



2017

Annual Report and Accounts

Foxtons Group plc

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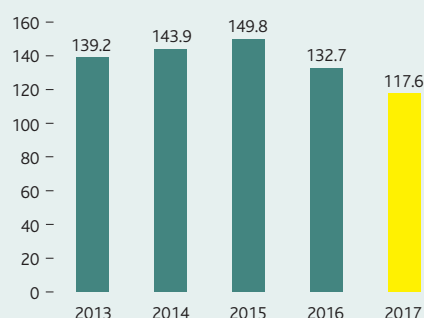
You can access more information about us on our website

FOXTONS IS THE LEADING LONDON ESTATE AGENCY
FOCUSED ON PROVIDING SERVICES TO THE RESIDENTIAL
SALES AND LETTINGS PROPERTY MARKET.

A Challenging market *in 2017...*

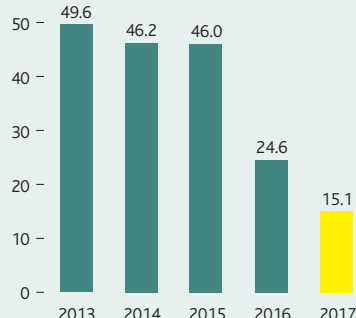
Revenue (£m)

£117.6m –11.4%



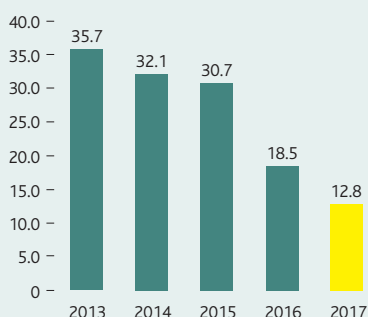
Adjusted EBITDA¹ (£m)

£15.1m –38.6%



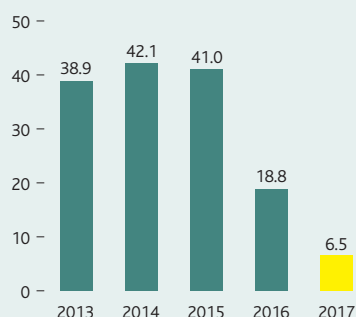
Adjusted EBITDA⁴ margin (%)

12.8% –570bps



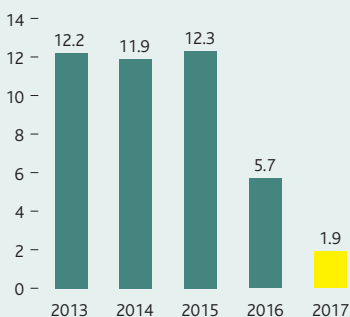
Profit before tax (£m)

£6.5m –65.2%



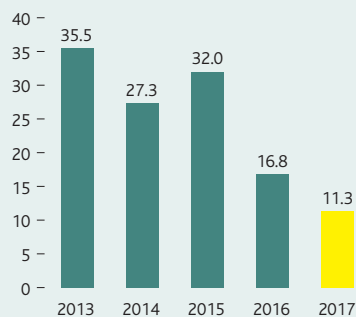
Basic earnings per share² (pence)

1.9p –66.7%



Net free cash flow³ (£m)

£11.3m –32.7%



1 Adjusted EBITDA is defined as profit before tax, finance costs, finance income, depreciation, amortisation, profit on disposal of assets, share-based payments and Adjusted items (refer to note 5, page 82 for a reconciliation to profit before tax).

2 Statutory basic earnings per share (pence).

3 Net free cash flow is defined as net cash from operating activities less net cash used in investing activities (Refer to note 30, page 100 for a calculation of net free cash flow) (Net cash from operating activities: £13.5m (2016: £23.4m)).

4 "Adjusted EBITDA" and "Net free cash flow" are alternative performance measures used by the Board as they provide a clearer understanding of the underlying operations of the Group. See Financial Review and notes 5 and 30 respectively.



Garry Watts

/ Chairman

FOXTONS TARGETS A BALANCED BUSINESS THROUGH THE CYCLE AND IS CURRENTLY FOCUSED ON THE LESS CYCLICAL LETTINGS BUSINESS, PROVIDING VALUABLE PROTECTION AGAINST THE CYCLICAL SALES MARKET. THE GROUP MAINTAINED A ROBUST BALANCE SHEET WITH STRONG CASH FLOW GENERATION, GIVING INSULATION FROM EXTERNAL SHOCKS.

Maintaining *balance sheet strength*

Overview

Group revenues reduced to £117.6 million (2016: £132.7 million), principally reflecting the challenging sales market. Cost savings of £5.6 million were achieved as a result of realigning our cost base to the ongoing challenging conditions. However, we have built an infrastructure for the long term. In the short term therefore, our cost structure is relatively fixed, and for this reason Adjusted EBITDA fell to £15.1 million (2016: £24.6 million). Further cost reductions were implemented during the latter part of the year resulting in a charge to the income statement in respect of Adjusted items of £2.3 million. Profit before tax was £6.5 million (2016: £18.8 million).

Board and governance

The Board places significant importance on corporate governance and compliance with the UK Corporate Governance Code. Full details are set out in the Corporate Governance section of our Annual Report and Accounts on pages 34 to 69.

Board update

Annette Court resigned as a Non-Executive Director of the Company at the Company's Annual General Meeting (AGM) on 17 May 2017. On behalf of the Board, I would like to thank Annette for her valuable contribution as a Non-Executive Director and Senior Independent Director of Foxtons since the Company's IPO in 2013.

Ian Barlow, who has served on the Board since the IPO in 2013, was appointed as the Company's Senior Independent Director on 17 May 2017.

On 14 September, the Board appointed Sheena Mackay as a Non-Executive Director and, as Chair of the Remuneration Committee, succeeding Andrew Adcock in that role. She is also a member of the Audit and Nomination Committees. Sheena is currently Group HR Director at Smiths Group plc, with 28 years of experience in HR.

Dividend

In line with our policy, the Board has proposed a final dividend of 0.27 pence per share bringing the total ordinary dividend for the year to 0.70 pence per share (2016: 2.00 pence per share). Foxtons maintains a robust balance sheet with no debt and the Board remains committed to returning excess cash to shareholders when appropriate.

Subject to Shareholder approval at the AGM on 17 May 2018, the proposed dividend will be paid on 25 May 2018 to Shareholders on the register at 27 April 2018.

Summary

Notwithstanding the challenging environment, Foxtons retains a strong balance sheet, high cash generation and no debt which allows us selectively to invest in areas that will drive long-term growth of the business. We have made progress aligning our cost base with market conditions whilst keeping the infrastructure which has been built for the long term. Sales volumes are subdued across the market, yet Foxtons remains the number one property agent in London by instructions with an unrivalled network focused on delivering the best service to buyers, sellers, tenants and landlords. We have a strong and determined team and I am confident that they will build on Foxtons unique platform and deliver long-term value to shareholders. I would like to take this opportunity on behalf of the Board to thank everyone at Foxtons for their passion, dedication and hard work.

Garry Watts
Chairman

AS THE MOST RECOGNISED RESIDENTIAL BRAND IN LONDON,
WE ARE UNIQUELY POSITIONED TO MANAGE THROUGH
MARKET UNCERTAINTIES AND TAKE ADVANTAGE OF ANY
CHANGES IN CONDITIONS.

Managing the business *in difficult markets*



Nic Budden

/ Chief Executive Officer

Review of the year

2017 was a challenging year for the property market in which Foxtons operates. Whilst the lettings business continues to deliver a steady income stream for the Group, the London sales market continues to be weighed down by the impact of stamp duty tax changes introduced during 2016 and declining consumer confidence, as a result of the general macro-political uncertainty. The unexpected general election led to a further slowing of sales transaction levels in Q2 2017, a trend which continued throughout the second half of the year.

Foxtons 2017 Group revenue was £117.6 million (2016: £132.7 million) comprising sales revenue of £42.6 million (2016: £55.5 million), lettings revenue of £66.3 million (2016: £68.3 million) and mortgage broking revenue of £8.7 million (2016: £8.9 million).

The 23% fall in sales revenue is largely a result of continued market weakness causing lower transaction volumes. Revenue from lettings was down 3% on the prior year due to downward pressures on market rents; nonetheless, we believe our lettings business continues to provide a resilient, less-cyclical revenue stream and now represents 57% of Group revenue. Revenue at Alexander Hall, our mortgage broker, comprised a higher proportion of re-mortgage business, but decreased by 1% overall as the result of lower average revenue per deal.

For 2017, our Group Adjusted EBITDA reduced to £15.1 million (2016: £24.6 million) due principally to the lower revenue in the sales business.

We succeeded in delivering against our cost reduction targets, reducing costs by £5.6 million despite the difficult environment and inflationary pressures. Whilst we continue to review our cost base, we believe the current level is integral to maintaining our customer service proposition and we will continue to invest in key growth areas including lettings, digital marketing and technology.

We incurred a £2.3 million charge in respect of Adjusted items in the second half of the year, mainly due to our decision not to develop a small number of prospective branches, instead investing to drive volume through our leading physical and technology platforms. Overall Profit before tax reduced 65% to £6.5 million (2016: £18.8 million), £8.8 million excluding Adjusted items.

The Group continues to be cash generative, delivering £11.3 million of net free cash flow during the year. At year-end the Group held a cash balance of £18.6 million and remains debt free.

Property sales market

2017 was a difficult year for the residential property sales market in London. The 2016 changes to the stamp duty regime continue to depress volumes and the unexpected election in May 2017 led to a further slowing of transaction levels. However, despite these issues, London remains a global and economic powerhouse with strong long-term fundamentals including high population density and limited housing stock.

Lettings market

In recent years, London has experienced a significant shift in tenure, with nearly 30% of private households now living in rented accommodation – double the level of a decade ago. This increase in demand for private rentals in London underpins our lettings business, which continues to be a key component of our future growth strategy.

Our lettings business is the largest single brand portfolio in London and has benefitted from an increased operational focus alongside well-received new customer initiatives during the year. New let volumes were flat in the year, while the proportion of actively managed properties in the portfolio increased in the period to 32% (2016: 31%). We also achieved growth in our short lets business despite the corporate relocation market remaining constrained.

Whilst demand for rental properties remains high, there has been pressure on average rental prices due to an increase in the supply of rental property following the surge in buy-to-let activity in Q1 2016.

