s current or accumulated earnings and profits, as determined under US federal income tax principles.

Such amount will be includable in gross income by US Holders of Ordinary Shares as ordinary income on the date that such holders actually or constructively receive the distribution in accordance with their regular method of accounting for US federal income tax purposes. The amount of any distribution made by the Company in property other than cash will be the fair market value of such property on the date of the distribution. Dividends paid by the Company generally will not be eligible for the dividends received deduction allowed to corporations.

Subject to applicable exceptions with respect to short-term and hedged positions, certain dividends received by non-corporate US Holders from a “qualified foreign corporation” may be eligible for reduced rates of taxation. A qualified corporation includes a foreign corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the US Treasury determines to be satisfactory for these purposes and that includes an exchange of information provision. The US Treasury has determined that the Convention between the Government of the United States of America and the UK Government for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital Gains meets these requirements, and the Company believes that it is eligible for the benefits of this treaty. Dividends received by US investors from a foreign corporation that was a PFIC in either the taxable year of the distribution or the preceding taxable year will not constitute qualified dividends. As discussed in section 3 below entitled “Passive Foreign Investment Company Considerations”, the Company believes that it is not a PFIC.

The Company does not intend to maintain calculations of the Group's earnings and profits in accordance with US federal income tax principles, and, although there can be no assurance, US Holders should therefore assume that any distribution by the Company with respect to the Ordinary Shares will be treated as a dividend for US federal income tax purposes.

The gross amount of distributions paid in pounds sterling will be included by US Holders in income in a US dollar amount calculated by reference to the exchange rate in effect on the day they actually or constructively receive the distribution in accordance with their regular method of accounting for federal income tax purposes regardless of whether the payment is in fact converted into US dollars. If the pounds sterling are converted into US dollars on the date of the payment, US Holders should not be required to recognise any foreign currency gain or loss with respect to the receipt of pounds sterling as distributions. If, instead, the pounds sterling are converted at a later date, any currency gains or losses resulting from the conversion of the pounds sterling will be treated as US source ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

## **2. Sale, Exchange or Other Taxable Disposition of Ordinary Shares**

US Holders will generally recognise a gain or loss upon the sale, exchange or other taxable disposition of Ordinary Shares in an amount equal to the difference between (i) the amount realised upon the sale, exchange or other taxable disposition and (ii) their adjusted tax basis in the Ordinary Shares. Generally, subject to the application of the PFIC rules discussed below, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if, on the date of the sale, exchange or other taxable disposition, the US Holder has held the Ordinary Shares for more than one year. If a US Holder is an individual tax payer, long-term capital gains are subject to taxation at favourable rates. The deductibility of capital losses is subject to limitations under the Code. Gain or loss, if any, that are realised upon a sale, exchange or other taxable disposition of Ordinary Shares will be treated as having a United States source for US foreign tax credit limitation purposes. If a US Holder receives any foreign currency on the sale of Ordinary Shares, they may recognise ordinary income or loss as a result of currency fluctuations between the date of the sale of Ordinary Shares and the date the sale proceeds are converted into US dollars.

## **3. Passive Foreign Investment Company Considerations**

Special US federal income tax rules apply to US persons owning stock of a PFIC. A foreign corporation will be considered a PFIC for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look through" rules, either (1) at least 75% of its gross income is "passive" income (the "income test") or (2) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "asset test"). For the purposes of determining whether a foreign corporation will be considered a PFIC, such foreign corporation will be treated as holding its proportionate share of the assets and receiving directly its proportionate share of the income of any other corporation in which it owns, directly or indirectly, more than 25% (by value) of the stock. PFIC status is fundamentally factual in nature. It generally cannot be determined until the close of the taxable year in question and is determined annually.

The Company believes that it currently is not a PFIC for US federal income tax purposes, and the Company does not expect to become a PFIC in the future. However, the determination of PFIC status for any year is very fact specific, and there can be no assurance in this regard. Accordingly, it is possible that the Company may become a PFIC in the current taxable year or in future years. If the Company is classified as a PFIC in any year during which US Holders hold Ordinary Shares, the Company will generally continue to be treated as a PFIC in all succeeding years, regardless of whether the Company continues to meet the income or asset test discussed above.

If the Company is classified as a PFIC for any taxable year during which a US Holder holds Ordinary Shares, the holder would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the Ordinary Shares or upon the receipt of certain distributions treated as "excess distributions". An excess distribution generally would be any distribution to the US Holder with respect to Ordinary Shares during a single taxable year that is greater than 125% of the average annual distributions received by such holder with respect to Ordinary Shares during the three preceding taxable years or, if shorter, during the holder's holding period for the Ordinary Shares.

In some cases, a shareholder of a PFIC can avoid the interest charge and the other adverse PFIC consequences described above by making a "qualified electing fund" ("QEF") election to be taxed

currently on its share of the PFIC's undistributed income. The Company does not, however, expect to provide to US Holders the information regarding this income that would be necessary in order for a US Holder to make a QEF election with respect to its Ordinary Shares in the event the Company is determined to be a PFIC.

#### **4. Additional Tax on Passive Income**

US Holders that are individuals, estates or trusts will be required to pay up to an additional 3.8% tax on the lesser of (1) the US Holder's "net investment income" for the relevant taxable year and (2) the excess of the US Holder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A US Holder's "net investment income" will generally include, among other things, dividends and capital gains. Such tax will apply to dividends and to capital gains from the sale or other disposition of the Ordinary Shares, unless derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

#### **5. Information Reporting and Backup Withholding**

In general, information reporting will apply to dividends paid to US Holders in respect of Ordinary Shares and the proceeds received by US Holders from the sale, exchange or other disposition of Ordinary Shares within the United States unless such holder is an exempt recipient. A backup withholding tax may apply to such payments if a US Holder fails to provide a tax payer identification number or certification of exempt status or fails to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a US Holder's US federal income tax liability, provided that the required information is furnished to the IRS.

In addition, US Holders should be aware of reporting requirements with respect to the holding of certain foreign financial assets, including stock of foreign issuers which is not held in an account maintained by certain financial institutions, if the aggregate value of all of such assets exceeds US \$50,000. US Holders should also be aware that if the Company were a PFIC, they would generally be required to file IRS Form 8621. The US Treasury and IRS continue to issue new guidance regarding these information reporting requirements, and US Holders should consult their own tax advisers regarding the application of the information reporting rules to the Ordinary Shares and their particular situations.

## PART XI—ADDITIONAL INFORMATION

### 1. Responsibility statement

The Directors, whose names appear on page 73, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2. Incorporation and activity of the Company

The Company was incorporated and registered in England and Wales under the Companies Act as a private company limited by shares on 18 December 2009 under the name Adnams BBPM Limited, with registered number 07108742. The Company changed its name to Foxtons Group Limited on 29 May 2013. The Company was re-registered as a public limited company on 16 August 2013 with the name Foxtons Group plc.

The Company is domiciled in the UK. Its registered office and head office is at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE (telephone number: +44 (0) 20 7893 6000).

The principal legislation under which the Company operates, and under which the Ordinary Shares have been and will be created, is the Companies Act and regulations made thereunder. The Company operates in conformity with its constitution.

The Company became the holding company of the Group on 30 March 2010.

### 3. Share capital of the Company

3.1 The Company was incorporated with an issued share capital of £87.04 divided into 64,001,662 A ordinary shares of £0.00000136 each, which were issued to the subscribers to the Company's articles of association.

3.2 The following changes have occurred in the share capital of the Company since its incorporation:

- (a) On 30 March 2010, 8,853,547 ordinary shares of £0.00000136 each were allotted and issued for cash and were credited as fully paid;
- (b) On 31 March 2010, 553,328 A ordinary shares of £0.00000136 each were allotted and issued for cash and were credited as fully paid;
- (c) On 25 March 2011, 368,594 ordinary shares of £0.00000136 each were allotted and issued for cash and were credited as fully paid;
- (d) On 27 March 2012, 18,556,942 A ordinary shares of £0.00000136 each were allotted and issued for cash and were credited as fully paid;
- (e) On 27 March 2012, 18,556,942 A ordinary shares of £0.00000136 each were redesignated as special ordinary shares of £0.00000136 each and then subsequently redesignated as deferred shares of £0.00000136 each;
- (f) On 12 August 2013, 9,222,141 ordinary shares of £0.00000136 each were sub-divided into 1,254,211,176 ordinary shares of £0.00000001 each and 64,554,990 A ordinary shares of £0.00000136 each were sub-divided into 8,779,478,640 A ordinary shares of £0.00000001 each;
- (g) On 12 August 2013, 64,553,732,788,824 ordinary shares of £0.00000001 each and 451,876,150,521,360 A ordinary shares of £0.00000001 each were allotted and issued by way of a bonus issue and were credited as fully paid; and
- (h) On 12 August 2013, 64,554,987,000,000 ordinary shares of £0.00000001 each were consolidated into 64,554,987 Ordinary Shares and 451,884,930,000,000 A ordinary shares of £0.00000001 each were consolidated into 451,884,930 A ordinary shares of £0.01 each.

3.3 As at 30 June 2013, the issued share capital of the Company was £125.57, comprising 9,222,141 ordinary shares of £0.00000136 each, 64,554,990 A ordinary shares of £0.00000136 each and 18,556,942 deferred shares of £0.00000136 each (all of which were fully paid up or credited as fully paid up).



- 3.4 As at the date of this Prospectus, the issued share capital of the Company was £5,164,424.41 comprising 64,554,987 Ordinary Shares, 451,884,930 A ordinary shares of £0.01 each and 18,556,942 deferred shares of £0.00000136 each (all of which were fully paid up or credited as fully paid up). As at the date of this Prospectus, the Company's 451,884,930 A ordinary shares of £0.01 each and 18,556,942 deferred shares of £0.00000136 each are owned by the Major Shareholder, 45,460,044 of the Ordinary Shares are owned by Michael Brown and the balance of the Ordinary Shares (being 19,094,943 Ordinary Shares in total) are owned by other employees of the Group.
- 3.5 Immediately prior to Admission, the Company's share capital will, pursuant to and in accordance with the resolutions referred to in section 3.6 of this Part XI and the Pre-Admission Articles, be reorganised (the "**Share Capital Reorganisation**"). The Share Capital Reorganisation will involve the following principal steps:
- (a) 258,219,969 A ordinary shares of £0.01 each will be converted into deferred shares of £0.01 each in accordance with the ratchet provisions contained in the Pre-Admission Articles based on the value of the Offer Price;
  - (b) immediately following such conversion, the remaining A ordinary shares of £0.01 each will be re-designated as Ordinary Shares and all of the deferred shares of £0.01 each and all of the deferred shares of £0.00000136 each will be transferred to the Company for no consideration pursuant to an agreement between the Company and the Major Shareholder dated 19 September 2013 and such deferred shares will be cancelled prior to Admission upon such transfer; and
  - (c) the Articles, containing the rights and restrictions attaching to the Ordinary Shares, shall be adopted subject to and with effect from Admission.

The Share Capital Reorganisation will result in the Company having a single class of issued shares (namely the Ordinary Shares) and shall only take effect immediately prior to Admission.

No further corporate authorisations or shareholder resolutions are required in order to implement the Share Capital Reorganisation and the steps discussed above.

- 3.6 To give effect to the Share Capital Reorganisation, the Company resolved, by resolutions passed on 19 September 2013:
- (a) following the conversion of 258,219,969 A ordinary shares of £0.01 each into deferred shares of £0.01 each in accordance with the Pre-Admission Articles, to re-designate all of the remaining issued A ordinary shares of £0.01 each as Ordinary Shares; and
  - (b) to adopt the Articles subject to and with effect from Admission and in substitution for the Pre-Admission Articles.
- 3.7 By resolutions of the Company passed on 19 September 2013, in each case subject to and conditional upon Admission:
- (a) the Directors were generally and unconditionally authorised pursuant to section 551 of the Companies Act, in substitution for all prior authorities conferred upon them, but without prejudice to any allotments made pursuant to the terms of such authorities, to exercise all of the powers of the Company to allot shares in the Company as follows:
    - (i) in connection with the Offer and the issue of Ordinary Shares to certain Non-Executive Directors, Ordinary Shares with an aggregate nominal value of up to £239,565.20; and
    - (ii) following Admission, authority to allot shares:
      - (A) up to an aggregate nominal amount of £940,588.22; and
      - (B) up to an aggregate nominal amount of £1,881,176.44 (such amount to be reduced by any allotments made under sub-paragraph (A) above) in connection with a rights issue in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings on the record date for such allotment,

and such power expiring at 11:59 p.m. on 31 December 2013, provided that if Admission occurs prior to that time the authorities conferred shall expire at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before such expiry make an offer or agreement which would or might



require shares to be allotted after such expiry and the Directors may allot shares in pursuance of such offer or agreement as if the authority had not expired;

- (b) the Directors were empowered to allot equity securities (within the meaning of section 560(1) of the Companies Act) for cash pursuant to the authorities conferred in paragraph 3.7(a), pursuant to section 570 and section 573 of the Companies Act in substitution for all prior powers conferred upon them, but without prejudice to any allotments made pursuant to the terms of such powers, as if section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:
- (i) the allotment of Ordinary Shares with an aggregate nominal value of up to £239,565.20 in connection with the authority referred to in paragraph 3.7(a)(i) of this Part XI;
  - (ii) the allotment of equity securities and sale of treasury shares for cash in connection with an offer of, or invitation to apply for, equity securities (but in the case of the authority referred to in paragraph 3.7(a)(ii)(B) by way of a rights issue only) in favour of holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings and to holders of other equity securities as required by the rights attached to those securities or as the Directors otherwise consider necessary, but subject to such restrictions or other arrangements as the Directors deem necessary or appropriate in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
  - (iii) the allotment of Ordinary Shares (other than under (i) or (ii) above) up to an aggregate nominal amount of £141,088.23,

such power expiring at 11:59 p.m. on 31 December 2013, provided that if Admission occurs prior to that time the authorities conferred shall expire at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution, save that the Company may before the end of such period make an offer or agreement which would or might require equity securities to be allotted after expiry of the power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;

- (c) the Company was generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Companies Act) of Ordinary Shares subject to the following conditions:
- (i) the maximum aggregate number of Ordinary Shares authorised to be purchased is 28,217,646;
  - (ii) the minimum price (excluding expenses) which may be paid for each Ordinary Share is £0.01 (being the nominal value of an Ordinary Share); and
  - (iii) the maximum price (excluding expenses) which may be paid for each Ordinary Share is not more than the higher of (i) 105% of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased and (ii) an amount equal to the higher of the price of the last independent trade of an Ordinary Share and the highest current independent bid for an Ordinary Share on the London Stock Exchange plc at the time the purchase is carried out,

such authority to expire at 11:59 p.m. on 31 December 2013, provided that if Admission occurs prior to that time the authority conferred shall expire at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution save that the Company may, before the expiry of the authority enter into a contract to purchase Ordinary Shares which will or may be executed wholly or partly after the expiry of such authority;

- (d) the Company and its subsidiaries were authorised, in aggregate to:
- (i) make political donations to political parties and/or independent election candidates, not exceeding £100,000 in total;
  - (ii) make political donations to political organisations other than political parties, not exceeding £100,000 in total; and
  - (iii) incur political expenditure, not exceeding £100,000 in total,

such authority to expire at 11:59 p.m. on 31 December 2013, provided that if Admission occurs prior to that time the authority conferred shall expire at the conclusion of the first annual general meeting of the Company held after the date of passing of the resolution (unless previously revoked, varied or renewed by the Company in general meeting). For the purposes of this authority the terms “political donation”, “political parties”, “independent election candidates”, “political organisation” and “political expenditure” have the meanings given by sections 363 to 365 of the Companies Act. The Company does not make political donations and it has no intention of using the authority for that purpose. The Company has taken the authority on a precautionary basis in order to avoid any unintended breach of the Companies Act); and

- (e) a general meeting of the Company other than an annual general meeting may be called on not less than 14 days’ notice.

- 3.8 By a resolution of the Board passed on 19 September 2013 and effective immediately upon Admission and the coming into effect of certain shareholder resolutions described at section 3.7 of this Part XI, a total of 43,476 new Ordinary Shares will be issued and allotted by the Company to certain of the Non-Executive Directors at an issue price of £0.01 per Ordinary Share (being the nominal value of an Ordinary Share) to be satisfied out of their own funds as follows: Garry Watts (10,869 Ordinary Shares for £108.69); Annette Court (10,869 Ordinary Shares for £108.69); Andrew Adcock (10,869 Ordinary Shares for £108.69); and Ian Barlow (10,869 Ordinary Shares for £108.69). To maintain the independence of each of these Non-Executive Directors, his or her holding of these Ordinary Shares is not subject to any restrictions other than those attaching to Ordinary Shares generally or as required by law. However, each of these Non-Executive Directors has confirmed in writing that he or she does not intend to sell (or otherwise transfer, lend or dispose of) these shares, or any interest in them, prior to the second anniversary of Admission.
- 3.9 Immediately following Admission, the Company’s issued share capital will comprise 282,176,468 Ordinary Shares (all of which will be fully paid up or credited as fully paid up).
- 3.10 As at 19 September 2013, being the latest practicable date prior to the date of this Prospectus, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid.
- 3.11 The Ordinary Shares will carry the right to receive dividends and distributions paid by the Company following Admission. The Shareholders will have the right to receive notice of and to attend and vote at all general meetings of the Company.
- 3.12 The ISIN of the Ordinary Shares is GB00BCKFY513.
- 3.13 Further information on the rights attaching to the Ordinary Shares is set out in sections 4 and 5 of this Part XI, and further information on dealing arrangements and CREST is set out in Part IX (*Details of the Offer*).
- 3.14 As at the date of this Prospectus, and save as otherwise disclosed in this Part XI:
  - (i) no share or loan capital of the Company has, since the incorporation of the Company, been issued or agreed to be issued, or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash, to any person;
  - (ii) no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital; and
  - (iii) no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

## **4. Information about the Ordinary Shares**

### ***4.1 Description of the type and class of securities being offered***

The Ordinary Shares being offered pursuant to the Offer have a nominal value of £0.01 each. Upon Admission (following the Share Capital Reorganisation) the Company will have one class of issued shares (Ordinary Shares), the rights of which will be set out in the Articles, a summary of which is set out in section 5 of this Part XI.

Each of the Ordinary Shares offered pursuant to the Offer will be credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

The Existing Ordinary Shares and the New Ordinary Shares (when issued and fully paid) will rank equally in all respects with each other, including in full for all dividends and distributions on Ordinary Shares declared, made or paid after their issue and in relation to voting rights and rights on a return of capital, as set out in the Articles.

#### ***4.2 Legislation under which the Ordinary Shares are created***

The Ordinary Shares have been and will be created under the Companies Act and they conform with the law of England and Wales. The Ordinary Shares have been and will be duly authorised according to the requirements of the Company's constitution and have and will have all necessary statutory and other consents.

#### ***4.3 Listing of the Ordinary Shares***

Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List. Application has also been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on its main market for listed securities. No application has been made for admission of the Ordinary Shares to trading on any other stock exchange, and the Company does not currently intend to make any such application in the future.

It is expected that conditional dealings in the Ordinary Shares (on a "when issued" basis) will commence on the London Stock Exchange on 20 September 2013. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange by no later than 8 a.m. on 25 September 2013. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

#### ***4.4 Form and currency of the Ordinary Shares***

The Ordinary Shares are in registered form and capable of being held in certificated and uncertificated form upon Admission. The Registrar of the Company is Capita Registrars Limited of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Title to certificated Ordinary Shares will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by Euroclear UK & Ireland Limited (which will form part of the register of members of the Company).

No share certificates will be issued in respect of Ordinary Shares held in uncertificated form. If any such Ordinary Shares are converted to be held in certificated form, share certificates will be issued in respect of those Ordinary Shares in accordance with applicable legislation. No temporary documents of title have been or will be issued in respect of the Ordinary Shares.

It is currently anticipated that the Ordinary Shares will be eligible to join CREST with effect immediately upon Admission and the commencement of unconditional dealings on the London Stock Exchange.

The Ordinary Shares are denominated in pounds sterling.

#### ***4.5 Rights attaching to the Ordinary Shares***

Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years. Please see section 3.7 of this Part XI for a description of the waivers of pre-emption rights that will apply from Admission.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made for the purpose of funding the repurchase. Please see section 3.7 of

this Part XI for a description of the authorisations relating to the purchase of Ordinary Shares that will apply from Admission.

At Admission, BC European Capital will be interested in 28.0% of the Ordinary Shares in the Company in aggregate. While the Company does not intend to commence a buyback programme, any buyback which may result in an increase in the percentage of voting shares in which BC European Capital is interested to 30% or more will need to be approved by a vote of independent Shareholders to avoid BC European Capital being required to make a mandatory offer for the Company pursuant to Rule 9 of the City Code. The Company expects to propose such a “whitewash” resolution at its future annual general meetings for so long as BC European Capital is interested in such percentage of voting rights which could increase to 30% or more if the buyback authority is exercised in full. For the period from Admission and up to its first annual general meeting as a listed company, the Company will have authority to make purchases of up to 28,217,646 Ordinary Shares and has obtained the approval of over 50% of its independent Shareholders (excluding the Major Shareholder) to permit such a buyback. On that basis, the Takeover Panel has waived any obligation which would otherwise require the Major Shareholder or BC European Capital to make a mandatory offer under Rule 9 of the City Code on the grounds that its or their interest in the Ordinary Shares has increased as a result only of the exercise of that buyback authority. For further details of the buyback authority and Takeover Rule 9 of the City Code, please refer to section 8.3 of this Part XI.

Further details of the rights attaching to the Ordinary Shares in relation to attendance and voting at general meetings, dividend rights, entitlements on a winding-up of the Company and transferability of shares are set out in section 5 of this Part XI.

#### ***4.6 Description of restrictions on free transferability of the Ordinary Shares***

Save as described below, the Ordinary Shares will be freely transferable upon Admission.

##### *Transfer restrictions under the Articles*

The Board can decline to register any transfer of any Ordinary Share which is not a fully paid share. The Board may also decline to register a transfer of a certificated share unless the instrument of transfer:

- (a) is left at the registered office of the Company or such other place as the Board may from time to time determine, accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (b) (if stamp duty is generally chargeable on transfers of certificated shares) is duly stamped or certified or otherwise shown to the satisfaction of the Board to be exempt from stamp duty and is accompanied by the relevant share certificate or such other evidence of the right to transfer as the Board may reasonably require;
- (c) is in respect of only one class of share; and
- (d) if to joint transferees, is in favour of not more than four such transferees.

Registration of a transfer of an uncertificated share may only be refused in the circumstances set out in the CREST Regulations and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of any of the Company’s certificated shares by a person with a 0.25% interest (as defined in the Articles) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Company with information concerning interests in those shares required to be provided under the Companies Act, unless the transfer is shown to the Board to be pursuant to an arm’s length sale (as defined in the Articles).

##### *Transfer restrictions under the Companies Act*

The Company may, under the Companies Act, send out statutory notices to those it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can

apply to the court for an order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void.

## **5. Summary of the Articles**

The Articles, which were adopted on 19 September 2013 subject to and with effect from Admission, are available for inspection at the addresses specified in section 25 of this Part XI. The Articles contain provisions (among others) to the following effect:

### **5.1 *Unrestricted objects***

The objects of the Company are unrestricted.

### **5.2 *Limited liability***

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

### **5.3 *Change of the Company's name***

The Articles allow the Company to change its name by resolution of the Board. This is in addition to the Company's ability to change its name by special resolution under the Companies Act.

### **5.4 *Voting rights***

#### **5.4.1 *Votes on a show of hands***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held, on a show of hands every Shareholder present in person or by proxy at a general meeting of the Company and every duly authorised corporate representative shall have one vote. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and the proxy has been instructed by one or more of those Shareholders to vote for the resolution and by one or more other of those Shareholders to vote against it then the proxy shall have one vote for and one vote against the resolution. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and has been granted both discretionary authority to vote on behalf of one or more of those Shareholders and firm voting instructions on behalf of one or more other Shareholders, the proxy shall not be restricted by the firm voting instructions in casting a second vote in any manner he so chooses under the discretionary authority conferred upon him.

#### **5.4.2 *Votes on a poll***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles or the Companies Act, on a poll every Shareholder present in person or by proxy shall have one vote for every share held by him and every person appointed as proxy of a Shareholder shall have one vote for every share in respect of which he is appointed as a proxy provided always that where a Shareholder appoints more than one proxy, this does not authorise the exercise by such proxies taken together of more extensive voting rights than could be exercised by the Shareholder in person and every duly authorised corporate representative may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every share in respect of which he is appointed the corporate representative.

### **5.5 *Dividends and return of capital***

Subject to the provisions of the Companies Act, the Company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of Shareholders, but no dividend shall exceed the amount recommended by the Board.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution passed at a general meeting of the Company, divide among the Shareholders *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of



Shareholders. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no Shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

#### **5.6 Unclaimed dividends**

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and shall revert to the Company.

#### **5.7 Transfer of shares**

Any Shareholder may transfer all or any of his uncertificated shares by means of a relevant system in such manner provided for, and subject as provided, in the CREST Regulations and the rules of any relevant system.

Any Shareholder may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Company.

Subject to the provisions of the Companies Act, the Board may, in its absolute discretion, decline to register any transfer of any share which is not a fully paid share provided that where such a share is a member of a class of share admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in shares of that class from taking place on an open and proper basis.

The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in the CREST Regulations, and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register any transfer of a certificated share unless:

- (a) the instrument of transfer is left at the registered office of the Company or such other place as the Board may from time to time determine, accompanied (save in the case of a transfer by a person to whom the Company is not required by law to issue a certificate and to whom a certificate has not been issued) by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the person executing the instrument of transfer to make the transfer;
- (b) (if stamp duty is generally chargeable on transfers of certificated shares) the instrument of transfer is duly stamped or adjudged or certified as not chargeable to stamp duty;
- (c) the instrument of transfer is in respect of only one class of share; and
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

#### **5.8 Restrictions on shares**

Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, fails to comply within the relevant period (as defined below) with any notice under section 793 of the Companies Act in respect of those shares (in this sub-section, a “**statutory notice**”), the Company may give the holder of those shares a further notice (in this sub-section, a “**restriction notice**”) to the effect that from the service of the restriction notice those shares shall be subject to some or all of the relevant restrictions (as defined below), and from service of the restriction notice those shares shall be subject to those relevant restrictions accordingly.

If after the service of a restriction notice in respect of any shares the Board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the Company shall, within seven days, cancel the restriction notice. The Company may at any time at its discretion cancel any restriction notice or exclude any shares from it. A restriction notice shall automatically cease to have effect in respect of any shares transferred where the transfer is pursuant to an arm’s length sale (as defined in the Articles) of those shares.



Any new shares in the Company issued in respect of any shares subject to a restriction notice shall also be subject to the restriction notice, and the Board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.

The relevant period referred to above is the period of 14 days following service of a statutory notice.

The relevant restrictions referred to above are, in the case of a restriction notice served on a person having an interest in shares in the Company which comprise in total at least 0.25% in number or nominal value of the shares of the Company (calculated exclusive of any treasury shares), or of any class of such shares, that:

- (a) the shares shall not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or to exercise any other right conferred by membership in relation to attending general meetings and voting;
- (b) the Board may withhold payment of all or any part of any dividends (including shares issued in lieu of dividends) payable in respect of the shares; and
- (c) the Board may (subject to the requirements of the CREST Regulations) decline to register a transfer of the shares or any of them unless such a transfer is pursuant to an arm's length sale,

and in any other case means only the restriction specified in sub-paragraph (a) above.