The growth of the high-quality, professionally managed Institutional Private Rented Sector (PRS) has increased choice and quality in the rental sector. Foxtons is well placed to benefit from this emerging rental product; our market-leading lettings experience, IT infrastructure and operational processes have been well received by Institutional PRS operators. Our pipeline remains strong, though many schemes remain at build stage.

The lettings market is both growing, and becoming more complex, with landlords needing to understand and comply with significant new regulation, legislation and tax changes. In this environment our focus on compliance and professionalism makes our lettings business the ideal partner for landlords.

Investing for future growth

Over nearly four decades Foxtons has built a distinctive business which covers most of London/M25 through its leading brand, professional and motivated people, and innovative application of technology. We want to build on this through selective investment in order to create the most resonant customer offering in the market place.

Since our IPO in 2013 we have increased our branch footprint by 60% and technological advances mean we are able to service the London/M25 network with circa 70 branches, a smaller network than we originally planned. Additionally, we have reacted to market conditions through taking appropriate cost out of the business and in so doing have created a lean business without damaging the integrity of our high service offering.

The multi-year branch roll out was enabled by a consistent capex programme and this roll out is now largely complete. Our investment has now shifted from capex into other areas in order to make the existing estate more profitable and position Foxtons for future growth.

This investment programme is now focused on areas that are both core to our offering and where we can reinforce our differentiation, namely in our brand, people and technology. We know customers want results, they want to sell their house or let their property for the best price with a professional, personal service. Estate agency remains a people business and customers value experienced, knowledgeable and professional people committed to working hard to achieve results.

Our brand is well known and work has begun on how we can use it to reinforce our differentiation ensuring Foxtons is closely associated with satisfying customer needs. Our business has been built on the skill, knowledge and work ethic of our people and we are investing in initiatives to improve retention and hire experienced staff to augment our teams.

Foxtons was an early adopter of technology using it to enhance the customer offer and make our business as efficient as possible. It remains vital today enabling us to save costs and increase the reach of each branch with targeted digital marketing. We also have a vast customer database which, with new analytical tools, presents an opportunity for us to better understand customer behaviour.

In addition, we will continue to ensure our offer matches customers' growing expectations. This will be through initiatives like dedicated account management for our largest landlords in lettings, and in sales the launch of Foxtons Prime, a new offering for high net worth buyers and sellers.

Outlook

Looking ahead, we expect trading conditions to remain challenging in 2018 and our current sales pipeline is below where it was this time last year. Our less cyclical lettings business provides resilience against sales market cycles and we continue to target growth in this area. Enhanced operational focus, customer initiatives and utilisation of technology and data have already shown some progress; we aim to build on this going forward.

Foxtons remains in an attractive position with a robust balance sheet, good cash generation and with no debt. We will continue to review and optimise our business structure and leverage our proprietary technology and data, in order to make our agents as productive and competitive as possible.

In the longer term, whilst recent political events have produced uncertainty for buyers and sellers, we expect London to remain a highly attractive property market for sales and lettings. We have several initiatives underway to promote growth in our lettings business and remain focused on growing market share in our less mature branches. Our commitment to achieving the best result for our customers and powerful brand continue to be key differentiators. We are managing the business according to these conditions and remain well placed to take advantage of any change in conditions.



Nic Budden
Chief Executive Officer

Sales market *remains challenging*

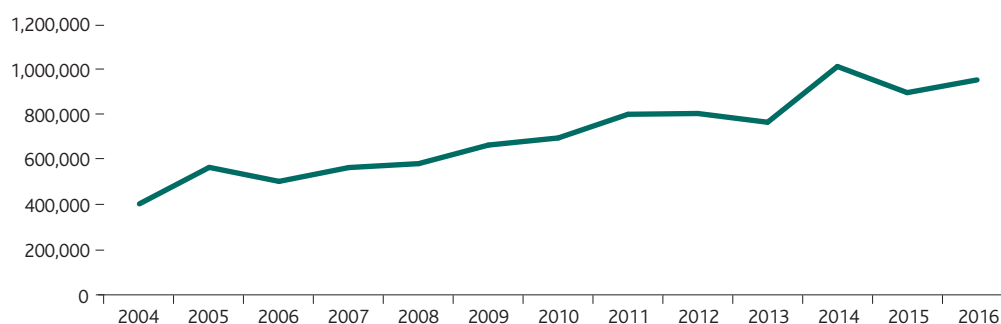
Increased population mobility, changing tenure preferences and structural changes in the owner occupier market have driven a doubling in size of the private sector rental market. At the same time economic and political uncertainty, a growing gap between London house prices and buyer purchasing power, and changes to property investment legislation have severely impacted volumes in the sales market.



The lettings market

London has experienced a significant shift in household tenure with nearly 30% of households now living in private rented accommodation, double the number seen ten years ago. This has been driven by a growing population, issues of an increasing gap between house prices and buyer purchasing power in the sales market, and an attitude change towards renting as a longer-term housing option and lifestyle choice for an increasingly mobile population.

Households in London private rental sector



Source: Department for Communities and Local Government.

As the lettings market sees demand growth, the supply side is facing new challenges from increasing regulation, tax changes and competition from new providers.

In the last five years over 150 new regulations have affected landlords; ranging from responsibility for tenants residency status to licensing requirements, enhanced maintenance criteria and increased financial sanctions. Recent tax changes have reduced the attractiveness of purchasing new investment property, through higher stamp duty, and reduced returns for some landlords as new financing tax changes take effect.

As the rental market grows, new institutional operators have begun to enter the market, providing a more professional rental experience. Whilst small private landlords still own the vast majority of rented homes, there is now considerable financial and government impetus behind the institutional build to rent sector. Estimates of capital poised for investment range between £30 billion and £50 billion, and developers have received support from both the Government and the London mayor.

Foxtons long term focus on lettings and expertise provides a significant competitive advantage and leaves the Group well placed to benefit both tenants and landlords in this rapidly changing environment.

Affordability constraints and a growth in large scale institutional build to rent developments outside central London are leading to tenants widening their search areas to TFL Transport Zones 3-6. Foxtons can meet this demand, given our broad network of branches in outer London and relationships with most build to rent operators in London. Industry leading rental market data, compliance focus and regulatory knowledge leave the Group well placed to help landlords navigate the changing environment and professionalise their service offering to tenants.

The increasing demand for private rentals in London provides a solid base for the Group's lettings business. In addition, the continuing increase in London's population maintains an upward pressure on long-term rental tenure rates. The lettings market continues to be a key element of Foxtons business strategy. It provides a steady, reliable income stream, and it accounts for over half of the Group's business.

We anticipate the implementation of the Tenant Fees Bill in 2019. Though at this stage it is unclear exactly what the legislation will look like, we are exploring possible ways to mitigate the impact.

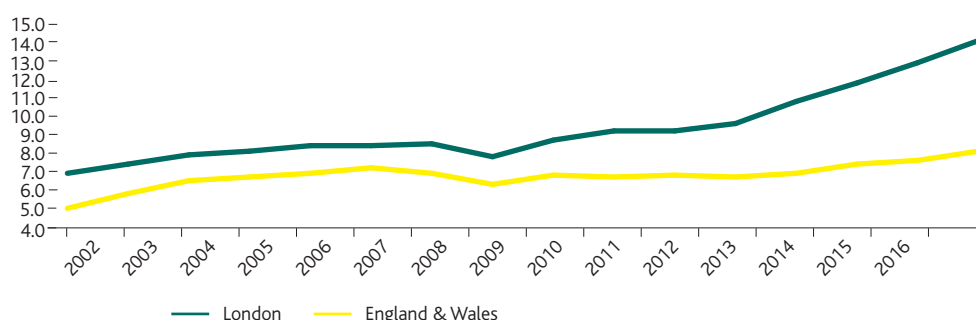
The sales market

The London residential property sales market is experiencing multiple headwinds ranging from an increasing gap between London house prices, which grew by 3% in 2017, and the purchasing power of buyers, the economic and political backdrop and tax and lending concerns.

Restricted new housing supply, an increasing population and record low interest rates have helped drive the rapid pace of house price growth in London, which has not been matched by wage growth resulting in ever lower affordability rates and has made the prospect of purchasing a property unattainable for many.

The price to earnings ratio in London now stands at nearly 14x, an all-time high and nearly double the rest of England and Wales. The ability of buyers to purchase houses has been further impacted by tighter mortgage lending criteria and high stamp duty rates, meaning they need larger deposits. This is even more pronounced for investment and additional property purchasers.

House price / earnings ratio



Source: ONS, Land Registry and Foxtons Research.

The weakening economic and political climate following the European referendum in 2016 further compounded the fall in sales volumes and continues to weigh upon the sales market. In the short-term the prospect of weaker economic growth, fragile consumer sentiment and increasing interest rates are driving homebuyers to exercise greater caution. This is translating to lower transaction volumes with 2017 volumes forecasted to be in line with those seen in 2009. We do not expect market conditions to improve significantly until after 2018 when the future political and economic landscape becomes clearer.

In prime central London transaction levels have been lower than that of 2009/10 whilst volumes have been relatively stronger in outer London areas, and in the medium-term the attraction of lower prices will continue to drive migration and house building to outer London. Foxtons now has over 50% of branches outside zones 1 and 2, and is well placed to capture the growth and activities in these areas in both lettings and sales.



"We have worked with Foxtons for several years from the disposal of our existing portfolio through to the onward sale of our new build apartments. More recently we have launched schemes on "Help to Buy". Foxtons have provided sound practical advice along with an understanding of the process which has certainly added value to our business."

Chris Old, M.D. Charterhouse Property Group

FOXTONS IS LONDON'S MOST RECOGNISED
ESTATE AGENCY BRAND NOW COVERING OVER 85%
OF THE GREATER LONDON AREA.

Our competitive *advantage*

Our success is built on delivering exceptional results for vendors and landlords. Foxtons unique culture means our people are both expert and committed to excelling for our customers. Investment in data and technology enables us to help our customers unlock the value of their property.

Business Model

The most recognised single brand with unique network effect

Foxtons is a leading London brand. Built up over 30 years, it has the most unprompted awareness of all London's estate agents. This drives commercial advantages in the form of the highest market share of sales and lettings listings on the aggregators and through Foxtons.co.uk which receives over 10 million visits per year. The brand enables us to maximise the benefits of our branch network meaning over one quarter of properties are rented or sold to customers who transacted through a branch they did not initially register with, giving clients access to a much wider area and choice of properties than is the case with our competitors.