### ***5.9 Variation of rights attaching to shares***

Subject to the provisions of the Companies Act, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares.

### ***5.10 Conditions governing the manner in which annual general meetings and general meetings are called***

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act. The Board may convene a general meeting whenever it thinks fit.

An annual general meeting shall be convened by not less than twenty-one clear days' notice in writing. Subject to the Companies Act, all other general meetings shall be convened by not less than fourteen clear days' notice in writing. However, a meeting can be properly convened on a shorter notice period if it is so agreed: (a) in the case of an annual general meeting, by all the Shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving the right.

Notice of every general meeting shall be given to all Shareholders other than any who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company. Notice of every general meeting must also be given to the Company's auditors.

Before a general meeting carries out business, there must be a quorum present. Unless the Articles state otherwise in relation to a particular situation, a quorum for all purposes is two Shareholders present in person or by proxy or by a duly authorised corporate representative and entitled to vote.

### ***5.11 Notices to Shareholders***

Any notice or document (including a share certificate) may be served on or delivered to any Shareholder by the Company either personally or by sending it through the post addressed to the Shareholder at his registered address or by leaving it at that address addressed to the Shareholder or by means of a relevant system or, where appropriate, by sending it in electronic form to an address for the time being notified by the Shareholder concerned to the Company for that purpose, or by publication on a website in accordance with the Companies Act or by any other means authorised in writing by the Shareholder concerned. In the case of joint holders of a share, service or delivery of any notice or document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.

### **5.12 Directors**

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate directors) shall not be less than two nor more than twelve.

Each Director shall retire from office at the third annual general meeting after the annual general meeting at which he was elected or re-elected (as the case may be).

The Company may by ordinary resolution appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board. Without prejudice to this power the Board may appoint any person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board.

Only the following people can be elected as Directors at a general meeting:

- (a) a Director who is retiring at the annual general meeting;
- (b) a person who is recommended by the Board; or
- (c) a person who has been proposed for election or re-election by way of notice signed by a Shareholder qualified to vote at the meeting (not being the person to be proposed) and also signed by the person to be proposed indicating his willingness to be appointed or reappointed.

In addition to any powers of removal conferred by the Companies Act, the Company may by special resolution remove any Director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution, appoint another person who is willing to act in his place.

The Directors shall be paid out of the funds of the Company by way of fees for their services as directors, such sums (if any) and such benefits in kind as the Board may from time to time determine and such remuneration shall be divided between the Directors as the Board shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

Any Director who is appointed to any executive office or who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide.

The Board or any committee authorised by the Board may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any Director or former director or the relations, connections or dependants of any Director or former director provided that no benefits (except such as may be provided for by any other Article) may be granted to or in respect of a Director or former director who has not been employed by, or held an executive office or place of profit under, the Company or any body corporate which is or has been its subsidiary undertaking or any predecessor in business of the Company or any such body corporate without the approval of an ordinary resolution of the Company.

Save as otherwise provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any actual or proposed transaction or arrangement with the Company in which he has an interest which (taken together with any interest of any person connected with him) is to his knowledge an interest of which he is aware, or ought reasonably to be aware, does conflict, or can reasonably be regarded as likely to give rise to a conflict, with the interests of the Company and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that material interest arises only from one or more of the following matters:

- (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;

- (d) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or by reason of any other interest in or through the Company;
- (e) any contract concerning any other company (not being a company in which the Director owns 1% or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (f) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or of any of its subsidiary undertakings and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (g) any contract for the benefit of the employees of the Company or of any of its subsidiary undertakings under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; and
- (h) any contract for the purchase or maintenance of insurance against any liability for, or for the benefit of, any Director or Directors or for, or for the benefit of, persons who include Directors.

If any question arises at any meeting of the Board as to whether the interest of a Director gives rise to a conflict, or could reasonably be regarded as likely to give rise to a conflict, with the interests of the Company or as to the entitlement of any Director to vote or be counted in the quorum and the question is not resolved by him voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be decided by a resolution of the Board (for which purpose the Director in question shall not be counted in the quorum and provided that the resolution was agreed to without the Director in question voting or would have been agreed if their votes had not been counted) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the Director (so far as is known to him) has not been fairly disclosed to the Board.

A Director who is in any way, whether directly or indirectly, interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at the meeting of the Board at which the question of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. A general notice to the Board by a Director to the effect that: (a) he is a member of a specified company or firm and is to be regarded as interested in any contract which may after the date of the notice be made with that company or firm; or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest in relation to any such contract, provided that no such notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

### ***5.13 Indemnity of directors***

To the extent permitted by the Companies Act, the Company may indemnify any director or former director of the Company or of any associated company against any liability and may purchase and maintain for any director or former director of the Company or of any associated company insurance against any liability.

### ***5.14 Borrowing powers***

Subject to the provisions of the Companies Act, the Board may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (exclusive of borrowings owing by one member of the Group to another member of the Group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the aggregate from time to time of the Company's adjusted capital and reserves (as defined in the Articles).

## **6. Mandatory bids and compulsory acquisition rules relating to the Ordinary Shares**

Other than as provided by the City Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules that apply to the Ordinary Shares or the Company.

### **6.1 Mandatory bids**

The City Code applies to the Company. Under Rule 9 of the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

"Interests in shares" is defined broadly in the City Code. A person who has long economic exposure, whether absolute or conditional, to changes in the price of shares will be treated as interested in those shares. A person who only has a short position in shares will not be treated as interested in those shares.

"Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting.

Persons acting in concert (and concert parties) comprise persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Certain categories of people are deemed under the City Code to be acting in concert with each other unless the contrary is established.

For details regarding Shareholders and other persons presumed by the Panel to be acting in concert with respect to the Group on Admission for the purposes of Rule 9 of the City Code, please refer to section 8.3 of this Part XI.

### **6.2 Squeeze-out rules**

Under the Companies Act, if a "takeover offer" (as defined in section 974 of the Companies Act) is made by an offeror to acquire all of the shares in the Company not already owned by it and the offeror were to acquire, or unconditionally contract to acquire, not less than 90% in value of the shares to which such offer relates, the offeror could then compulsorily acquire the remaining shares. The offeror would do so by sending a notice to the outstanding members informing them that it will compulsorily acquire their shares and, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration for the outstanding shares to the Company which would hold the consideration on trust for the relevant members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

### **6.3 Sell-out rules**

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% in value of the shares and not less than 90% of the voting rights carried by the shares in the Company, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his or her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his or her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 7. Subsidiary undertakings

The Company is the holding company of the Group.

As at the date of this Prospectus, the Group comprises the Company and its subsidiaries named below, all of which are directly or indirectly 100% owned by the Company.

Name	Country of incorporation	Proportion of ownership interest	Principal activity
Foxtons Intermediate Holdings Limited	England and Wales	100% owned by the Company	Intermediate holding company
Foxtons Operational Holdings Limited	England and Wales	100% owned by Foxtons Intermediate Holdings Limited	Intermediate holding company
Foxtons Limited	England and Wales	100% owned by Foxtons Operational Holdings Limited	Estate agency
Alexander Hall Associates Limited	England and Wales	100% owned by Foxtons Operational Holdings Limited	Mortgage broking and related services
Alexander Hall Direct Limited	England and Wales	100% owned by Alexander Hall Associates Limited	Dormant

## 8. Interests of major shareholders and Selling Shareholders

### 8.1 Major shareholders

In so far as was known to the Company as at 19 September 2013 (being the latest practicable date prior to the publication of this Prospectus), each of the persons set out in the table below will, on Admission, be directly or indirectly interested in 3% or more of the issued Ordinary Share capital of the Company.

	Interests immediately prior to Admission		Interests immediately following Admission (assuming no exercise of the Over-allotment Option) <sup>(1)</sup>		Interests following Admission assuming exercise in full of the Over-allotment Option	
	No.	% of total issued share capital of the Company	No.	% of total issued share capital of the Company	No.	% of total issued share capital of the Company
<b>Major shareholder</b>						
Blackrock . . . . .	—	—	23,000,000	8.2%	23,000,000	8.2%
FIL Investment Services (UK) Limited . . . . .	—	—	9,164,161	3.2%	9,164,161	3.2%

Note:

(1) Calculated on the basis that there is no exercise of the Over-allotment Option.

In addition and in so far as was known to the Company as at 19 September 2013 (being the latest practicable date prior to the publication of this Prospectus), each of the Major Shareholder and Michael Brown were, and on Admission will be, directly or indirectly interested in 3% or more of the issued Ordinary Share capital of the Company. Their expected interests both immediately prior to and immediately following Admission are disclosed in the table set out in section 8.2 of this Part XI.

### 8.2 Selling Shareholders

In addition to the New Ordinary Shares that will be issued by the Company pursuant to the Offer, Existing Ordinary Shares will be sold by the Selling Shareholders pursuant to the Offer. The Selling Shareholders are the Major Shareholder, the Executive Directors and the Employee Shareholders. The Major Shareholder currently holds, and during the past three years has held, a controlling interest in the issued share capital of the Company. Each of the Executive Directors and the Employee Shareholders is currently, and during the past three years has been, employed by the Group. Each of the Selling Shareholders has their business address at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE save for the Major Shareholder whose business address is at 40 Portman Square, London W1H 6DA.



The interests in Ordinary Shares of the Selling Shareholders immediately prior to and immediately following Admission are set out in the table below.

Selling Shareholder	Interests immediately prior to Admission <sup>(1)</sup>		Ordinary Shares to be sold pursuant to the Offer <sup>(1)(2)</sup>		Interests immediately following Admission (assuming no exercise of the Over-allotment Option) <sup>(1)(2)</sup>		Interests following Admission assuming exercise in full of the Over-allotment Option <sup>(1)(3)</sup>	
	No.	% of total issued share capital of the Company	No.	% of holding	No.	% of total issued share capital of the Company	No.	% of total issued share capital of the Company
<b>Major Shareholder</b>								
Adnams BBPM Holdings Limited <sup>(4)</sup> . . . . .	193,664,961	75.0%	113,750,000	58.7%	79,914,961	28.3%	62,970,059	22.3%
<b>Executive Directors</b>								
Michael Brown ( <i>Chief Executive Officer</i> ) . . . . .	45,460,044	17.6%	22,730,022	50.0%	22,730,022	8.1%	22,730,022	8.1%
Gerard Nieslony ( <i>Chief Financial Officer</i> ) . . . . .	1,333,024	0.5%	666,512	50.0%	666,512	0.2%	666,512	0.2%
<b>Employee Shareholders</b>								
Lucy Briant ( <i>HR Director</i> ) . . . . .	546,602	0.2%	273,301	50.0%	273,301	0.1%	273,301	0.1%
Nicholas Budden ( <i>Chief Operating Officer, Foxtons</i> ) . . . . .	2,609,320	1.0%	1,304,660	50.0%	1,304,660	0.5%	1,304,660	0.5%
James Clarke ( <i>Director – Central Division</i> ) . . . . .	196,602	0.1%	98,301	50.0%	98,301	0.03%	98,301	0.03%
Christopher Constantinou ( <i>Area Director – West &amp; Surrey</i> ) . . . . .	1,333,024	0.5%	666,512	50.0%	666,512	0.2%	666,512	0.2%
John Ennis ( <i>Area Director – New Homes and Investments</i> ) . . . . .	983,024	0.4%	491,512	50.0%	491,512	0.2%	491,512	0.2%
James Evans ( <i>Area Director – South</i> ) . . . . .	983,024	0.4%	491,512	50.0%	491,512	0.2%	491,512	0.2%
Frances Giltinan ( <i>Director – Recruitment, Training and Corporate Services</i> ) . . . . .	546,602	0.2%	273,301	50.0%	273,301	0.1%	273,301	0.1%
Daren Haysom ( <i>Director – East Division</i> ) . . . . .	196,602	0.1%	98,301	50.0%	98,301	0.03%	98,301	0.03%
Mark Horvat ( <i>Area Director – North</i> ) . . . . .	983,024	0.4%	491,512	50.0%	491,512	0.2%	491,512	0.2%
Jean Jameson ( <i>Area Director – Chiswick Park</i> ) . . . . .	1,333,024	0.5%	666,512	50.0%	666,512	0.2%	666,512	0.2%
Edward Phillips ( <i>Director – Lettings</i> ) . . . . .	1,158,024	0.4%	579,012	50.0%	579,012	0.2%	579,012	0.2%
Andrew Pratt ( <i>Chief Executive Officer, Alexander Hall</i> ) . . . . .	983,024	0.4%	491,512	50.0%	491,512	0.2%	491,512	0.2%
Sarah-Jane Raben ( <i>Marketing Director</i> ) . . . . .	491,512	0.2%	245,756	50.0%	245,756	0.1%	245,756	0.1%
Daniel Rafferty ( <i>IT Director</i> ) . . . . .	764,813	0.3%	382,406	50.0%	382,407	0.1%	382,407	0.1%
Lorraine Thompson ( <i>Director – Customer Services and Compliance</i> ) . . . . .	196,602	0.1%	98,301	50.0%	98,301	0.03%	98,301	0.03%
Andrew Weir ( <i>Area Director – Central</i> ) . . . . .	2,316,048	0.9%	1,158,024	50.0%	1,158,024	0.4%	1,158,024	0.4%
Mark Willis ( <i>Area Director – East</i> ) . . . . .	1,158,024	0.4%	579,012	50.0%	579,012	0.2%	579,012	0.2%

Notes:

- (1) In accordance with the Pre-Admission Articles and the Share Capital Reorganisation as described in section 3.5 of this Part XI, the shareholdings of the current members of the Company will, immediately prior to Admission, be varied based on the aggregate valuation of the Company implied by the Offer Price. The figures presented in the table above reflect the respective share interests of the Selling Shareholders following the implementation of the Share Capital Reorganisation.
- (2) Calculated on the basis that there is no exercise of the Over-allotment Option.
- (3) Adnams BBPM Holdings Limited may sell up to a further 16,944,902 Ordinary Shares pursuant to the Over-allotment Option.
- (4) Adnams BBPM Holdings Limited will also hold 18,556,942 deferred shares of £0.00000136 each and 258,219,969 deferred shares of £0.01 each immediately prior to Admission, all of which will be transferred to the Company for no consideration and cancelled immediately prior to Admission.



### 8.3 Rule 9 disclosures

#### *Overview*

For the purposes of Rule 9 of the City Code (which is described in section 6.1 of this Part XI), the Company understands that the Takeover Panel will presume (i) the Major Shareholder, Adnams BBPM Group Limited, BC European Capital and any other funds managed or advised by BC Partners to be acting in concert (the “**Concert Party**”) and (ii) the Executive Directors, Senior Managers and all other employees of the Group who hold Ordinary Shares upon Admission to be acting in concert.

#### *Whitewash procedure*

When a company redeems or purchases its own voting shares, under Rule 37 of the City Code any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the City Code. Rule 37 of the City Code provides that, subject to prior consultation, the Panel will normally waive any resulting obligation to make a general offer if there is a vote of independent shareholders and a procedure along the lines of that set out in Appendix 1 to the City Code is followed. Appendix 1 to the City Code sets out the procedure which should be followed in obtaining that consent of independent shareholders. Under Note 1 on Rule 37 of the City Code, a person who comes to exceed the limits in Rule 9.1 in consequence of a company’s purchase of its own shares will not normally incur an obligation to make a mandatory offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the person is, or is presumed to be, acting in concert with any of the directors. However, there is no presumption that all the directors (or any two or more directors) are acting in concert solely by reason of a proposed purchase by a company of its own shares, or the decision to seek shareholders’ authority for any such purchase.

Under Note 2 on Rule 37 of the City Code, the exception in Note 1 on Rule 37 described above will not apply, and an obligation to make a mandatory offer may therefore be imposed, if a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he, she or it had reason to believe that such a purchase of its own shares by the company would take place. However, Note 2 will not normally be relevant unless the relevant person has knowledge that a purchase for which requisite shareholder authority exists is being, or is likely to be, implemented (whether in whole or in part).

The Panel must be consulted in advance in any case where Rule 9 of the City Code might be relevant. This will include any case where a person or group of persons acting in concert is interested in shares carrying 30% or more but does not hold shares carrying more than 50% of the voting rights of a company, or may become interested in 30% or more on full implementation of the proposed purchase by the company of its own shares. In addition, the Panel should always be consulted if the aggregate interests in shares of the directors and any other persons acting in concert, or presumed to be acting in concert, with any of the directors amount to 30% or more, or may be increased to 30% or more on full implementation of the proposed purchase by the company of its own shares.

Subject to certain limits, the Company has authority to purchase Ordinary Shares under the terms of the shareholder resolution summarised in section 3.7 of this Part XI. The maximum number of Ordinary Shares that the Company may purchase under this authority is 28,217,646 Ordinary Shares. The authority is due to expire at the conclusion of the first annual general meeting of the Company held following Admission.

If, prior to such expiry:

- the Company were to exercise that authority in full; and
- none of the Ordinary Shares which the Concert Party holds is purchased by the Company under that authority and no Ordinary Shares had been newly issued by the Company between the date of Admission and the date that the authority is fully exercised,

then the shareholding in the Company in which the Concert Party is interested would increase to approximately 31.5% (assuming that the Over-allotment Option is not exercised at all).

This increase would be less to the extent that any of the Concert Party’s Ordinary Shares are purchased by the Company. In addition, as noted above, the Concert Party’s shareholding will be lower, and will therefore increase by a lesser amount, to the extent that the Stabilising Manager had exercised the Over-allotment Option by acquiring further Ordinary Shares from the Lending Shareholder.

Notwithstanding the provisions of Rule 37 of the City Code, the Takeover Panel has waived any obligation which would otherwise require the Concert Party to make a mandatory offer under Rule 9 of the City Code on the grounds that its or their interest in the Ordinary Shares has increased as a result only of the purchase by the Company of its own shares pursuant to the authority conferred by the shareholder resolution summarised above. The Company currently expects to seek renewal of that authority from Shareholders at the first annual general meeting of the Company held following Admission and to seek Shareholder consent to an equivalent waiver in respect of any renewed authority to purchase Ordinary Shares that is sought. The granting of the waiver will then also be subject to renewed approval from the Takeover Panel, without which Rule 9 of the City Code will apply with respect to increases in interests in Ordinary Shares in the Company caused by the purchase by the Company of its own shares.

#### **8.4 Other disclosures relating to Shareholders**

- (a) Other than as described in section 8.3 of this Part XI the Company is not aware of any persons who, as at 19 September 2013 (being the latest practicable date prior to the publication of this Prospectus) and immediately after Admission, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.
- (b) As of Admission (following the Share Capital Reorganisation), the Ordinary Shares will be the only class of share capital of the Company. All Shareholders will have equal voting rights and none of the Existing Shareholders will have different voting rights.

### **9. Directors and Senior Managers**

#### **9.1 Directorships and partnerships of the Directors and the Senior Managers outside the Group**

Details of those companies and partnerships outside the Group of which the Directors and the Senior Managers are currently directors or partners, or have been directors or partners at any time during the five years prior to the date of this Prospectus, are as follows:

<u>Name</u>	<u>Position</u>	<u>Company/Partnership</u>
<b>Garry Watts</b>		
<i>Current directorships and partnerships</i>		
	Director	Albemarle Fair Oaks Airport Limited (Guernsey)
	Director	BTG plc
	Director	Coca-Cola Enterprises Inc.
	Director	Juno Limited
	Director	Juno Trading Limited
	Director	Spire Healthcare Group UK Limited
	Director	Stagecoach Group plc
	Director	UKRD (Chillington) Ltd
	Director	UKRD (Exmouth) Ltd
	LLP Member	Albemarle Cardiff LLP
	LLP Member	Albemarle Croydon LLP
	LLP Designated Member	Albemarle (Gainsborough) LLP
	LLP Member	Albemarle Leisure LLP
	LLP Member	Albemarle Retail Properties LLP
	LLP Member	Albemarle (Shoreham) LLP
	LLP Member	The Close Film Sale and Leaseback LLP
<i>Previous directorships and partnerships</i>		
	Director	Brevet Hospital Products (UK) Limited
	Director	British Surgical Industries Limited
	Director	BTG Management Services Limited
	Director	Cupal, Limited
	Director	Dakin Brothers Limited
	Director	Durex Limited
	Director	Earex Products Limited
	Director	London International Group Limited

<u>Name</u>	<u>Position</u>	<u>Company/Partnership</u>
	Director	LRC Investments Limited
	Director	LRC Products Limited
	Director	LRC Secretarial Services Limited
	Director	New Bridge Street Invoicing Limited
	Director	Open Championship Limited
	Director	Pharmalab Limited
	Director	Prebbles Limited
	Director	Rivalmuster
	Director	Scholl Limited
	Director	Scholl Consumer Products Limited
	Director	Scholl (Investments) Limited
	Director	Scholl (UK) Limited
	Director	Sonet Group Limited
	Director	Sonet Healthcare Limited
	Director	Sonet Investments Limited
	Director	Sonet Prebbles Limited
	Director	Sonet Products Limited
	Director	Sonet Scholl Healthcare International Limited
	Director	Sonet Scholl Healthcare Limited
	Director	Sonet Scholl Overseas Investments Limited
	Director	Sonet Scholl UK Limited
	Director	SSL (C C Manufacturing) Limited
	Director	SSL (C C Services) Limited
	Director	SSL International plc
	Director	SSL (MG) Polymers Limited
	Director	SSL (MG) Products Limited
	Director	SSL Products Limited
	Director	SSL (RB) Products Limited
	Director	SSL (SD) International Limited
	Director	The Gada Group Limited
	Director	Tubifoam Limited
	Director	Ultra Chemical Limited
	Director	Ultra Laboratories Limited
	Director	W. Woodward, Limited
	LLP Member	Albemarle Sussex LLP
<b>Michael Brown</b> <i>Current directorships and partnerships</i>	LLP Member	The Invicta Film Partnership No.4, LLP
<i>Previous directorships and partnerships</i>	Director	Heven Newco Limited
	Director	Northern Gas Processing Limited
	Director	Rambo A Limited
	Director	Teesside Gas & Liquids Processing Limited
	Director	Teesside Gas Processing Plant Limited
	Director	TGPP 1 Limited
	Director	TGPP 2 Limited
	Director	Trenron Limited
<b>Gerard Nieslony</b> <i>Current directorships and partnerships</i>	—	—
<i>Previous directorships and partnerships</i>	—	—

<u>Name</u>	<u>Position</u>	<u>Company/Partnership</u>
<b>Annette Court</b>		
<i>Current directorships and partnerships</i>		
	Director	Admiral Group plc
	Director	Annette Court Consulting Limited
	Director	Jardine Lloyd Thompson Group plc
	Director	Skydax Ltd
<i>Previous directorships and partnerships</i>		
	Director	Deutscher Herold Aktiengesellschaft
	Director	Farmers Group Inc.
	Director	Zürich Beteiligungs- Aktiengesellschaft (Deutschland)
	Director	Zurich—Companhia de Seguros S.A.
	Director	Zurich—Companhia de Seguros Vida S.A.
	Director	Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft
	Director	Zurich España, Compañía de Seguros y Reaseguros, S.A.
	Director	Zurich Group Holding
	Director	Zurich Holding Ireland Limited
	Director	Zurich Insurance plc
	Director	Zurich Insurance Company Ltd
	Director	Zurich Insurance Ireland Ltd
	Director	Zurich Sigorta A.S.
	Director	Zurich Reliable Insurance Limited
	Director	Zurich Retail Insurance Company Ltd
	Director	Zurich Sim S.p.A.
	Director	Zurich Versicherung Aktiengesellschaft (Deutschland)
	Director	Zuritel S.p.A.
<b>Andrew Adcock</b>		
<i>Current directorships and partnerships</i>		
	Director	Courtauld Institute of Art
	Director	F&C Global Smaller Companies plc
	Director	Kleinwort Benson Bank Limited
	Director	Kleinwort Benson Group Limited
	Director	Majedie Investments plc
	Director	Majedie Portfolio Management Limited
	Director	The Samuel Courtauld Trust
<i>Previous directorships and partnerships</i>		
	Director	Brompton Assets Limited
	Director	Brompton Asset Management Holdings Limited
	Director	Brompton Investment Limited
	Director	Brompton Investment Funds Limited
	Director	Brompton Investment Management Limited
	Director	Brompton Property Investment Management Limited
	Director	Brompton Real Estate Investment Management Limited
	LLP Member	Brompton Asset Management Group LLP

<u>Name</u>	<u>Position</u>	<u>Company/Partnership</u>
<b>Ian Barlow</b>		
<i>Current directorships and partnerships</i>	Director	China—Britain Business Council
	Director	First Deventure Finance plc
	Director	Smith & Nephew plc
	Director	The Brunner Investment Trust PLC
	Director	The Racecourse Association Limited
<i>Previous directorships and partnerships</i>	Director	Candy & Candy Limited
	Director	Candy & Candy Holdings Limited
	Director	London First
	Director	London & Partners International
	Director	PACG2 Limited
	Director	Racing Enterprises Limited
	Director	The City Centre for Charity Effectiveness Trust Limited
	Director	The London Business Club
	Director	The Starting Price Regulatory Commission Limited
	Director	WSP Group plc
<b>Stefano Quadrio Curzio</b>		
<i>Current directorships and partnerships</i>	Director	Adnams BBPM Group Limited
	Director	Adnams BBPM Holdings Limited
	Director	BC Partners Limited
	Director	BC Partners Europe Limited
	Director	BC Partners Holdings Limited
	Director	BC Partners Investment Holdings Limited
	Director	BCP Partners Limited
	Director	CIE Holdings Limited
	Director	CIE Management Holdings Limited
	Director	CIE Management II Limited
	Director	CIE Management IX Limited
	Director	FSFV Limited
	Director	GLC Limited
	Director	GTU Limited
	Director	HAT Limited
	Director	Phosphorus Jersey Limited
<i>Previous directorships and partnerships</i>	Director	IMP Limited
	Director	PG Silver SA
	Director	PG Sub Silver SA
	Director	Rambo A Limited
	Director	Rambo E Limited
	Director	Teknon Healthcare SL
	Director	Teknon Investments SA
<b>Nicholas Budden</b>		
<i>Current directorships and partnerships</i>	—	—
<i>Previous directorships and partnerships</i>	Director	Jersey Limited
<b>Andrew Pratt</b>		
<i>Current directorships and partnerships</i>	—	—
<i>Previous directorships and partnerships</i>	—	—

## **9.2 Conflicts of interest**

Stefano Quadrio Curzio is a senior executive and director of BC Partners, the adviser to BC European Capital which indirectly controls the Major Shareholder. Immediately following Admission, the Major Shareholder will be interested in approximately 28.3% of the Company's issued Ordinary Shares (assuming no exercise of the Over-allotment Option) and will have the largest shareholding in the Company. Following the termination of the Relationship Agreement, BC European Capital may hold interests in, or may make acquisitions of or investments in, other businesses that may be, or may become, competitors of the Group.

Although Mr Quadrio Curzio's position with BC Partners (and BC Partners' relationship with the Major Shareholder and BC European Capital) is considered by the Board to represent a potential conflict of interest, as at the date of this Prospectus it is not considered by the Board to represent an actual conflict of interest.