Business centralisation

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

Innovative application of technology driving service and efficiency

The Group has sophisticated workflow systems, web applications and content-rich information databases underpinning every aspect of its business model. These systems enable our internal departments to work efficiently and cohesively, to deliver exceptional levels of service and productivity and have been a key driver in reducing average branch costs. The Group uses its data, strong single brand, and digital marketing technology to lower the cost of customer acquisition and deliver higher service levels than competitors.

In addition, Foxtons continues to invest in commercial web-based applications which are internally developed and maintained. The online portal 'My Foxtons' has received a very positive response and strong uptake from customers – 89% of landlords now conduct their rental transactions on My Foxtons.

Culture and people

Foxtons people are highly motivated to deliver exceptional results for customers. A wide range of incentives ensure that outstanding personal and team results are rewarded and recognised across the Group. Foxtons prides itself on its meritocratic culture, recruiting high potential candidates and providing a path to leadership positions. Where possible we develop and promote sales people from within to ensure our best people progress into positions where they have the greatest impact on our customers. This also ensures loyalty to the Group – the average tenure of our most senior sales directors is nearly 15 years. Our training and development goal is to create the finest estate agents in the industry with a clear focus on professionalism, integrity and a strong work ethic.

Integrated mortgage broker and conveyancing service

Our mortgage broker, Alexander Hall, and conveyancing service provide a seamless, 'one stop shop' for our customers as well as benefitting from low cost sales leads from the estate agency business. Both have the potential to grow as the property sales market recovers.

Strategy

Our strategy continues to evolve as we seek to adapt for success in the changing operating environment.

Focus on developing strong positions in markets with attractive market fundamentals	Foxtons continues to focus on developing strong positions in the higher volume, higher value London market, which represents a disproportionately valuable property market vs. the rest of the UK. The size of Foxtons branch network across London means it is well positioned to benefit from any future growth in sales volume. Related to KPIs: 2, 3, 4, 6 Related to principal risks: 1, 2, 5
Deliver exceptional customer service	The Group continues to deliver high quality service levels, maximising value for customers by selling and letting their properties at the best price through innovative application of technology, utilisation of data and a dedicated sales force to support the process. Related to KPIs: 5, 7, 8 Related to principal risks: 2, 4, 5
Balanced business through the cycle	The Group aims to achieve an even balance between the financial contributions made by its sales and lettings businesses over time. However, in the short term we have realigned the sales business to reflect current market conditions. The Group's current focus is to grow recurring lettings revenue by both winning new landlords and retaining existing ones, by leveraging our lettings portfolio which is the largest under a single brand in London. Landlords are faced with an increasingly complex regulatory environment making a professional and standardised letting offering more relevant than ever. Our investment in technology means the lettings business platform offers both great customer experience and is very efficient and scalable with fully automated online functions. The Group will continue to expand into the high growth institutional build to rent segment. Related to KPIs: 1 Related to principal risks: 1, 2, 3
Improve new branch profitability	The Group has a successful track record of profitable organic expansion and now covers over 85% of the Greater London area. Leveraging our existing platform of 67 branches, we are aiming to cover the rest of the remaining parts of London by optimising existing territories, 'up-skilling' our people and investing in technology. Related to KPIs: 2, 3, 5, 7, 8 Related to principal risks: 1, 2, 5
Best in class technology	The Group's substantial long term investment in IT infrastructure, automated centralised systems and business processes have created a highly scalable and efficient business model. We continue to invest in innovative technology and bespoke systems and applications which underpin our business. These processes, along with our proprietary CRM system of over 3 million customer records, enable the Group to be as productive and efficient as possible, and to deliver exceptional levels of service to our customers. The Group will continue to make enhancements to improve conversion and customer experience, including enhancements to our tenant portal in 2018. As the property market and customer behaviour evolves, Foxtons will continue to evaluate digital opportunities to ensure we continue to provide our customers with the best and most relevant service. Related to KPIs: 5 Related to principal risks: 4

KPIs

Read about our KPIs to understand our progress in achieving our strategic priorities
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- 1 Balanced business
- 2 Sales volumes
- 3 Lettings volumes
- 4 Mortgage volumes
- 5 Adjusted EBITDA Margin
- 6 Number of branches at year end
- 7 Average revenue per branch
- 8 Average revenue per employee

RISKS

Read about how we manage risks and their potential impact on our strategy
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- 1 Market risk
- 2 Competitor challenge
- 3 Compliance with the legal and regulatory environment
- 4 IT systems and cyber risk
- 5 People

High customer satisfaction, with an average Trustpilot review of 9.2/10

"I trusted them and that confidence was paid off."

Trustpilot review from George, December 2017



"I'd originally engaged a local estate agent but they hadn't been able to find me a serious buyer for the townhouse I wanted to sell in south-west London. A friend had recommended Foxtons because they'd lived up to their reputation for getting the job done for her and, having lost almost a year, I needed a successful, swift and at asking price sale. Foxtons had only recently opened a branch covering my area so I felt like I was taking a bit of a gamble, but I was upfront with what I wanted and, in turn, they were upfront with me about being new to the area but confident they could get me a sale on the terms I wanted. I trusted them and that confidence was paid off.

"I always felt I was dealing with professionals who treated me like a respected client. I was never fobbed off or felt like I was being spun, and when my main contact was away on annual leave, I was even well looked after by others in the team. You don't expect that these days. They kept my expectations ambitious but realistic, though they rose to the challenge.

"It was great that I was able to benefit from the wider Foxtons office network to attract buyers looking in neighbouring areas, and whether it was this that secured me a sale at asking price or just the great proactive work the team did for me, they were worth the slightly higher fees they charge. I was just all too glad my vendors hadn't engaged Foxtons too: I doubt the property I really wanted to buy would have stayed on the market long enough for me to do so!"

"Well worth their fee. Much better than everyone else."

Trustpilot review from Joe, January 2018



"First rate service: way, way better than all the competition (I went multi-agent) and they sold my flat within 3 weeks and we've just exchanged 3 months later. It was a bumpy road to exchange due to Japanese knotweed, lease issues and other hurdles but the Manager at the Wembley Park branch, Adam, took the initiative on several occasions and was a sophisticated operator that helped both me and my buyer. In fact Adam worked tirelessly to get things done quickly and efficiently. Foxtons got me £15K more than the nearest offer from the other agents. Seriously that is the difference on a £300K flat. Anyway, yes, Foxtons were more expensive: worth every flipping penny I spent. Thanks!!"



WE RECOGNISE THAT THE PROPERTY SECTOR IS EVOLVING AND THAT TECHNOLOGICAL ADVANCES ARE HELPING OUR PEOPLE CREATE BOTH IMPROVEMENT AND EFFICIENCIES.

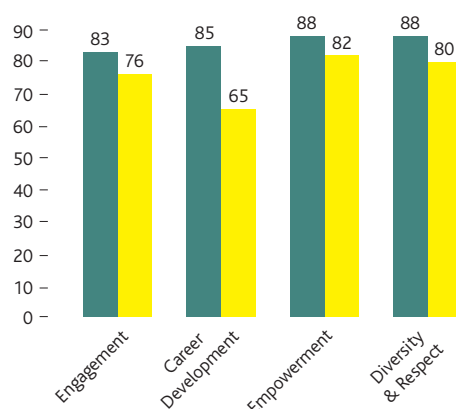
Our people are the *key to our success*

Our highly engaged and motivated sales force continues to be a differentiator in the industry. We are not just passionate about training our people in how to sell and let properties, we are passionate about their ongoing development, both personally and professionally.

Unique culture

In order to offer exceptional service to our clients, it's vital that our people are inspired, engaged and supported. That's why Foxtons culture is energetic, sociable and rewarding. We provide the opportunity for talented and enthusiastic employees to thrive in an incentive-driven environment where outstanding work and customer service are recognised in both team and individual capacities, and employees are encouraged in every aspect of their development. We also hold regular awards ceremonies, where our employees are acknowledged for their exceptional performance or contribution. This culture is a key competitive advantage for Foxtons, demonstrated in our employee engagement survey results with substantially higher levels of engagement (83% for Foxtons vs. UK average of 76%) and empowerment (88% for Foxtons vs. UK average of 82%).

Employee engagement at Foxtons vs UK national average



Source: 2017 employee engagement survey conducted by Willis Towers Watson

Key

■ Foxtons
■ UK national average

Extensive training

Much of the value we offer our clients is created thanks to the expertise of our people. We are committed to ensuring that they receive the best training and career development opportunities with a view to building a successful long-term career at Foxtons. Eighty eight per cent of our employees value our award-winning training, according to our employee engagement survey (vs. a UK average of 62%). Our unique Foxtons Training Academy comprises over 300 training modules. Starting from an intensive induction week, made up of 86 tailored modules to accommodate individual learning styles, the training continues with 120 more hours for Negotiators, followed by a similar amount of training hours for new Valuers and Managers. This investment in training continues throughout our people's careers irrespective of roles or levels, as we believe that in order to excel you never stop learning. Our commitment to the highest standards of customer service and compliance is demonstrated by the consistently positive feedback provided by our customers. In 2017, we ranked 3.9/5 stars on Google across our territories and 9.2/10 stars on Trustpilot. With property industry regulation becoming increasingly complex, particularly in the lettings sector, customers are looking for estate agents to have the requisite knowledge and expertise to guide them on their property journey. Our advocacy scores are a validation of both the confidence our customers have in us and the level of training we provide to our staff.

Commitment to career progression

In order to promote loyalty and develop a business of genuine experts, Foxtons is a true meritocracy and we promote from within whenever possible. Anyone in the Company who demonstrates skill and hard work has the opportunity to reach the highest level and experience accelerated progression. The average tenure of senior management at Foxtons is nearly 15 years; however, early responsibility and rapid promotion for high achievers is not unusual. Eighty five per cent of our employees value their career development at Foxtons as per our employee engagement survey (vs. UK average of 65%).