Save as set out above, there are no actual or potential conflicts of interests between the duties of the Directors or of the Senior Managers to the Company and the private interests and/or other duties that they may also have.

## **9.3 Confirmations by the Directors and the Senior Managers**

Save as set out in section 9.4 of this Part XI, as at the date of this Prospectus, no Director or Senior Manager has during the last five years:

- (a) been convicted in relation to fraudulent offences;
- (b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body of or senior manager of any company;
- (c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities including, where relevant, designated professional bodies; or
- (d) been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the Directors or the Senior Managers.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors or any of the Senior Managers.

## **9.4 Qualifications to the Directors' and Senior Managers' confirmations**

In relation to the confirmation in section 9.3(b) of this Part XI, Michael Brown served as a director of each of Foxtons Holdings Limited (which was subsequently renamed RCTDS1811 Limited) (the former holding company of the Group), Foxtons Intermediate Holdings 1 Limited (which was subsequently renamed RCTDF1904 Limited) (a former intermediate holding company of the Group) and Foxtons Intermediate Holdings 2 Limited (which was subsequently renamed RCTDP0916 Limited) (another former intermediate holding company of the Group) during the period from 14 June 2007 to 29 December 2011. Stefano Quadrio Curzio also served as a director of Foxtons Holdings Limited in the period from 17 April 2007 to 16 December 2009 (he stepped down when BC European Capital who originally appointed him decided, as part of a wider policy, to appoint a corporate director). Gerard Nieslony served as a director of Foxtons Intermediate Holdings 1 Limited in the period from 10 April 2008 to 24 December 2009.

On 28 December 2009 the shareholders and financing banks of the Foxtons group of companies (as then structured) unanimously agreed to a consensual restructuring of that group. As part of the restructuring, which was completed on 30 March 2010, Foxtons Intermediate Holdings 2 Limited transferred the entire issued share capital of Foxtons Intermediate Holdings Limited (then named Foxtons Intermediate Holdings 3 Limited) to the Company (which was incorporated specifically for this purpose) and subsequently, on 29 July 2010, Foxtons Holdings Limited, Foxtons Intermediate Holdings 1 Limited and Foxtons Intermediate Holdings 2 Limited were each placed into creditors' voluntary liquidation. This led to the dissolution of Foxtons Holdings Limited, Foxtons Intermediate Holdings 1 Limited and Foxtons Intermediate Holdings 2 Limited on 29 December 2011.



## 9.5 Interests in the share capital of the Company of the Directors and the Senior Managers

The direct and indirect interests of the Directors and the Senior Managers in the Ordinary Shares expected to exist immediately prior to Admission and immediately following Admission (assuming the Over-allotment Option is not exercised) are set out in the table below.

Name	Interests immediately prior to Admission <sup>(1)</sup>		Ordinary Shares to be sold pursuant to the Offer <sup>(1)(2)</sup>		Interests immediately following Admission <sup>(1)(2)</sup>	
	No.	% of total issued share capital of the Company	No.	% of holding	No.	% of total issued share capital of the Company
<b>Directors</b>						
Garry Watts <sup>(3)</sup>	—	—	—	—	43,477	0.02%
Michael Brown	45,460,044	17.6%	22,730,022	50.0%	22,730,022	8.1%
Gerard Nieslony	1,333,024	0.5%	666,512	50.0%	666,512	0.2%
Annette Court <sup>(4)</sup>	—	—	—	—	32,608	0.01%
Andrew Adcock <sup>(5)</sup>	—	—	—	—	43,477	0.02%
Ian Barlow <sup>(6)</sup>	—	—	—	—	86,955	0.03%
Stefano Quadrio Curzio	—	—	—	—	—	—
<b>Senior Managers</b>						
Nicholas Budden	2,609,320	1.0%	1,304,660	50.0%	1,304,660	0.5%
Andrew Pratt	983,024	0.4%	491,512	50.0%	491,512	0.2%

### Notes:

- (1) In accordance with the Pre-Admission Articles and the Share Capital Reorganisation as described in section 3.5 of this Part XI, the shareholdings of the current members of the Company will, immediately prior to Admission, be varied based on the aggregate valuation of the Company implied by the Offer Price. The figures presented in the table above reflect the respective share interests of the Directors and the Senior Managers following the implementation of the Share Capital Reorganisation.
- (2) Calculated on the basis that there is no exercise of the Over-allotment Option.
- (3) Garry Watts has agreed to acquire Ordinary Shares under the Offer at the Offer Price from his own funds in the amount of £75,000 (or as near as may be). The Company has agreed to partially match Garry Watts' investment under the Offer by issuing 10,869 additional new Ordinary Shares to him at Admission at a subscription price of £0.01 per share (being the nominal value of an Ordinary Share). To maintain Garry Watts' independence, the holding of such additional new Ordinary Shares is not subject to any restrictions other than those attaching to Ordinary Shares generally or as required by law. Garry Watts has confirmed in writing that he does not intend to sell (or otherwise transfer, lend or dispose of) such additional new Ordinary Shares, or any interest in them, prior to the second anniversary of Admission.
- (4) Annette Court has agreed to acquire Ordinary Shares under the Offer at the Offer Price from her own funds in the amount of £50,000 (or as near as may be). The Company has agreed to partially match Annette Court's investment under the Offer by issuing 10,869 additional new Ordinary Shares to her at Admission at a subscription price of £0.01 per share (being the nominal value of an Ordinary Share). To maintain Annette Court's independence, the holding of such additional new Ordinary Shares is not subject to any restrictions other than those attaching to Ordinary Shares generally or as required by law. Annette Court has confirmed in writing that she does not intend to sell (or otherwise transfer, lend or dispose of) such additional new Ordinary Shares, or any interest in them, prior to the second anniversary of Admission.
- (5) Andrew Adcock has agreed to acquire Ordinary Shares under the Offer at the Offer Price from his own funds in the amount of £75,000 (or as near as may be). The Company has agreed to partially match Andrew Adcock's investment under the Offer by issuing 10,869 additional new Ordinary Shares to him at Admission at a subscription price of £0.01 per share (being the nominal value of an Ordinary Share). To maintain Andrew Adcock's independence, the holding of such additional new Ordinary Shares is not subject to any restrictions other than those attaching to Ordinary Shares generally or as required by law. Andrew Adcock has confirmed in writing that he does not intend to sell (or otherwise transfer, lend or dispose of) such additional new Ordinary Shares, or any interest in them, prior to the second anniversary of Admission.
- (6) Ian Barlow has agreed to acquire Ordinary Shares under the Offer at the Offer Price from his own funds in the amount of £175,000 (or as near as may be). The Company has agreed to partially match Ian Barlow's investment under the Offer by issuing 10,869 additional new Ordinary Shares to him at Admission at a subscription price of £0.01 per share (being the nominal value of an Ordinary Share). To maintain Ian Barlow's independence, the holding of such additional new Ordinary Shares is not subject to any restrictions other than those attaching to Ordinary Shares generally or as required by law. Ian Barlow has confirmed in writing that he does not intend to sell (or otherwise transfer, lend or dispose of) such additional new Ordinary Shares, or any interest in them, prior to the second anniversary of Admission.
- (7) The disposal of any Ordinary Shares by any Director will be subject to the Company's code on securities dealings.

The interests of the Directors and the Senior Managers together represent approximately 9.8% of the issued ordinary share capital of the Company as at 19 September 2013 (being the latest practicable date prior to the publication of this Prospectus), 19.5% immediately prior to Admission (following completion of the Share Capital Reorganisation) and on Admission are expected to represent approximately 9.0% (assuming the Over-allotment Option is not exercised).

Save as set out above, no Director or Senior Manager has any interests (beneficial or non-beneficial) in the share capital of the Company or any other securities of the Company.

The Directors are parties to the Underwriting Agreement, the terms of which restrict the ability of each Director to dispose of their Ordinary Shares for a period of 365 days from the date of the Underwriting Agreement. Each Senior Manager has also agreed to restrictions on his ability to dispose of his Ordinary Shares for a period of 365 days from the date of his Lock-Up Agreement. Further details of these lock-up restrictions are set out in section 7 of Part IX (*Details of the Offer*).

#### **9.6 Transactions with Directors and Senior Managers**

None of the Directors or Senior Managers has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

None of the Directors or Senior Managers has or had a beneficial interest in any contract to which any member of the Group was a party during the current or immediately preceding financial year.

#### **9.7 Executive Directors' service contracts, remuneration and emoluments**

Foxtons Limited entered into service contracts with Michael Brown and Gerard Nieslony, the Executive Directors of the Company, on 4 September 2013. The principal terms of these contracts, which are conditional upon Admission, are set out below.

##### *(A) General terms*

Michael Brown and Gerard Nieslony will be paid annual salaries of £420,000 and £200,000 respectively which are to be reviewed, but not necessarily increased, annually, and are subject to the Company's remuneration policy. They will each be entitled to an annual contribution to their personal pension scheme (or a cash allowance in lieu of pension contribution) equal to 15% of their respective annual salaries. In addition, the Executive Directors will be entitled to participate in the New Plans described in section 10 of this Part XI.

Each Executive Director will be entitled to be reimbursed for all reasonable expenses incurred by him in the course of his duties and shall be provided with a mobile phone. The Executive Directors also have the benefit of indemnity insurance maintained by the Group on their behalf indemnifying them against liabilities they may potentially incur to third parties as a result of their office as Director. In addition, Michael Brown will be provided with a car for the duration of his employment and Gerard Nieslony will be provided with a car allowance of £10,000 per annum for use of his own car. The Executive Directors will be entitled to 30 days' paid holiday per annum.

##### *(B) Termination provisions*

Michael Brown's service contract can be terminated by not less than 12 months' prior notice given in writing by either party to the contract. Gerard Nieslony's service contract can be terminated by not less than six months' prior notice given in writing by either party to the contract.

The Executive Directors may be put on garden leave during their notice period, and their employer can elect to terminate their employment by making a payment in lieu of notice equivalent to up to 12 months' basic salary in the case of Michael Brown and up to six months' basic salary in the case of Gerard Nieslony.

The employment of each Executive Director will be terminable with immediate effect without notice in certain circumstances, including where such Executive Director is disqualified from acting as a director, is guilty of a breach of the rules or regulations of any regulatory bodies relevant to the Group, is guilty of gross misconduct affecting the business of the Group, commits any serious or repeated breach of any of the provisions of the service agreement, is declared bankrupt, is convicted of a criminal offence (excluding certain road traffic offences), is guilty of any fraud or dishonesty which may bring him or the Group into disrepute, or is unable to perform his duties for an aggregate period of 13 weeks in any 52 week period.

The service contracts of the Executive Directors also contain post-termination restrictions. These include restrictions on competition with the Group and solicitation of employees or customers of the Group for a period of 12 months in the case of Michael Brown and for a period of six months in the case of Gerard Nieslony. In addition, the Executive Directors must refrain from holding themselves out as connected with the Group at any time following termination.

### 9.8 Non-Executive Directors' letters of appointment and fees

The Company has appointed five Non-Executive Directors. Garry Watts, Annette Court, Andrew Adcock and Ian Barlow are independent Non-Executive Directors and Stefano Quadrio Curzio is a non-independent Non-Executive Director.

The Non-Executive Directors are appointed by letters of appointment and do not have service contracts. The principal terms of these letters of appointment, which are conditional upon Admission, are set out below.

#### (A) General terms

Each Non-Executive Director, other than Stefano Quadrio Curzio, will be entitled to an annual fee. The levels of these fees will be reviewed on an annual basis by the Board. The fee levels that will apply from Admission are set out in the table below.

Name	Committee Chairmanship	Annual Fee
Garry Watts . . . . .	Nomination Committee and Disclosure Committee	£175,000
Annette Court . . . . .	N/A	£60,000
Andrew Adcock . . . . .	Remuneration Committee	£60,000
Ian Barlow . . . . .	Audit Committee	£60,000
Stefano Quadrio Curzio . . . . .	N/A	Nil

Each Non-Executive Director will be entitled to be reimbursed for all reasonable expenses incurred by him or her in the course of their duties to the Company and has the benefit of indemnity insurance maintained by the Group on their behalf, indemnifying them against liabilities they may potentially incur to third parties as a result of their office as Director. The Non-Executive Directors will not participate in the New Plans.

#### (B) Term of office

The appointment of each of the Non-Executive Directors is for an initial period of three years and is terminable by either the Non-Executive Director or the Company on three months' notice.

### 9.9 Directors' remuneration in 2012

In 2012, the aggregate amount of remuneration paid (including salary and other emoluments) and benefits in kind granted to the Directors and the Senior Managers for services in all capacities to the Group was £2,422,936.

In 2012, the Directors were remunerated as set out below:

Name	Basic salary and fees (£)	Bonus (£)	Taxable benefits (£)	Pension contributions (£)	Total (£)
Michael Brown . . . . .	650,000	659,664	18,115	—	1,327,779
Gerard Nieslony . . . . .	116,000	106,807	—	1,321	224,128

In addition, F.A. Corp S.A.R.L., which held office as a director of the Company throughout 2012 as appointee of the Major Shareholder, received an amount of £56,650 (excluding VAT) in fees.

### 9.10 Remuneration strategy and policy

The Company's remuneration strategy is to provide remuneration packages that:

- (a) attract, motivate and retain high performing employees;
- (b) encourage and support a strong sales and service culture;
- (c) reward the achievement of the overall business objectives of the Group;
- (d) align employees' interests with those of shareholders; and
- (e) are consistent with the Group's risk policies and systems.

Consistent with this remuneration strategy, the Remuneration Committee has agreed a remuneration policy for the Group's senior management, including the Executive Directors, whereby:

- (a) performance-related pay will form a significant part of remuneration packages;
- (b) there will be an appropriate balance between short and longer-term performance targets linked to delivery of the Group's objectives; and
- (c) the Executive Directors and Nicholas Budden will each be expected to retain shares in the Company having a value equal to two times their gross basic salary.

The Company intends to deliver this policy for senior management, including the Executive Directors, via a remuneration framework with the flexibility of being able to combine base salary, benefits, commission, annual bonuses and employee share plans.

As a result of new UK company law, it is expected that, following Admission, the Company will be required to submit this remuneration policy (as it relates to the Directors) to a binding vote of Shareholders at the Company's annual general meeting to be held in 2014. Accordingly, the Company will outline its future policy relating to the Directors' remuneration in its report and accounts for its financial year ending 31 December 2013.

## **10. Employee incentive schemes**

Following Admission, the Company intends to operate two incentive schemes for selected employees of the Group (including the Executive Directors): a discretionary annual cash bonus plan (the “**Cash Bonus Plan**”) and a long-term incentive plan (the “**LTIP**”). The Cash Bonus Plan and LTIP are, together, the “**New Plans**”.

The principal features of the New Plans are summarised below. The rules of the New Plans will be available for inspection from the date of this Prospectus at the locations stated in section 25 of this Part XI.

### **10.1 Cash Bonus Plan**

The Cash Bonus Plan was adopted by the Board on 4 September 2013, conditional upon Admission.

#### *Status*

The Cash Bonus Plan will provide for cash bonus awards (“**CB Awards**”) to be granted to selected employees of the Group, including executive directors of the Company.

#### *Eligibility*

The Executive Directors and other employees of the Group selected by the Remuneration Committee shall be eligible to participate in the Cash Bonus Plan.

#### *Payment of bonus*

Any bonus payable in relation to any financial year of the Company will normally be payable in cash as soon as practicable following the year end.

#### *Performance conditions*

The Remuneration Committee will require all CB Awards granted under the Cash Bonus Plan to be subject to performance conditions.

The performance conditions will be set by the Remuneration Committee at the beginning of each relevant financial year in respect of that financial year and will be based on a combination of financial and strategic objectives including, if thought appropriate, those which are personal to the individual concerned.

#### *Individual limits*

The potential maximum cash bonus for any participant will be 150% of their base salary. It is the current intention of the Remuneration Committee, however, that bonuses will be capped at 125% of base salary for each of the relevant participants.

#### *Effective date*

The Cash Bonus Plan will take effect from 1 January 2014 and no CB Awards, nor any other bonus arrangements, will be made in respect of the period to 31 December 2013.

#### *Cessation of employment*

A CB Award will normally lapse if the participant leaves employment with the Group before the payment is made.

However, if the participant leaves because of death, disability, ill-health, injury, sale of his employer or any other reason determined by the Remuneration Committee, he will (subject to the overriding discretion of the Remuneration Committee to determine otherwise) retain his entitlement to receive the annual bonus on the normal date, to the extent the performance conditions have been satisfied, although the amount of the annual bonus may be reduced on a time pro-rated basis. The Remuneration Committee can decide that the annual bonus will be calculated on leaving in these circumstances instead of continuing in effect. Where this happens, the amount of the annual bonus will be determined by the Remuneration Committee at their absolute discretion, who shall take into account the extent to which the performance conditions have been satisfied to that point and the fact that the participant left before the date on which payment of the annual bonus would otherwise be calculated.

#### *Awards not pensionable*

CB Awards are not pensionable.

#### *Amendments*

The Remuneration Committee may, in its discretion, amend, vary or add to the rules of the Cash Bonus Plan in any way.

The Remuneration Committee has discretion to terminate the Cash Bonus Plan at any time, without prejudice to CB Awards that have already been granted.

### **10.2 LTIP**

The LTIP was adopted by the Board on 4 September 2013, conditional upon Admission.

#### *Status*

The LTIP will provide for conditional awards of, or nil cost options over, Ordinary Shares (“**LTIP Awards**”) to be granted to selected employees of the Group, including executive directors of the Company.

It is proposed that the first grant of LTIP Awards to be made following Admission will be in respect of the period commencing 1 January 2014 (subject to applicable dealing restrictions, as described in the section entitled “Grant of awards” below).

#### *Eligibility*

The executive directors of the Company and other employees of the Group selected by the Remuneration Committee shall be eligible to participate in the LTIP.

#### *Grant of awards*

The Remuneration Committee will decide which eligible employees will be granted LTIP Awards under the LTIP and over how many Ordinary Shares, subject to the limits set out below.

LTIP Awards will normally only be granted within 42 days of the announcement of the Company’s results for any period or the effective date of any new remuneration policy (although LTIP Awards may also be granted on any day on which the Board resolves that exceptional circumstances exist which justify the grant of LTIP Awards).

#### *Performance conditions*

LTIP Awards will be subject to performance conditions set by the Remuneration Committee at the time of grant, which will be tested over such period as the Remuneration Committee may determine, which will usually be at least three financial years. The performance conditions set will be stretching and designed to promote the long-term success of the Company.

The details of the performance conditions for the first grant of LTIP Awards will be determined by the Remuneration Committee shortly before such LTIP Awards are granted.

#### *Individual limits*

In any financial year, the aggregate market value (at the time of the grant) of the Ordinary Shares subject to LTIP Awards granted to any one participant under the LTIP will not exceed 200% of his or her annual

basic salary. It is the current intention of the Remuneration Committee, however, that LTIP Awards in any financial year will not exceed 150% of the relevant participant's annual basic salary.

#### *Plan limits*

In any 10 year period, not more than 10% of the issued Ordinary Share capital of the Company may be issued or be issuable under the LTIP and any other employees' share plans operated by the Company. In addition, in any 10 year period, not more than 5% of the issued Ordinary Share capital of the Company may be issued or be issuable under awards under all discretionary share plans adopted by the Company. These limits do not include awards which have lapsed.

Treasury shares transferred to satisfy an LTIP Award will be counted as if new shares had been issued for so long as it is considered best practice to do so.

#### *Clawback*

The Remuneration Committee can reduce unvested or unexercised LTIP Awards and/or delay their vesting if there has been a material misstatement of the Company's financial results, if assessment of a performance condition has been based on an error or inaccurate or misleading information or if the participant has been guilty of misconduct.

#### *Vesting and exercise*

When the Company grants an LTIP Award it shall determine the vesting date (which shall normally be not less than three years from the date of grant). Any shares the subject of an LTIP Award will be issued or transferred to the participant shortly after the vesting date, unless the Company decides to satisfy the LTIP Award in cash. Where options vest, they will be exercisable for six months and will lapse if not exercised in that period.

#### *Cessation of employment*

An LTIP Award will normally lapse if the participant leaves employment with the Group before vesting.

However, if the participant leaves because of disability, ill-health, injury, sale of his employer or any other reason determined by the Remuneration Committee, his LTIP Award will (subject to the overriding discretion of the Remuneration Committee to determine otherwise) continue in effect and vest, to the extent the performance conditions have been satisfied, on the normal date. The number of shares in respect of which an LTIP Award vests may be reduced on a time pro-rated basis. The Remuneration Committee can decide that an LTIP Award will vest on leaving in these circumstances instead of continuing in effect. Where this happens, the number of shares which vest will be determined by the Remuneration Committee at their absolute discretion, who shall take into account the extent to which the performance conditions have been satisfied to that point and the fact that the participant left before the vesting date.

If a participant dies before his LTIP Award vests, the Remuneration Committee shall consider (having regard to the performance conditions attaching to the LTIP Award) whether some or all of the shares subject to an LTIP Award shall vest in his personal representatives.

#### *Takeovers and reorganisations*

LTIP Awards will generally vest early on a takeover, merger or other corporate reorganisation. The Remuneration Committee will determine the level of vesting taking account of the extent to which the performance conditions have then been satisfied and the portion of the period over which the performance conditions are tested which has elapsed to the date of the relevant event. Alternatively, participants may be allowed or required to exchange their LTIP Awards for awards over shares in the acquiring company.

#### *Rights issues, demergers, etc*

The number of shares subject to an LTIP Award may be adjusted by the Remuneration Committee to reflect a rights issue, demerger or any variation in the share capital of the Company.



### *Awards not transferable, etc*

Awards are not transferable (except to personal representatives on death) and are not pensionable and participants do not pay for the grant of an LTIP Award.

### *Rights attaching to shares*

Any shares issued following the vesting or exercise of LTIP Awards will rank equally with shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

### *Amendments*

The Remuneration Committee may, in its discretion, amend, vary or add to the rules of the LTIP in any way. However, Shareholders in general meeting must approve proposed changes which are to the advantage of participants and which relate to eligibility, individual and plan limits, the rights attaching to LTIP Awards and shares and the amendment powers.

The Remuneration Committee can, without Shareholder approval, make minor changes to benefit the administration of the plan, to comply with or take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

The Remuneration Committee may also amend, vary or add to the provisions of the rules of the LTIP as it considers necessary to take account of overseas taxation, securities or exchange control laws.

The Remuneration Committee has discretion to terminate the LTIP at any time, without prejudice to subsisting LTIP Awards.

## **11. Employee benefit trust**

The Company may operate the New Plans in conjunction with any employee benefit trust which the Company reserves the right to establish for the purposes of operating the New Plans or any other equity-based employee incentivisation arrangements operated by the Company. Any trust which is established following Admission may acquire Ordinary Shares either by market purchase or by subscription and the trustee shall be entitled to hold or distribute Ordinary Shares in respect of options/awards pursuant to the New Plans. It is intended that any such trust will be funded by way of loans and other contributions from the Company and may not, at any time without prior Shareholder approval, hold more than 5% of the issued ordinary share capital of the Company (or such other greater percentage as may be required under institutional investor guidelines from time to time).

On 17 December 2010 the Company established an employee benefit trust to facilitate equity-based employee incentive arrangements. The trust has the ability to acquire shares in the Company, either by market purchase or by subscription, using loans or other contributions made by the Company. Any such shares may be held or distributed by the trustee in respect of any options/awards granted pursuant to any employee incentive arrangements operated by the Group. The trust does not currently hold any shares in the Company or any other property or assets. The trust will remain in place following Admission although the Company does not currently intend to utilise the trust after Admission. The Company has no funding obligations in respect of the trust.

## **12. Corporate governance**

### ***12.1 Compliance with the UK Corporate Governance Code***

The Board is committed to the highest standards of corporate governance. As at the date of this Prospectus the Company does not fully comply with the UK Corporate Governance Code because to date the UK Corporate Governance Code has not applied to the Company. However, the Company intends to comply with the UK Corporate Governance Code from Admission.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. As at the date of this Prospectus, the Board comprises four independent Non-Executive Directors (including the Chairman who is considered independent at the

date of his appointment), two Executive Directors and one Non-Executive Director who is not deemed to be independent for the purposes of the UK Corporate Governance Code.

## **12.2 The Board**

The Company is led and controlled by the Board. The names, responsibilities and details of the current Directors appointed to the Board are set out above in Part III (*Directors, Senior Managers and Corporate Governance*).

## **12.3 Securities dealing code**

Upon Admission, the Company will adopt a code on dealings in relation to the securities of the Group which requires full compliance with the requirements of the Model Code. The Company shall require the Directors, other persons discharging managerial responsibilities within the Group and other relevant employees of the Group to comply with the Company's securities dealing code, and shall take all proper and reasonable steps to secure their compliance.

## **13. Pensions**

The Group offers employees membership of a Scottish Widows defined contribution pension scheme. It does not make contributions on behalf of employees and employees must fund any contribution themselves. However, where the employee enters into a salary sacrifice arrangement, the Group contributes the employer's national insurance contribution that it has saved as a consequence of the salary sacrifice into that employee's pension scheme.

No amounts have been set aside or accrued by the Group to provide pension, retirement or similar benefits.

## **14. Related party transactions**

Between 1 January 2010 and the date of this Prospectus, no member of the Group entered into any related party transactions (within the meaning ascribed to that term in paragraph 9 of International Accounting Standard 24, being the Standard adopted according to Regulation (EC) No. 1606/2002) other than:

- (i) as disclosed in note 30 to the historical financial information set out in Part VII (*Historical Financial Information*); and
- (ii) the Relationship Agreement described in section 18.4 of this Part XI.

## **15. Significant change**

There has been no significant change in the financial or trading position of the Group since 30 June 2013, being the latest date to which the historical financial information in Part VII (*Historical Financial Information*) was prepared.

## **16. Working capital statement**

The Company is of the opinion that, taking into account the net proceeds of the Offer receivable by it, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this Prospectus.

## **17. Litigation and disputes**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Company and/or the Group's financial position or profitability.

## **18. Material contracts**

Set out below is a summary of (i) each material contract (other than a contract entered into in the ordinary course of business) to which the Company or any member of the Group is a party which has been entered into within the two years immediately preceding the date of this Prospectus; and (ii) any other contract (other than a contract entered into in the ordinary course of business) entered into by any member of the

Group which contains obligations or entitlements which are or may be material to the Group as at the date of this Prospectus.