Diversity and inclusion

We are proud of our diversity throughout the Company and our working practices. We hire people from a multitude of backgrounds and our training takes a comprehensive and personal approach allowing us to focus on matching the right people to the right roles. The diversity profile of our workforce reflects that of a multicultural society and our client base, with 55 foreign languages spoken by our employees. Our employees regularly cite diversity as a key differentiator for Foxtons, with 88% responding favourably in our employee engagement survey vs. the UK average of 80%. We are committed to providing equal opportunities and an entirely non-discriminatory working environment. Our diversity policy aims to ensure that no job applicant or employee receives less favourable treatment because of gender, marital status, race, age, sexual preference, religion, belief or disability. All decisions are based on the merits of the individual concerned.

The Group is dedicated to undertaking its business operations in a way which respects individual human rights, treats individuals with dignity and allows freedom of association. We value the contribution of each and every one of our employees and together we have created an inspiring working environment where everyone is engaged, motivated and safe from discrimination so they can fulfil their potential.

Our diversity is evident throughout the organisation where 45% (2016: 46%) of our total staff are female and 24% (2016: 21%) of our senior staff are female. Appointments to the Board are made on merit, against objective criteria and with due regard for the benefits of diversity on the Board. Of the seven Board members at year end, one was female.

COMPANY DIVERSITY

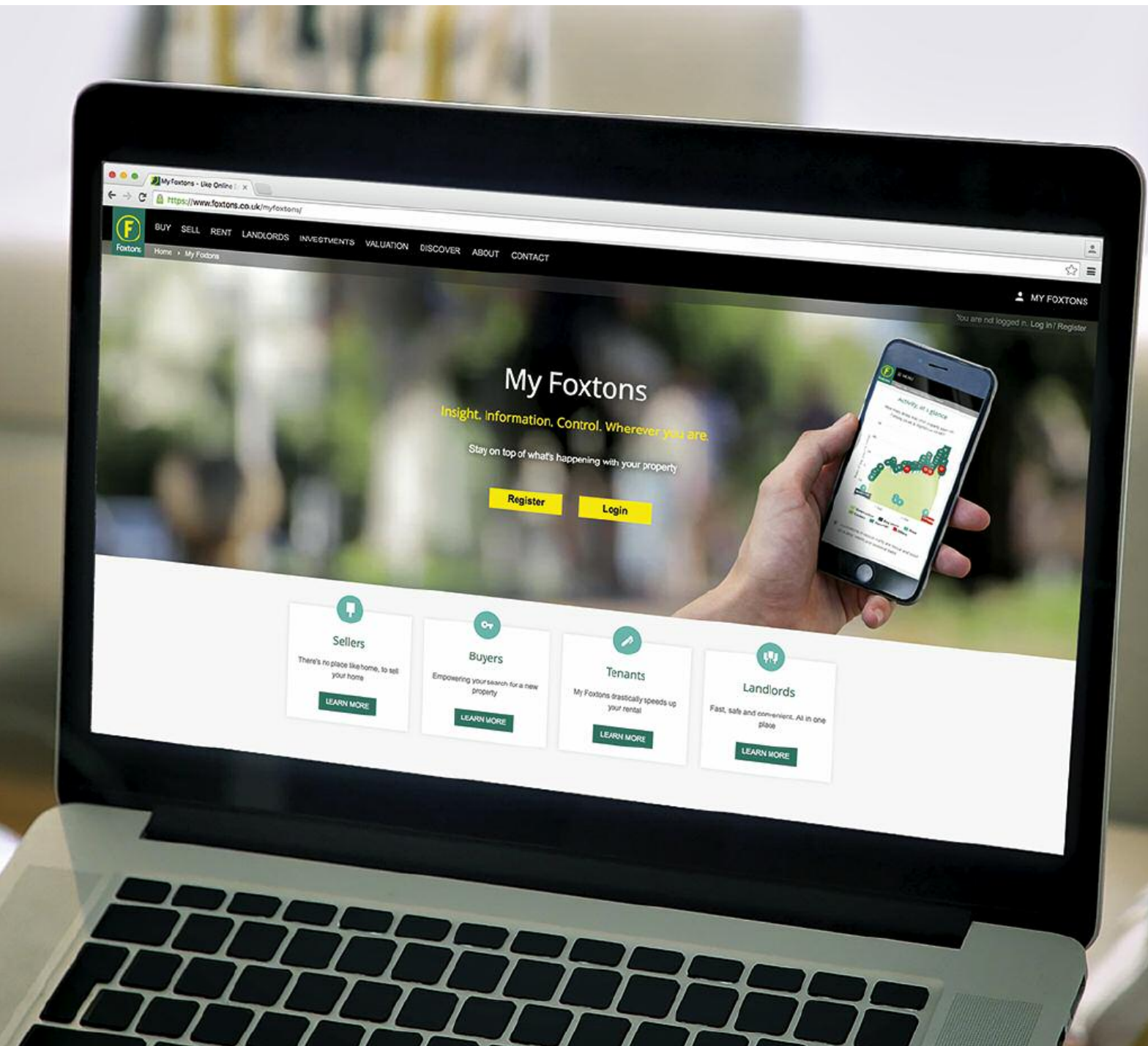
End of year figures	Male	Female	Male %	Female %
Directors of parent company	6	1	86%	14%
Senior Managers ¹	143	46	76%	24%
All other	491	473	51%	49%
Total	640	520	55%	45%

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

OUR TECHNOLOGICAL INNOVATION REMAINS FOCUSED ON EQUIPPING OUR AGENTS TO DELIVER FOR OUR CUSTOMERS, WHILST ALSO GIVING CUSTOMERS THE TOOLS TO MANAGE THEIR OWN PROPERTY SEARCH OR TRANSACTION ONLINE.

Technology provides us *with a competitive edge*

We want to provide our customers with more transparency and with it a greater understanding of the extra value being delivered by Foxtons.



Key to this has been the introduction of an upgraded My Foxtons, a gated portal for customers. After rolling out improved functionality for landlords and vendors in 2016, this year has seen us update My Foxtons to provide additional features for applicants. Tenants and buyers now have the ability to log in to My Foxtons and book and manage their viewings, create tailored area searches using an advanced mapping tool and make an offer for a property. Customers of My Foxtons also have a distinct advantage over those who haven't registered for the portal, or who are searching on an aggregator or with a rival estate agent. After logging in and providing their search details, My Foxtons users can see 'sneak peek' alerts as soon as relevant properties are available, even if the details haven't yet been fully uploaded to the Foxtons website and in advance of them being published on Rightmove and Zoopla. This allows them to book viewings before the property is visible to others and steal a march on the competition. Registered users can also see price reductions and register for email alerts for properties which match their requirements.

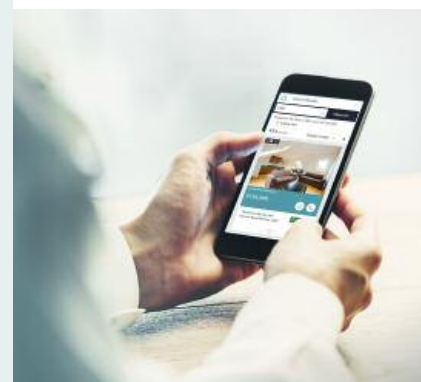
This enhanced property search functionality puts clear distance between Foxtons and our competitors and offers tangible benefits for buyers and renters to register with us. The feature also provides a key service to vendors and landlords who instruct Foxtons as we are able to connect their property with the relevant target audience more quickly and effectively.

My Foxtons:

- 83% of Anti-Money Laundering and ID documents are uploaded securely through My Foxtons
- In excess of 100 viewing requests are made through My Foxtons on a daily basis
- 96% of lettings deals are done online through the portal
- An average of 33 offers on sales and letting properties are made online per day
- Approximately 300 new My Foxtons accounts are created daily

Going hand-in-hand with our product development is our Oracle Maxymiser-powered A/B testing programme, which is helping us optimise conversion on our award-winning website, improve user-journeys and better understand the behaviour of our buyers, sellers, tenants and landlords. Highlights include a campaign to test our 'book a valuation' user flow that resulted in a 13% uplift in the rate of conversion, and the improved signposting on our property details pages that increased interest in our properties by 9%. This focus on customer journey management has a direct impact on the bottom line, with more booked valuations and more properties sold and let.

Our technology infrastructure is also being improved to help deliver efficiencies on the sales floor at our Chiswick Park head office and in our local branch offices. Data is at the heart of everything we do and we're embracing the latest solutions and tools to leverage the 3.4 million customer details on our database. An enlarged Business Intelligence team will help to leverage this data and improve and cleanse its structure, allowing for more advanced lead-scoring, the sending of more timely and relevant content and ultimately a lower cost of acquiring a customer.

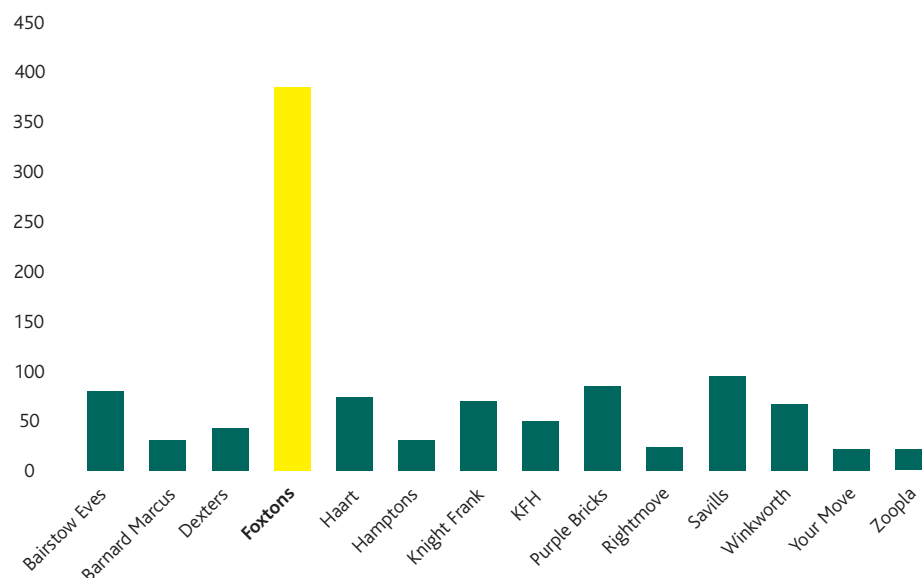


FOXTONS REMAINS, BY A CONSIDERABLE DISTANCE, THE MOST RECOGNISED ESTATE AGENCY BRAND IN LONDON. WE CONTINUE TO BUILD ON THIS SOLID PLATFORM WITH A BRAND ENGAGEMENT STRATEGY THAT ENCOMPASSES PR, SOCIAL AND ADVOCACY.