### ***18.1 Underwriting Agreement***

On 20 September 2013, the Company, the Directors, the Major Shareholder and the Managers entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

- the Company has appointed Credit Suisse and Numis as Joint Sponsors and Joint Bookrunners and Canaccord as Co-Lead Manager, in each case in connection with Admission and the Offer;
- the Company has agreed, subject to certain conditions, to issue the New Ordinary Shares and the Major Shareholder and the Executive Directors have agreed, subject to certain conditions, to sell 137,146,534 Existing Ordinary Shares, in each case at the Offer Price, in connection with the Offer;
- the Company has agreed on behalf of the Employee Shareholders, as their agent, subject to certain conditions, to sell in aggregate 8,389,447 Existing Ordinary Shares, in each case at the Offer Price, in connection with the Offer;
- the Managers have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers or purchasers for (or, failing which, subscribe or purchase themselves) the Offer Shares to be issued or sold pursuant to the Offer at the Offer Price (in the proportions of 42.5% as to Credit Suisse, 42.5% as to Numis, and 15% as to Canaccord);
- the Managers will deduct (a) from the proceeds of the Offer payable to the Company a commission of 2% of the product of the Offer Price and the number of New Ordinary Shares issued pursuant to the Offer; (b) from the proceeds of the Offer payable to the Selling Shareholders a commission of 2% of the product of the Offer Price and the number of Existing Ordinary Shares sold pursuant to the Offer; and (c) from the proceeds of any Over-allotment Shares sold under the Over-allotment Option payable to the Lending Shareholder a commission of 2% of the product of the Offer Price and the number of Over-allotment Shares, if any, sold. In addition, at the absolute discretion of the Major Shareholder (following consultation with the Company), an additional commission of up to 1% shall be payable by the Company and the Selling Shareholders to the Managers on the amount equal to the Offer Price multiplied by the number of Offer Shares sold by them respectively pursuant to the Offer (including proceeds relating to the exercise of the Over-allotment Option);
- the obligations of the Managers to procure subscribers or purchasers for or, failing which, themselves subscribe or purchase the Offer Shares (as the case may be) on the terms of the Underwriting Agreement are subject to certain customary conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement, the Share Capital Reorganisation being completed and Admission occurring on or before 8.00 a.m. on 25 September 2013 (or such later time and/or date as the Joint Bookrunners, the Major Shareholder and the Company may agree). In addition, the Joint Bookrunners have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;
- Credit Suisse, as Stabilising Manager, has been granted the Over-allotment Option by the Lending Shareholder pursuant to which it may purchase up to 16,944,902 Over-allotment Shares (representing not more than 10% of the total number of Offer Shares) at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Offer, and/or any sales of Ordinary Shares made during the stabilisation period. Save as required by law or regulation, neither Credit Suisse, as Stabilising Manager, nor any of its agents intends to disclose the extent of any over-allotments and/or stabilising transactions under the Offer. The Over-allotment Option is exercisable only once, in whole or in part, upon notice by the Stabilising Manager during the 30 days after commencement of conditional dealings in the Ordinary Shares on the London Stock Exchange;
- each of the Company, the Selling Shareholders who are party to the Underwriting Agreement and the Directors has given certain representations, warranties and undertakings to the Managers. The liability of the Company is unlimited as to amount and time. The liabilities of such Selling Shareholders and the Directors are limited as to amount and time;
- each of the Company and the Selling Shareholders who are party to the Underwriting Agreement has given certain indemnities to the Managers and their respective affiliates;

- the parties to the Underwriting Agreement have given certain representations, warranties and undertakings regarding compliance with certain laws and regulations affecting the making of the Offer in relevant jurisdictions; and
- each of the Company, the Directors and the Major Shareholder has also undertaken, amongst other things, to each of the Managers that, subject to certain exceptions, during the period commencing on the date of the Underwriting Agreement and ending on the date 180 days from the Underwriting Agreement in relation to the Company and the Major Shareholder, and ending on the date 365 days from the Underwriting Agreement in relation to each of the Directors, they will not, without the prior written consent of the Managers, issue, offer, lend, mortgage, assign, charge, sell or contract to sell, or otherwise dispose of (or publicly announce any such issuance, offer, loan, mortgage, assignments, charge, sale or disposal) directly or indirectly, any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

### ***18.2 Lock-Up Agreements***

On 20 September 2013, each of Nicholas Budden and Andrew Pratt entered into a Lock-Up Agreement with the Company and the Managers. Under the terms of the Lock-Up Agreements each of Nicholas Budden and Andrew Pratt has undertaken, amongst other things, to each of the Managers that, subject to certain exceptions, during the period commencing on the date of the Lock-Up Agreement and ending on the date 365 days from the date of the Lock-Up Agreement, he will not, without the prior written consent of the Managers, lend, mortgage, assign, charge, sell or contract to sell, or otherwise dispose of (or publicly announce any such loan, mortgage, assignments, charge, sale or disposal) directly or indirectly, any Ordinary Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing.

### ***18.3 Stock Lending Agreement***

In connection with settlement and stabilisation, the Stabilising Manager has entered into a stock lending agreement (the “**Stock Lending Agreement**”) with the Lending Shareholder pursuant to which the Stabilising Manager will on Admission be able to borrow from the Lending Shareholder up to 16,944,902 Ordinary Shares (representing up to 10% of the total number of Offer Shares) for the purposes, among other things, of allowing the Stabilising Manager to settle, at Admission, over-allotments, if any, made in connection with the Offer. If the Stabilising Manager borrows any Ordinary Shares pursuant to the Stock Lending Agreement, it will be obliged to return equivalent shares to the Lending Shareholder in accordance with the terms of the Stock Lending Agreement.

### ***18.4 Relationship Agreement***

The Company, the Major Shareholder, Adnams BBPM Group Limited and the general partner of BC European Capital (acting on behalf of BC European Capital) entered into the Relationship Agreement on 20 September 2013, conditional only on Admission. The principal purpose of the Relationship Agreement is to ensure that the Company is capable at all times of carrying on its business independently of the Major Shareholder, Adnams BBPM Group Limited and BC European Capital (together the “**Potential Controlling Shareholders**”) and their respective associates.

The Relationship Agreement will take effect on Admission and will continue until the earlier of (i) the Ordinary Shares ceasing to be admitted to the Official List of the FCA and to trading on the London Stock Exchange; or (ii) the Potential Controlling Shareholders ceasing to own, when taken together, 15% or more of the Ordinary Shares or the voting rights attaching to the Ordinary Shares.

To the extent required by, and in compliance with, the Listing Rules, any amendments to the Relationship Agreement require the prior approval of a majority of the independent shareholders of the Company.

Under the Relationship Agreement, for so long as the Potential Controlling Shareholders and their respective associates hold, in aggregate 20% or more of the voting rights attached to the Ordinary Shares, each Potential Controlling Shareholder shall, and has agreed to procure, insofar as is within its power or control, that its associates shall, amongst other things:

- conduct all transactions, agreements or arrangements entered into between any member of the Group and the Potential Controlling Shareholders (and their respective associates) on an arm’s length basis and on normal commercial terms and in accordance with the related party transaction rules set out in the Listing Rules;

- not influence the day-to-day running of the Company at an operational level;
- not hold or acquire a material shareholding in any significant subsidiary of the Company;
- not take any action which has or would have the effect of preventing the Company or any other member of the Group from carrying on its business independently of the Potential Controlling Shareholders and their respective associates;
- not take any action which has or would have the effect of preventing the Company or any other member of the Group from complying with its obligations under the Listing Rules;
- not exercise its voting rights as a Shareholder in a manner that would require the Company to operate and make decisions solely for the benefit of any of the Potential Controlling Shareholders and their respective associates;
- not exercise any of its voting rights to vary the Company's articles of association which would be contrary to the maintenance of the Company's independence (including the Company's ability to operate and make decisions independently of the Potential Controlling Shareholders and their respective associates) or be inconsistent with, undermine or breach any provision of the Relationship Agreement or the Listing Rules; and
- abstain from voting on any resolution: (i) required by paragraph 11.1.7R(3) of the Listing Rules to approve a transaction with a related party involving any of the Potential Controlling Shareholders; (ii) proposed by the Company to independent shareholders in respect of a material change to the Relationship Agreement; and (iii) proposed by the Company to independent shareholders in respect of the election of an independent director.

In addition, until the Relationship Agreement terminates, each of the Potential Controlling Shareholders has undertaken that neither it nor any of its associates shall operate, establish, own or acquire an undertaking which engages in any business that competes with the Group (except where such competing business forms an immaterial part of a larger business acquired by the Potential Controlling Shareholders). This non-compete undertaking is limited to the Group's Target Markets.

Furthermore, until the Relationship Agreement terminates, each Potential Controlling Shareholder shall not and will procure that none of its connected persons shall, solicit for employment any of the Executive Directors or Senior Managers, without the prior approval of the majority of the independent Directors on the Board of the Company.

The Relationship Agreement entitles BC European Capital to nominate one person to be a director of the Board for so long as the Potential Controlling Shareholders hold at least 15% of the Ordinary Shares or voting rights exercisable at a general meeting of the Company. The Potential Controlling Shareholders shall direct their appointed director that he should not take any action to prevent the Company or any other member of the Group from carrying on its business independently of the Potential Controlling Shareholders and their respective associates.

Notwithstanding BC European Capital's right to nominate one person to be a director of the Company (as described in the paragraph above), the Directors believe that, together with the provisions of the Listing Rules relating to "related party transactions" and the provisions of the Companies Act relating to conflicts of interest, the terms of the Relationship Agreement will enable the Company to carry on its business independently from the Potential Controlling Shareholders and ensure that all transactions and relationships between the Company and the Potential Controlling Shareholders (and any of their respective associates) are, and will be, at arm's length and on, in the Company's reasonable opinion, normal commercial terms.

### ***18.5 Existing Debt Facilities***

The Company entered into a £75 million term loan facility under a facility agreement dated 15 June 2007 (as amended and restated on 30 March 2010) with, among others, Foxtons Intermediate Holdings Limited, Banc of America Securities Limited and Mizuho Corporate Bank, Ltd. The Company also entered into a £50 million term loan facility under a subordinated facility agreement dated 30 March 2010 (as amended and restated on 30 March 2010) with, among others, Foxtons Intermediate Holdings Limited, Banc of America Securities Limited, Mizuho Corporate Bank, Ltd and FSFV Limited. Please see section 9 of Part V (*Operating and Financial Review*) for further details regarding these Existing Debt Facilities.



The Company intends to use the net proceeds payable to the Company from the Offer, together with its existing cash resources, to repay in full the Existing Debt Facilities (including all accrued interest thereon) immediately following Admission, whereupon the Existing Debt Facilities will be terminated and the Group will cease to have any obligations under the Existing Debt Facilities.

## **19. Small Selling Shareholder Arrangements**

In addition to the sale of Existing Ordinary Shares by the Major Shareholder and the Executive Directors, the Employee Shareholders shall sell a pro-rata amount of their holding of Existing Ordinary Shares through the Offer pursuant to the Small Selling Shareholder Arrangements.

As described in section 18.1 of this Part XI, the sale of Existing Ordinary Shares through the Offer by the Employee Shareholders is underwritten on the terms and subject to the conditions of the Underwriting Agreement. In addition, in order to sell Existing Ordinary Shares through the Offer, each Employee Shareholder has executed a deed under which he or she agrees, amongst other things:

- to pay to the Managers a commission of 2% of the amount equal to the product of the Offer Price and the number of Existing Ordinary Shares sold by him or her pursuant to the Offer (plus, if applicable, amounts in respect of VAT), and to pay to and reimburse the Managers in respect of any stamp duty and/or SDRT arising on the initial sale of his or her Existing Ordinary Shares under the Offer. These amounts shall be deducted by the Managers from the payment to be made by the Managers to such Existing Shareholder in respect of the sale of his or her Existing Ordinary Shares pursuant to the Offer;
- in the event that the Major Shareholder determines to pay the additional discretionary incentive commission of up to 1% pursuant to the Underwriting Agreement, to pay to the Managers an additional commission equal to the product of (i) the percentage of the Offer Price paid by the Company as such discretionary incentive commission (which is capped at 1%); (ii) the Offer Price; and (iii) the number of Existing Ordinary Shares sold by him or her pursuant to the Offer (plus, if applicable, amounts in respect of VAT); and
- to give certain representations, warranties and undertakings to the Managers. The liabilities of such Employee Shareholders pursuant to these representations, warranties and undertakings are limited as to time and amount.

## **20. Property**

The Group's businesses operate from leasehold premises situated in London and Surrey. The Group currently operates from 44 leasehold properties. None of these are individually material to the operations of the Group.

The Company does not believe that there are any material environmental issues which may affect the Group's utilisation of its properties.

## **21. Consents**

Deloitte LLP has given and has not withdrawn its written consent to the inclusion in this Prospectus of its accountants' report as included in Part VII (*Historical Financial Information*) and its report concerning the pro forma statement of net assets as included in Part VIII (*Unaudited Pro Forma Statement of Net Assets*) and the references thereto in the form and context in which they appear and has authorised the contents of its reports for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules.

A written consent under the Prospectus Rules is different from a consent filed with the SEC under Section 7 of the Securities Act. As the Ordinary Shares have not been paid and will not be registered under the Securities Act, Deloitte LLP has not filed a consent under Section 7 of the Securities Act.

## **22. Expenses of the Offer and Admission**

The total costs and expenses of, and incidental to, the Offer and Admission (including the listing fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents and stamp duty but excluding VAT) to be borne by the Company are estimated to be approximately £6.0 million. Included within the total are commissions which are expected to be up to approximately £1.7 million payable to the Managers.



Each Selling Shareholder will bear the amount of any stamp duty or SDRT chargeable on the sale of his/its Ordinary Shares and his/its *pro rata* share of any selling commissions.

### **23. US securities laws matters**

The Company has agreed that, for so long as any of the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided pursuant to Rule 144A(d)(4) under the Securities Act. The Company expects that it will be exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

### **24. General**

Deloitte LLP, whose registered office is at Two New Street Square, London EC4A 3BZ, has audited and provided an accountants’ report on the historical financial information of the Group for the three years ended 31 December 2012, and the six months ended 30 June 2013 set out in Part VII (*Historical Financial Information*). The historical financial information of the Group for the six months ended 30 June 2012 set out in this Prospectus is unaudited. Deloitte LLP is a member of the Institute of Chartered Accountants in England and Wales and has no material interest in the Group.

The financial information contained in this Prospectus which relates to the Company does not constitute full statutory accounts as referred to in section 434(3) of the Companies Act. Statutory audited accounts of the Company, on which the auditors have given their unqualified report and which contained no statement under section 498(2) or (3) of the Companies Act, have been delivered to the Registrar of Companies in respect of the three accounting periods ended 31 December 2012.

### **25. Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE, and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus:

- the Articles;
- the reports of Deloitte LLP set out in Parts VII (*Historical Financial Information*) and VIII (*Unaudited Pro Forma Statement of Net Assets*);
- the consent letter referred to in section 21 of this Part XI;
- the rules of the New Plans referred to in section 10 of this Part XI; and
- a copy of this Prospectus.

Copies of this Prospectus are also available for inspection at the National Storage Mechanism at [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

For the purposes of PR 3.2.4 of the Prospectus Rules, the Prospectus will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the registered office of the Company at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE, and at the offices of Dickson Minto W.S., Broadgate Tower, 20 Primrose Street, London EC2A 2EW. In addition the Prospectus will be published in electronic form and be available on the Company’s website at [www.foxtonsgroup.co.uk](http://www.foxtonsgroup.co.uk), subject to certain access restrictions.

## DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

<b>2010 PD Amending Directive</b>	Directive 2010/73/EU;
<b>Adjusted Cash Conversion</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Adjusted EBITDA</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Adjusted EBITDA Margin</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Adjusted Operating Cash Flow</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Adjusted Operating Costs</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Admission</b>	admission of the Ordinary Shares to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange;
<b>Alexander Hall or AHA</b>	means: <ul style="list-style-type: none"> <li>(i) Alexander Hall Associates Limited, a member of the Group which carries on business as a mortgage broker and adviser on other related financial protection products; or</li> <li>(ii) the business of Alexander Hall Associates Limited,</li> </ul> as the context requires;
<b>Articles</b>	the articles of association of the Company to take effect from, and conditional upon, Admission;
<b>Audit Committee</b>	the audit committee of the Board or a sub-committee of it;
<b>BC European Capital</b>	BC European Capital VIII, a private equity fund comprising a series of limited partnerships and associated vehicles advised by BC Partners;
<b>BC Partners</b>	BC Partners Limited, a private equity firm;
<b>Blackrock</b>	funds and accounts under management by direct and indirect subsidiaries of Blackrock, Inc.;
<b>Bonus Issue and Share Consolidation</b>	the sub-divisions, bonus issue and consolidations of shares in the capital of the Company described in sections 3.2(f) to (h) of Part XI ( <i>Additional Information</i> );
<b>BOS</b>	Foxtons’ business operating system;
<b>CAGR</b>	compound annual growth rate;
<b>Canaccord</b>	Canaccord Genuity Limited, a limited company incorporated in England and Wales with registered number 01774003;

<b>Cash Bonus Plan</b>	the annual cash bonus plan adopted by the Board on 4 September 2013 under which cash bonus awards may be granted to selected Group employees, described in section 10 of Part XI ( <i>Additional Information</i> );
<b>certificated or in certificated form</b>	shares or other securities recorded on the relevant register as being held in certificated form;
<b>City Code</b>	the City Code on Takeovers and Mergers;
<b>Co-Lead Manager</b>	Canaccord;
<b>Companies Act</b>	the UK Companies Act 2006, as amended;
<b>Company or Issuer</b>	Foxtons Group plc;
<b>Credit Suisse</b>	Credit Suisse Securities (Europe) Limited, a limited company incorporated in England and Wales with registered number 891554;
<b>CREST</b>	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited;
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<b>DCLG</b>	the UK Department for Communities and Local Government;
<b>Directors or Board</b>	the Executive Directors and the Non-Executive Directors;
<b>Disclosure and Transparency Rules</b>	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA;
<b>DTCC</b>	the Depository Trust Company, the US clearing system;
<b>Element</b>	as described in the section entitled “ <i>Summary</i> ”;
<b>Employee Shareholders</b>	Existing Shareholders who are employed by the Group (including the Senior Managers but excluding the Executive Directors) who have entered into the Small Selling Shareholder Arrangements described in section 19 of Part XI ( <i>Additional Information</i> ), details of whom are set out in section 8.2 of Part XI;
<b>European Economic Area or EEA</b>	the European Union, Iceland, Norway and Liechtenstein;
<b>European Union or EU</b>	an economic and political union of 28 member states which are located primarily in Europe;
<b>Exchange Act</b>	the United States Securities Exchange Act of 1934, as amended;
<b>Executive Directors</b>	the executive directors of the Company, being Michael Brown and Gerard Nieslony;
<b>Executive Management Team</b>	the Group’s executive management team comprising Michael Brown, Gerard Nieslony, Nicholas Budden and Andrew Pratt;
<b>Existing Debt Facilities</b>	means: <ul style="list-style-type: none"> <li>(i) the £75.0 million term loan facility under a facility agreement dated 15 June 2007, and amended and restated on 30 March 2010, made between, among others, the Company, Foxtons Intermediate Holdings Limited, Banc of America Securities Limited and Mizuho Corporate Bank, Ltd; and</li> <li>(ii) the £50.0 million term loan facility under a subordinated facility agreement dated 30 March 2010, and amended and restated on 30 March 2010, made between, among others, the Company, Foxtons Intermediate Holdings Limited, Banc of America Securities Limited, Mizuho Corporate Bank, Ltd and FSFV Limited,</li> </ul>

	further details of which are set out in section 9 of Part V ( <i>Operating and Financial Review</i> );
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue immediately prior to Admission (following the Share Capital Reorganisation);
<b>Existing Shareholders</b>	holders of Existing Ordinary Shares immediately prior to Admission;
<b>FCA</b>	the UK Financial Conduct Authority established pursuant to the Financial Services Act 2012 and responsible for, among other things, the conduct and regulation of firms authorised and regulated under FSMA and the prudential regulation of firms which are not regulated by the PRA;
<b>FCA Handbook</b>	the FCA's Handbook of Rules and Guidance;
<b>FIH</b>	Foxtons Intermediate Holdings Limited;
<b>Foxtons</b>	means: <ul style="list-style-type: none"> <li>(i) Foxtons Limited, a member of the Group which carries on estate agency business; or</li> <li>(ii) the business of Foxtons Limited,</li> </ul> as the context requires;
<b>FSA</b>	the Financial Services Authority, the predecessor to the FCA;
<b>FSMA</b>	the UK Financial Services and Markets Act 2000 (as amended);
<b>Group</b>	the Company and its subsidiaries;
<b>HMRC</b>	HM Revenue & Customs in the UK;
<b>IFRS</b>	International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
<b>ISIN</b>	International Securities Identification Number;
<b>Joint Bookrunner(s) or Joint Sponsor(s)</b>	each of Credit Suisse and Numis;
<b>Land Registry</b>	the Land Registry for England and Wales;
<b>Lending Shareholder</b>	the Major Shareholder;
<b>Listing Rules</b>	the listing rules of the FCA relating to the admission of securities to the Official List;
<b>Lock-Up Agreements</b>	the lock-up agreements entered into between each Senior Manager, the Company and the Managers dated 20 September 2013 and described in section 18.2 of Part XI ( <i>Additional Information</i> );
<b>London</b>	in the context of the Group's focus of operations, the region enclosed by the M25 motorway;
<b>London Stock Exchange</b>	The London Stock Exchange plc;
<b>LTIP</b>	the long-term incentive plan adopted by the Board on 4 September 2013 under which awards over Ordinary Shares may be granted to selected Group employees, described in section 10 of Part XI ( <i>Additional Information</i> );
<b>LTM average residential property sales price</b>	means the average of residential property sales prices over a rolling latest twelve month period;
<b>LTM average residential property sales volumes</b>	means the average number of residential property sales transactions over a rolling latest twelve month period;

<b>Major Shareholder</b>	Adnams BBPM Holdings Limited, a company which is ultimately controlled by CIE Management II Limited as general partner of BC European Capital (and any person holding Ordinary Shares as nominee for Adnams BBPM Holdings Limited);
<b>Managers</b>	Credit Suisse, Numis and Canaccord;
<b>Member State</b>	a member state of the European Union;
<b>Model Code</b>	the model code published in Annex I to LR 9 of the Listing Rules;
<b>New Ordinary Shares</b>	new Ordinary Shares to be allotted and issued by the Company pursuant to the Offer;
<b>New Plans</b>	the Cash Bonus Plan and the LTIP;
<b>Nomination Committee</b>	the nomination committee of the Board or a sub-committee of it;
<b>Non-Executive Directors</b>	the non-executive directors of the Company, being Garry Watts, Annette Court, Andrew Adcock, Ian Barlow and Stefano Quadrio Curzio;
<b>Numis</b>	Numis Securities Limited, a limited company incorporated in England and Wales with registered number 02285918;
<b>Offer</b>	the offer of Ordinary Shares to certain institutional and professional investors (including QIBs in the United States) described in Part IX ( <i>Details of the Offer</i> ) being made by way of this Prospectus;
<b>Offer Price</b>	230 pence per Ordinary Share;
<b>Offer Shares</b>	those Ordinary Shares to be issued by the Company and to be sold by the Selling Shareholders pursuant to the Offer as described in Part IX ( <i>Details of the Offer</i> );
<b>Official List</b>	the Official List maintained by the FCA;
<b>OFT</b>	the UK Office of Fair Trading;
<b>OLCB</b>	an area defined by the Group as the outer London commuter belt, being the region around London stretching outwards approximately 20 miles (as shown in the map in section 4.1 of Part I ( <i>Information on the Company and the Group</i> ));
<b>Ordinary Shares or Shares</b>	ordinary shares of £0.01 each in the capital of the Company;
<b>Over-allotment Option</b>	the over-allotment option granted by the Lending Shareholder to the Stabilising Manager pursuant to the Underwriting Agreement;
<b>Over-allotment Shares</b>	Ordinary Shares sold pursuant to the exercise of the Over-allotment Option (if it is exercised);
<b>Partners Funds</b>	funds managed or advised by Partners Group or its affiliates;
<b>Partners Group</b>	Partners Group AG, a global private equity investment management firm;
<b>PD Regulation</b>	the Prospectus Directive Regulation (2004/809/EC);
<b>PFIC</b>	a passive foreign investment company;
<b>PRA</b>	the UK Prudential Regulation Authority, established pursuant to the Financial Services Act 2012;
<b>Pre-Admission Articles</b>	the articles of association of the Company in force immediately prior to Admission which, on Admission, will be replaced by the Articles;

<b>Prospectus</b>	this document;
<b>Prospectus Directive</b>	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State;
<b>Prospectus Rules</b>	the prospectus rules of the FCA made under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market;
<b>Qualified Institutional Buyer or QIB</b>	Qualified Institutional Buyer within the meaning of Rule 144A;
<b>Registrar</b>	Capita Registrars Limited;
<b>Regulation S</b>	Regulation S under the Securities Act;
<b>Relationship Agreement</b>	the relationship agreement dated 20 September 2013 entered into between the Company, the Major Shareholder, Adnams BBPM Group Limited and the general partner of BC European Capital (acting on behalf of BC European Capital), the key terms of which are described in section 18.4 of Part XI ( <i>Additional Information</i> );
<b>Relevant Member State</b>	each Member State of the European Economic Area that has implemented the Prospectus Directive;
<b>Remuneration Committee</b>	the remuneration committee of the Board or a sub-committee of it;
<b>ROCE</b>	has the meaning set out in the section entitled “ <i>Use of Non-IFRS measures of financial performance</i> ” in the section entitled “ <i>Presentation of Information</i> ”;
<b>Rothschild</b>	N M Rothschild & Sons Limited, a limited company incorporated in England and Wales with registered number 925279;
<b>Rule 144A</b>	Rule 144A under the Securities Act;
<b>SDRT</b>	stamp duty reserve tax;
<b>SEC</b>	the US Securities and Exchange Commission;
<b>Securities Act</b>	the United States Securities Act of 1933, as amended;
<b>SEDOL</b>	Stock Exchange Daily Official List;
<b>Selling Shareholders</b>	Existing Shareholders (being the Major Shareholder, the Executive Directors and the Employee Shareholders) who are selling Existing Ordinary Shares pursuant to the Offer, as described in section 8.2 of Part XI ( <i>Additional Information</i> );
<b>Senior Managers</b>	those persons identified as senior managers of the Group in Part III ( <i>Directors, Senior Managers and Corporate Governance</i> );
<b>Share Capital Reorganisation</b>	the share capital reorganisation described in section 3.5 of Part XI ( <i>Additional Information</i> );
<b>Shareholder(s)</b>	holder(s) of Ordinary Shares from time to time;
<b>Small Selling Shareholder Arrangements</b>	the arrangements for the sale of Existing Ordinary Shares by Employee Shareholders described in section 19 of Part XI ( <i>Additional Information</i> );
<b>South East Ring</b>	an area defined by the Group as the south east ring, being the region surrounding the OLCB (as shown in the map in section 4.1 of Part I ( <i>Information on the Company and the Group</i> );
<b>Stabilising Manager</b>	Credit Suisse;



<b>Stock Lending Agreement</b>	the stock lending agreement dated 20 September 2013 entered into between the Stabilising Manager and the Lending Shareholder, the key terms of which are described in section 18.3 of Part XI ( <i>Additional Information</i> );
<b>Takeover Panel or Panel</b>	the UK Panel on Takeovers and Mergers;
<b>Target Markets</b>	London, the OLCB and the South East Ring;
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>UK Corporate Governance Code</b>	the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council;
<b>UK GAAP</b>	generally accepted accounting principles in the United Kingdom;
<b>UK Listing Authority or UKLA</b>	the FCA, in its capacity as the UK Listing Authority;
<b>uncertificated or in uncertificated form</b>	shares or other securities recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
<b>Underwriting Agreement</b>	the underwriting agreement dated 20 September 2013 entered into between the Company, the Directors, the Managers and the Major Shareholder and described in section 18.1 of Part XI ( <i>Additional Information</i> );
<b>United States or US</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; and
<b>VAT</b>	value added tax.