The strength of our brand *is unparalleled in our sector*



Spontaneous awareness – name an estate agent



*Based on the first responses of 1,078 people living inside the M25. Survey conducted by YouGov in November 2017.

Heightened brand awareness and consideration continues to support a low cost of customer acquisition. Our digital PPC (pay per click), Facebook and programmatic campaigns are continuously being optimised through vigorous testing of landing pages, target audiences messaging and creative. We work closely with Rightmove and Zoopla, beta-testing new products to help identify which customer groups are most receptive to direct response methods and how best to convert them. This data-driven approach is also being applied to our traditional channels, which are then supported where possible with additional digital messaging. A prime example here is our canvassing campaigns, where insights derived from past performance and follow-up emails have helped to halve the number of letters it takes to find a seller or landlord.

Customer Relationship Management (CRM) was a big focus in 2017. We have diversified our email communications and segmentation has become more granular. This has allowed our content to

become more personalised, resulting in an uplift in leads. Further work will be undertaken in 2018 to improve the relationship between our front-office workflows and our automated digital output, ensuring all of our customers are supported fully while searching, during their transaction and once their transaction is complete.

Another way we are providing extra value to our customers is through our relationship with our sister company Alexander Hall and our complementary conveyancing service. With the ability to offer the best possible mortgage deals and conveyancing services, Foxtons is a one-stop-shop for people looking to buy, sell, rent or let a property. We have been testing ways in which to improve uptake of our sister companies' services on our website throughout 2017 using Oracle Maxymiser, with Alexander Hall messaging shown to be particularly engaging when delivered at the right stage in a user's journey. We will continue to test this as the year progresses.

Foxtons leads the way on Facebook with a page liked by more fans than any other estate agent in the UK and a constant stream of innovative, engaging content; 5-star reviews have grown to over 2,500 on Trustpilot alone; and successful PR campaigns this year include the launch of our 3D mapping tool in conjunction with Matterport.

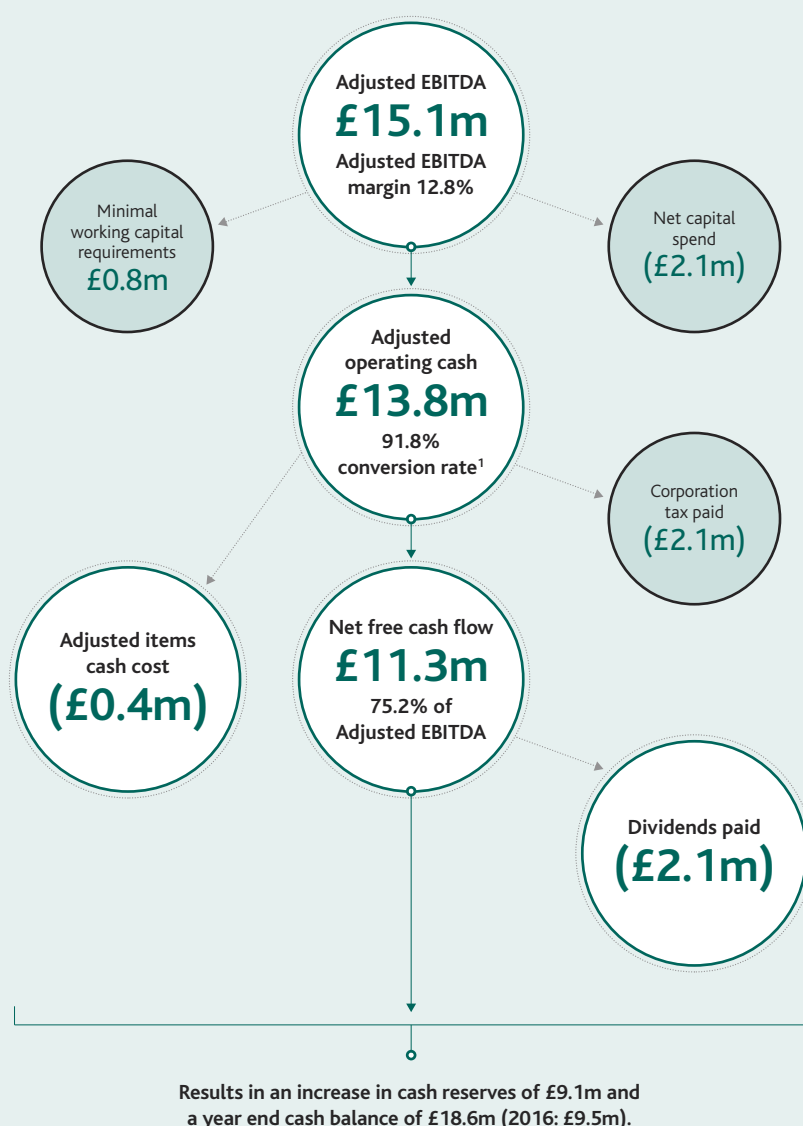


OUR STRATEGY AND BUSINESS MODEL LEADS TO HIGH
LEVELS OF CASH GENERATION THROUGH THE CYCLE.

Consistently *cash generative*



- Our strategy and business model generates industry leading margins through the market cycle;
- Profitability together with minimal working capital requirements and a relatively low level of capital spend generates high levels of net free cash. In 2017, £11.3 million of net free cash was generated, representing 75.2% of Adjusted EBITDA (2016: 68.4%);
- Profit before tax £6.5 million (2016: £18.8 million);
- As the Company is debt-free, net free cash is available to return to Shareholders;
- During 2017 the Company returned £2.1 million in cash dividends to Shareholders.



1 Conversion rate is defined as Adjusted operating cash divided by Adjusted EBITDA. See Note 30 to the financial statements.

Financial Review

Overview

The sales market remains subdued, whilst the lettings market continues to provide a consistent recurring revenue stream despite increasing competition. Total revenue fell by 11% and during the year we took action to realign our cost base with the challenging sales market conditions. We have built a branch network to support our customer service proposition, and continue to invest in key growth areas. In the short-term therefore, the majority of our costs are substantially fixed, and for this reason Adjusted EBITDA fell by 39%. Despite difficult trading conditions, the Group remains cash generative and debt free.

Summary income statement

Year ended 31 December	2017	2016	% change
Group revenue	£117.6m	£132.7m	(11%)
Group Adjusted EBITDA	£15.1m	£24.6m	(39%)
Profit before tax	£6.5m	£18.8m	(65%)
Net cash from operating activities	£13.5m	£23.4m	(42%)
Basic earnings per share	1.9p	5.7p	(67%)
Adjusted basic earnings per share	2.6p	5.7p	(54%)
Dividend per share	0.7p	2.0p	(65%)

In reporting financial information the Group presents Alternative Performance Measures (APMs) such as Adjusted EBITDA, Contribution and Net Free Cash Flow which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

Our APMs are aligned to our strategy and together are used to measure the performance of the business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because if included, these items could distort the understanding of our performance for the year and the comparability between periods.

Revenue

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

£m	2017	2016	% variance
Sales	42.6	55.5	(23%)
Lettings	66.3	68.3	(3%)
Mortgage broking	8.7	8.9	(1%)
Total revenue	117.6	132.7	(11%)

Sales

The London property sales market worsened year on year as continued market weakness caused lower transaction volumes. Revenues fell by 23% versus the prior year, primarily driven by a 26% fall in volumes. "Average revenue per transaction" increased by 4% versus prior year. This increase was due to underlying London price inflation with the average price of Foxtons property sales increasing to £580k (2016: £568k) together with an increasing number of deals at our higher multi-agency rate.

Lettings

The Lettings segment continues to provide a consistent recurring revenue stream which comprises 57% of group revenues. Lettings revenue remained resilient, and was £66.3 million down 3% versus prior year driven by lower rental rates in the long let market.

Mortgage broking

Revenue at our mortgage business Alexander Hall fell by 1%. In the context of the London sales market, this was a solid performance driven by a higher proportion of re-mortgage deals.

Balanced business

A key strategic priority for the Company is to maintain a balanced business through economic cycles. With the current subdued sales market, lettings revenue has risen in significance and is an increasing focus for the Group.

% of total revenue	2017	2016
Sales	36%	42%
Lettings	57%	51%
Mortgage broking	7%	7%
Total revenue	100%	100%

Organic expansion

The Group opened two new branches during the period in Wembley and Wood Green and the network now totals 67 branches giving 85% coverage of London inside the M25. The multi-year branch expansion is largely complete with plans to use technology to enable increased reach.

Segmental Contribution and Adjusted EBITDA

A key metric for management is the contribution generated by business segments. Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. The Group contribution margin was in line with the prior year as we aligned our front office headcount with market conditions.

Contribution	2017 £m	2017 margin	2016 £m	2016 margin
Sales	25.1	59.0%	34.0	61.2%
Lettings	48.6	73.3%	50.2	73.5%
Mortgage broking	4.4	49.8%	4.2	46.9%
Group contribution	78.1	66.4%	88.4	66.6%

Adjusted EBITDA comprises contribution less shared costs and before Adjusted items.

Adjusted EBITDA	2017 £m	2017 margin	2016 £m	2016 margin
Sales	1.2	2.8%	7.0	12.7%
Lettings	12.1	18.3%	16.2	23.6%
Mortgage broking	1.8	20.0%	1.4	16.1%
Group Adjusted EBITDA	15.1	12.8%	24.6	18.5%

Lettings EBITDA and margin reduced versus prior year driven primarily by lower revenue, and an increased apportionment of shared costs, which for the purposes of segmental reporting are allocated between the sales and lettings segments according to headcount. As 2017 headcount was higher in the lettings business than in the sales business, a higher proportion of shared cost has been allocated to Lettings than in the prior year. A full reconciliation of these items to profit before tax is included in note 5.

Sales EBITDA and margin reduced versus prior year driven primarily by lower revenue, partially offset by lower costs arising from lower headcount.

Adjusted items

As part of a detailed review of operations, we incurred a £2.3 million charge in respect of Adjusted items in the second half of the year. The costs comprised exiting a number of property leases primarily relating to future potential branches that are no longer required and a limited number of staff changes.

Profit before tax (PBT)

Profit before tax was £6.5 million (2016: £18.8 million) and was after charging:

- Direct salary costs of front office staff of £39.5 million (2016: £44.3 million)
- Shared costs of £63.0 million (2016: £63.8 million)
- Depreciation and amortisation £4.9 million (2016: £4.9 million)
- Share based payment charge of £1.3 million (2016: £0.9 million)
- Adjusted items £2.3 million (2016: £nil); and
- Net finance costs £0.1 million (2016: £nil)

Profit before tax reduced due to lower property sales transactions across London, partially offset by cost savings arising from front office headcount reductions primarily through natural attrition, as we controlled costs due to weak sales market conditions. Tight cost control also saw our shared costs fall slightly despite cost inflation in the year.

Taxation

The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. Foxtons always sets out to be transparent, open and honest in its dealings with tax authorities. Foxtons effective tax rate exclusive of the impact on deferred tax of future tax rates movements was 17.0% (2016: 21.5%). This compares to the statutory blended corporation tax rate of 19.25% (2016: 20.0%).

The absolute tax charge for the period fell by £1.9 million due to:

- Reduced profitability of £12.2 million resulting in a difference in the current year tax charge of £2.5 million
- Offset partially by prior year tax movements £0.3 million; and
- Movements within the deferred tax charge of £0.3 million for the period with a prior year credit due to the impact of a change in the tax rate on the intangible brand asset being partially offset by the recognition of deferred tax on inter-company losses within the Foxtons Group.

Tax payments during the year totalled £2.1 million (2016: £6.3 million).

Earnings per share (EPS)

Basic and fully diluted earnings per share was 1.9p (2016: 5.7p) driven by reduced profitability. Adjusted earnings per share was 2.6p (2016: 5.7p).

Cash flow

Net free cash flow for the period was £11.3 million (2016: £16.8 million). The reduction of £5.5 million was due to reduced cash generated by operations of £14.1 million offset by £4.4 million savings in capital spend and £4.2 million lower tax payments.

The Group held net cash of £18.6 million as at year end (2016: £9.5 million), and has a £10 million Revolving Credit Facility which remains entirely undrawn.

Dividends

The Board's priorities for free cash flow are to fund investment in the future development of the business, maintain a strong balance sheet and to return excess cash to shareholders.

A final dividend in respect of 2016 of 0.33p per share was paid in May 2017 and an interim dividend for 2017 of 0.43p per share was paid in September. In line with our policy of returning 35% to 40% of profit after tax as an ordinary dividend, a final dividend for 2017 of 0.27p per share will be proposed for payment in May 2018.

Share buy-backs

No share buy-backs were undertaken during the period (2016: £11.2 million).

Post balance sheet events

There are no post balance sheet events to report.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk.

Financial risk for the Group is low as:

- The Group is debt-free;
- The Group is entirely UK-based with no foreign currency risks; and
- Surplus cash balances are held with major UK based banks.

As a consequence of the above, the Group has not had to enter into any financial instruments to protect against risk.

Pensions

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

Risk management

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and senior management. See page 26.

Going concern and viability statement

The going concern declaration is disclosed in the Directors' Report on page 68, and the viability statement can be found on page 30.

Related parties

Related party transactions are disclosed in note 27 to the consolidated financial statements.



Mark Berry
Chief Financial Officer



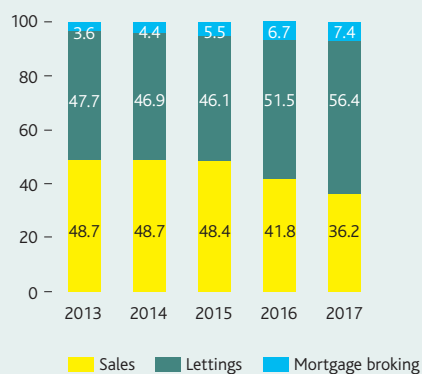
Measuring *our performance*

p / 9

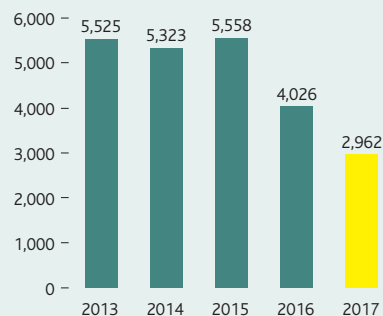


Read about how our KPIs are linked
to our strategic priorities

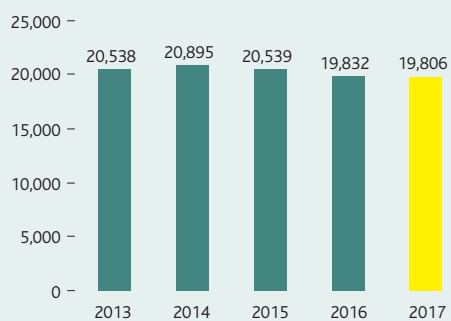
1 BALANCED BUSINESS THROUGH THE CYCLE (% of total revenue)



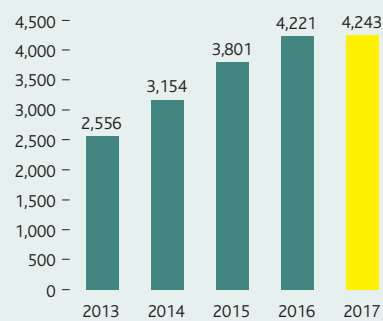
2 SALES VOLUMES



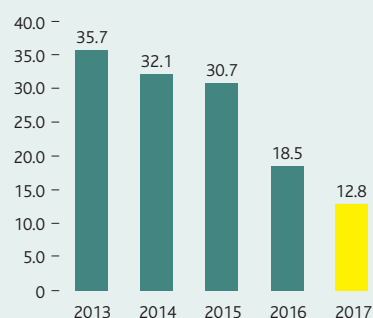
3 LETTINGS VOLUMES



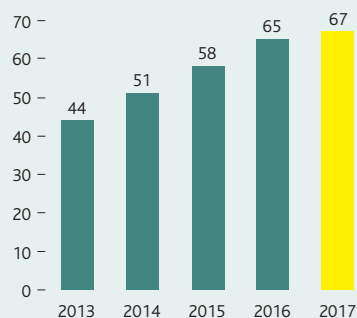
4 MORTGAGE VOLUMES



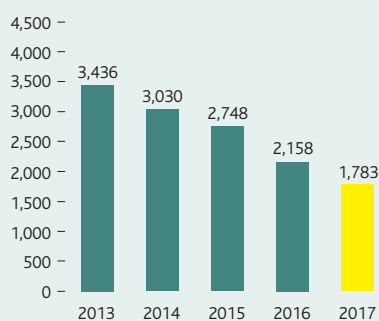
5 ADJUSTED EBITDA MARGIN (%)



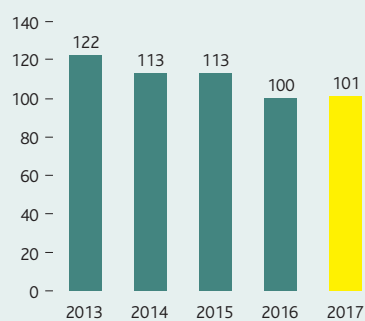
6 NUMBER OF BRANCHES AT YEAR END



7 AVERAGE REVENUE PER BRANCH (£'000)



8 AVERAGE REVENUE PER EMPLOYEE (£'000)



Risk *management*

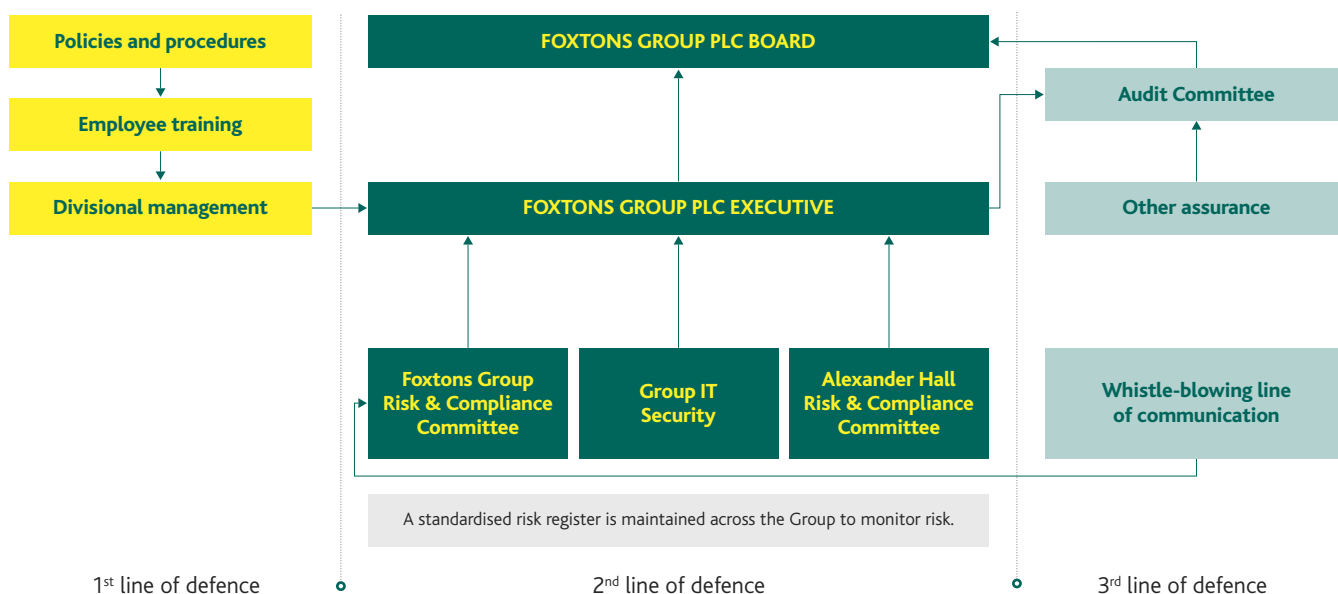
The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which it operates. The Board regularly reviews the principal risks facing the Company together with the relevant mitigating controls and undertakes a robust assessment. In reviewing the principal risks the Board considers emerging risks and significant changes to existing risk ratings. In addition, the Board has set guidelines for risk appetite as part of the risk management process (see table overleaf) against which risks are monitored.

The broad structure of risk management is given in the chart below. The identification of risk in the Group is undertaken by specific executive risk committees which analyse overall corporate risk, information technology risk and mortgage broking risk. Other committees exist below this level to focus on specific areas such as anti-money laundering. A common risk register is used across the Group to monitor gross and residual risk with the results being assessed by the Board. The Compliance department constantly reviews operations to ensure that any non-standard transactions have been properly authorised and that procedures are being properly adhered to across the branch network. The Audit Committee monitors the effectiveness of the risk management system through regular updates originating from the various executive risk committees.

The principal risks table on pages 28 and 29 sets out the risks facing the business at the date of this Report analysed between external and internal factors. An assessment of residual likelihood and impact is shown together with an overall risk rating. An indication is also provided of whether the risk has changed over the course of the year. These risk ratings are also shown graphically in a heat map.

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

Foxtons risk framework chart



Risk appetite

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

Risk appetite statement

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

Risk appetite varies depending on the risk type

The Board’s appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, staff turnover and reputational damage. The Board has a low tolerance for compliance related risk. Conversely, it has a higher tolerance for strategic risk.

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

External factors

Impact on Group	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
1 MARKET RISK					
Continuous high property price inflation may impact affordability which in turn may reduce transaction levels in the market. The market may also be affected by a reduction in London's standing as a major financial city caused by the UK's decision to leave the EU. The market is also reliant on the availability of mortgage finance, a deterioration in which may adversely affect Foxtons. The market may also be impacted by any changes in government policy such as increases in stamp duty taxes or increased regulation in the lettings market.	The Company endeavours to maintain a generally even balance between its sales and lettings revenues and profits in order to provide protection against volatility within the property sales market.				 Risk remains high due to Brexit, high property price inflation and increases in stamp duty taxes. In addition, the Government's intention to ban tenant fees is likely to come into effect in 2019.
2 COMPETITOR CHALLENGE					
Foxtons operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working including online and hybrid agents which could give them a competitive advantage over Foxtons.	Foxtons continually collects information on competitor activity through its branch network and centralised Business Development teams. Foxtons flat management structure allows this competitor intelligence to be fed back to senior management accurately and quickly so that the Company can rapidly consider appropriate responses. The Board believes that the emotional and complex nature of estate agency transactions means that it is unlikely that online agents will play a major role in the exchange or completion of sales or lettings transactions without the involvement of an estate agent. Any market share gained by online agents is likely to be at the expense of traditional estate agents with low levels of service who compete on price. However, the challenge of online agents will be kept under review.				
3 COMPLIANCE WITH THE LEGAL AND REGULATORY ENVIRONMENT					
Breaches of laws or regulations could lead to financial penalties and reputational damage. The Mortgage broking division is authorised and regulated by the FCA and could be subject to sanction for non-compliance.	The Group is supported by Compliance and Legal teams who monitor regulatory reform proposals and participate in industry forums. Foxtons centralised service structure provides it with a flexible platform from which to respond to regulatory change. The Mortgage broking division has a specific Risk and Compliance Committee which monitors compliance with FCA regulations.				

Impact on Group	Mitigation of risk	Residual likelihood	Residual impact	Overall residual risk rating	Assessment of change in risk year-on-year
4 IT SYSTEMS AND CYBER RISK					
Foxtons business operations are dependent on sophisticated IT systems which could fail or be deliberately targeted by cyber-attacks leading to interruption of service or corruption of data.	All key IT systems are closely monitored by internal and external specialist teams. Dedicated in-house IT development and maintenance teams exist to provide rapid response to IT service issues. This is supplemented by enterprise grade data loss prevention, network monitoring, traffic shaping and predictive countermeasures. Real-time automated monitoring of data flows is safeguarded by an independent 24/7 365 days a year Security Operations Centre, which works with Foxtons to ensure that all the protection is patched and appropriate for the threat levels experienced. Thorough and regular penetration testing is conducted by world leading independent test teams, to ensure that all countermeasures are effective against the latest threats. Group disaster recovery plans are in place utilising a physically separate location for duplicate copies of critical systems and multiple communications lines to all locations. Company Data has been risk assessed and all sensitive and business critical data has safeguards appropriate to its importance. This is regularly reviewed and assessed with oversight by an independent party.				
5 PEOPLE					
There is a risk that Foxtons may not be able to recruit and retain sufficient people to satisfy its organic expansion plans. In addition, senior staff may be recruited by competitors.	Foxtons structured approach to recruitment using internal specialist teams enables us to increase the recruitment of high-quality people quickly, should it become necessary to do so. Foxtons continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Our culture of promoting from within generates significant staff loyalty within senior and mid-management employees.				

The assessment of likelihood and impact is based on the following definitions:

Likelihood	Impact	Risk Rating
Low potential of the risk crystallising	Very limited or isolated impact to the Group and/or its broader customer base	Low
Moderate potential of the risk crystallising	Moderate impact to the Group and/or our broader customer base	Moderate
High potential of the risk crystallising	Potentially significant impact to the Group and/or our broader customer base	High

Principal risk residual heat map

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

Assessment of change in risk year-on-year

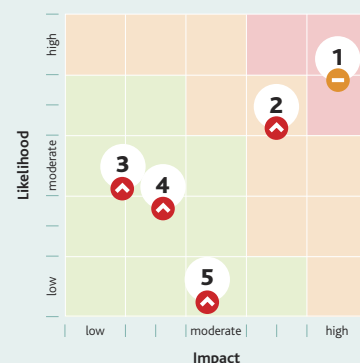
Assessment of whether there has been a change in the level of risk due to either a change in probability or a change in potential impact versus the 2016 Annual Report and Accounts.

Assessment of risk versus Board's appetite for risk

The Board has assessed the risks of the Company and with the exception of market risk considers all risks to be within the Board's appetite for risk. The Board recognises that the Company operates in markets which are cyclical and subject to volatility. As such the Board's risk appetite for market risk is high. However, despite this high tolerance, current risk levels are considered to exceed acceptable levels due to circumstances beyond the Company's control. Although current volatility levels in the sales market are extremely high, the Board considers that all short term actions have been taken to mitigate the impact on the Company. Company forecasts expect the sales market to return to more normal levels in the medium term.

Movement in risk versus 2016 Annual Report and Accounts:

- **Competitor challenge (2):** has increased in our existing markets.
- **IT systems and cyber risk (4):** has increased due to a higher threat level of terrorism and Ransomware.
- **Compliance with legal and regulatory environment (3):** has increased due to greater licensing complexity in the lettings business.
- **People (5):** The market for talented staff has increased in competitiveness due to the challenging market environment.



Key:

- 1 Market risk
- 2 Competitor challenge
- 3 Compliance with legal and regulatory environment
- 4 IT systems and cyber risk
- 5 People

Viability statement

In accordance with provision C.2.2 of the 2016 revision of the UK Corporate Governance Code, the Directors have assessed the prospects of the Company over a longer period than the 12 months required by the 'going concern' provision. The Directors believe that three years is the most appropriate timeframe over which the Board should assess the long-term viability of the Group taking into account the volatility of the London property market, with this being the longest period over which the Board considered an appropriate assessment of the principal risks could be made, and that this is consistent with the period over which the Group's strategic review is assessed by the Board.

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

has reviewed its three year financial plan and stress-tested it against property price deflation, reductions in transaction volumes, adverse changes in regulations, potential increased competitor challenge from online and hybrid agents, failure to comply with regulatory requirements, failure of IT systems and loss of key personnel. It was determined that none of the individual risks, in isolation, would compromise the Group's viability. The Directors therefore went on to assess combined principal risks and determined that no two risks combined would compromise the Group's viability.

In coming to this conclusion, the Directors have taken account of the Group's net cash position, the continued availability of the £10m loan facility, consistent cash generation and key potential mitigating actions of reducing cost and restricting dividend payments. Based upon the results of this analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period of their detailed assessment.

Commitment *to integrity and community*

We are committed to operating our business in an ethical and responsible manner. As such, looking after the communities and environments in which we operate through our Corporate Social Responsibility (CSR) strategy is an integral part of our Company ethos and plays a major role in leading our people and operations.

Integrity and the highest of ethical standards

Foxtons business model is built upon our values of honesty and integrity and we work hard to ensure that everything is done with total transparency. Our key strategy is to provide a superior quality of service and integrity is actively promoted in all dealings with employees, shareholders, customers and suppliers. We recognise that reputation is a valuable and fragile asset gained over a substantial period of time and our CSR initiatives are aligned with our Company values, reinforcing our duty of care and encouraging a positive impact. We promote high ethical standards in carrying out our business activities and have clear guidelines for dealing with gifts, hospitality, corruption, fraud, anti-money laundering, and the use of inside information.

Communication

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

Human rights

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

Health and safety

Foxtons takes the health and safety of its employees very seriously, with regular training sessions and meetings chaired by the CEO who reports back to the Board.

Whistle-blowing

Details of the Company's whistle-blowing procedures are included in the governance section on page 43.

Supporting our local communities

We recognise our responsibility to the communities in which we operate. Foxtons is delighted to offer support to three key charities: London's Air Ambulance, Making the Leap and Veterans Aid. Some of our partnership initiatives include marketing campaigns to raise the charities' brand awareness and provision of financial contributions via fundraising events and donations. Our employees also support the charities by ongoing donations through Payroll Giving, for which we currently have a 23% take up (compared to the national average of 6%), achieving the Platinum Quality Mark Award.

London's Air Ambulance (LAA) – In 2015, Foxtons established its first long-term official corporate partnership with LAA, with a three year commitment, following the charity's campaign to acquire and sustain a much-needed second helicopter to reach patients across Greater London. In addition to sponsorship commitments, the partnership is supported by numerous employee fundraising activities, as well as an extensive marketing campaign aimed at increasing public awareness for the non-NHS funded charity. Over the past two years, this has helped towards treating over 3,374 patients across London and funding the £8.7 million that it takes to operate this life-saving service. In 2017, London Air Ambulance was one of the first responders in the tragic terrorist attacks in Westminster and London Bridge.



Making The Leap (MTL) – Training and education is a core element of Foxtons strategy and we wanted to share our expertise and knowledge by contributing towards education within the local community. MTL is a charity aimed at raising aspirations of disadvantaged school students and young adults by providing a range of educational programmes. Supporting the invaluable work that MTL does, Foxtons hosts and delivers regular training and interview coaching sessions to help give young people the head start that they deserve. During the first two years of our partnership, Foxtons Chiswick Head Office welcomed over 200 young people, four of whom were offered roles within Foxtons. In 2017, Foxtons was delighted to sponsor the inaugural UK Social Mobility Awards, celebrating the achievements of businesses and organisations across the country in their work to advance social mobility. Social mobility and diversity are integral to Foxtons culture. In fact, employees scored Foxtons 88% favourable on diversity (vs. 80% UK average) in our employee engagement survey. When our charity partner, Making The Leap, introduced the first ever UK Social Mobility Awards, we were excited to offer our support and sponsor one of the awards categories, Rising Star of the Year. The category recognises those who are still in the early stages of their career (30 years or under), who have already made a significant contribution to advancing the cause of social mobility.



Making the Leap.

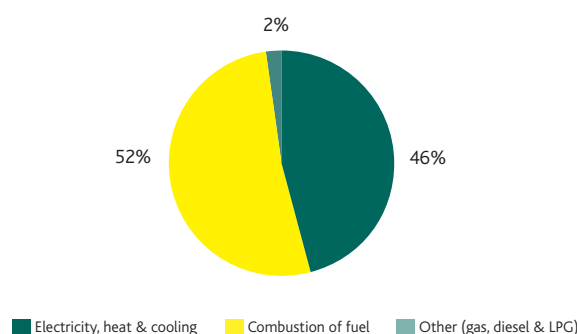
Veterans Aid – Foxtons is proud to support Veterans Aid's remarkable work that is aimed at providing vital care to veterans in crisis, ensuring a smooth transition from welfare to well-being. Our ongoing support includes employment opportunities for the veterans, for whom we have so far provided four positions since the start of the programme.



Managing our environmental impact

As a rapidly expanding business we are committed to finding ways of reducing our environmental impact and endeavour to be a considerate member of our local communities, as well as looking at the bigger picture. We ensure that the lighting in all of our estate agency branches is low energy and voltage or LED, and that lights are only in use during office hours and for maintenance purposes. We are constantly reviewing new technology to improve our energy efficiency. We also only stock Belu as our bottled water of choice, with 100% of profits donated to WaterAid. As a business we actively encourage a paperless environment, but where this is not possible all our offices are equipped with recycling facilities to reduce our consumptive waste.

Total CO₂ by emission type



Baseline year

Financial year: 2016

Emission factor data source Defra 2017

Assessment methodology The Greenhouse Gas Protocol

Intensity ratio Emissions per full-time employee (FTE)

Greenhouse Gas Emissions Reporting

As a service Company our greenhouse gas emissions are minimal. Full disclosure is given below. We have targeted to reduce our emissions per employee by focusing on efficiencies in the Company. In particular, we aim to increase the efficiency of our car fleet, which is a major element of our CO₂ emissions.

The GHG statement below is based on Foxtons Group plc greenhouse gas emissions from 1 January 2017 to 31 December 2017. It gives a summary of emissions from fuel consumption and the operation of our facilities (scope 1) and from purchased electricity (scope 2), both of which are mandatory. Our total GHG footprint in line with mandatory reporting requirements, is 4,449 tonnes CO₂e (2016: 5,331).

Foxtons Group PLC emission data for period:

Emissions from	2017 Tonnes CO ₂ e	2016 Tonnes CO ₂ e
Scope 1		
Combustion of fuel	2,303	2,690
Other (gas, diesel & LPG)	85	83
Scope 2		
Purchased electricity	2,061	2,558
Total footprint	4,449	5,331
Group metrics		
FTE (average number during the year)	1,170	1,330
Intensity ratios		
Tonnes of CO ₂ e per FTE	3.80	4.01

The Strategic Report, from pages 1 to 33, has been reviewed and approved by the Board of Directors on 27 February 2018.



Nic Budden
 Chief Executive Officer



Governance



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Garry Watts
Non-Executive Chairman



Nic Budden
Chief Executive Officer



Mark Berry
Chief Financial Officer

Appointed to the Board	23 August 2013	1 July 2014	7 November 2016
Committee Memberships	Remuneration, Nomination (Chair), Disclosure (Chair)	Disclosure	Disclosure
Experience	Garry has been chairman of Foxtons since its flotation in 2013. He brings to the Board extensive experience as a public company Chairman, CEO and non-executive director from a number of past and present roles. He has a particular focus on corporate strategy, board dynamics and investor communication. His experience across a number of industries, in businesses at different stages of development and with a range of challenges and opportunities enables him to bring a valuable breadth to the Foxtons Board. Garry joined Medeva plc as Finance Director in 1996 and in 2000, following a merger with Celltech Chiroscience, he was appointed as Director of Celltech Group plc and became CEO of its Celltech Medeva division. In 2001 Garry joined SSL International plc as Finance Director and was subsequently appointed as its CEO from 2004 to 2010. In addition to his executive roles, Garry was a Non-Executive member of the board, and Chairman of the Audit and Risk Committee, of the UK's Medicines and Healthcare Products Regulatory Agency from 1991 to 2008. Between 2007 and 2016, he was Non-Executive Director of Stagecoach plc and served for periods as Chairman of the Audit Committee and as Deputy Chairman. Garry is a chartered accountant and a former partner at KPMG. During 2007 and 2008 he was a member of the Institute of Chartered Accountants' Corporate Governance Committee. Garry is a Fellow of the Institute of Chartered Accountants in England and Wales.		
External appointments	Garry is the Chairman of Spire Healthcare Group plc, Chairman of BTG plc and a Non-Executive Director and Chairman of the Audit Committee of Coca-Cola European Partners plc.	None	None

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

Mark joined Foxtons as Chief Financial Officer in November 2016. Prior to joining Foxtons, Mark held a number of positions at FTSE 250 recruitment business Hays plc. After early roles in internal audit and as Head of M&A, Mark became European Finance Director in 2006, in which he was responsible for businesses across 15 countries. In 2011 Mark was appointed as Group Financial Controller, a position in which he acted as Deputy Group Finance Director and held until joining Foxtons. Mark has extensive international experience across many areas of finance and over ten years' experience working in an agency business.

Mark qualified as a Chartered Accountant with Deloitte and holds an economics degree from the University of Birmingham.



Andrew Adcock

Independent Non-Executive Director

23 August 2013

Audit, Remuneration, Nomination

Andrew has been a non-executive director of Foxtons since its flotation in 2013. He has over 30 years of experience in the City of London in senior positions with Citigroup Corporate Finance, Lazard LLC and BZW. As a corporate financier he has worked extensively in the property advisory field and in other areas of financial service companies and asset management. Andrew holds an MA in law and history of art from the University of Cambridge.

Andrew is Chairman of Majedie Investments PLC, VPC Specialty Lending Investments PLC, JP Morgan European Investment Trust plc and Panmure Gordon & Co. Limited. He is also a Non-Executive Director of F&C Global Smaller Companies PLC. He is also a Director of the Courtauld Institute of Art and Chairman of The Samuel Courtauld Trust.



Ian Barlow

Senior Independent
Non-Executive Director

23 August 2013

Audit (Chair), Remuneration,
Nomination, Disclosure

Ian has been a non-executive director of Foxtons since its flotation in 2013. He is a past chairman of WSP Group plc, Senior Independent Director of Smith & Nephew and chairs the audit committees of two other public companies. As a former KPMG Senior Partner, London and chartered accountant and chartered tax adviser, Ian brings a wealth of expertise on financial and accounting matters as well as broader board experience. He holds an MA in engineering science from the University of Cambridge.

Ian is Senior Independent Non-Executive Director of Smith and Nephew Plc and a Non-Executive Director and Chairman of the Audit Committee of The Brunner Investment Trust PLC, and Urban & Civic plc.



Michael Brown

Non-Independent Non-Executive
Director

18 December 2009

None

Michael joined Foxtons in 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. With effect from 1 July 2014 Michael stepped down as Chief Executive Officer but remains on the Board as a non-independent non-executive director. Prior to joining Foxtons, Michael spent six years at Enron Europe as General Counsel and latterly as Chief Operating Officer. Michael is a former Non-Executive Director of Fitness First Limited and Teesside Gas Processing Plant Limited. Michael started his career as a solicitor at Slaughter and May and holds a degree in law from the University of Leeds.

None



Sheena Mackay

Independent Non-Executive Director

14 September 2017

Audit, Remuneration (Chair),
Nomination

Sheena has over 28 years HR experience, leading global HR functions across FTSE 100 and 250 companies. She is currently Group HR Director of Smiths Group plc, and previously Group HR Director at Aggreko plc, BBA Aviation plc and SSL International plc, starting off her career at GEC plc. Her HR experience covers business transformations including acquisitions and disposals. Leadership development and remuneration design have been a particular focus throughout her career. She undertook her BA and postgraduate studies in Management Science at the University of Manchester.

Sheena is Group Human Resources Director at Smiths Group plc.

Chairman's Introduction

Dear Shareholder,

On behalf of the Board, I am pleased to present the Foxtons Corporate Governance Report which I hope will provide you with an overview of how the Board spent its time during 2017.

The Board of Foxtons remains committed to maintaining high standards of corporate governance. Our robust governance structure is an integral part of the way Foxtons designs and delivers its strategy and helps create and maintain value for Shareholders and other stakeholders.

As Chairman, I am responsible for ensuring that the Board continues to make a valuable contribution in overseeing the delivery of our strategy, providing constructive challenge to management and ensuring key risks are identified and properly managed. Within Foxtons, our system of governance includes policies and procedures which are disseminated and embedded within the Group, a sound and effective system of internal controls with clearly defined levels of authority and accountability, and an internal reporting structure which facilitates the information flow up to the Board.

In this review and the reports of the Audit, Remuneration and Nomination Committees that follow, we describe amongst other matters how we have ensured compliance with the UK Corporate Governance Code and have outlined more information on our governance framework and the work we have undertaken over the past year.

The Board believes that strong corporate governance underpinned by a sound culture is fundamental to our success. The Board helps to ensure that we do the right thing and that appropriate behaviours and culture are instilled throughout the Group, with the tone and expectations continuing to be set from the top. As a Board we therefore look to make decisions that reflect the culture that we wish to foster and which reinforce our values in everything that we do.

Composition of the Board

In March, the Board announced that Annette Court would be standing down at the 2017 Annual General Meeting and in May we announced Ian Barlow's appointment as Senior Independent Director. In September, following a review of the composition of the Board and a thorough recruitment process, we were delighted to confirm the appointment of Sheena Mackay as a Non-Executive Director. Sheena has considerable global HR experience and has succeeded Andrew Adcock as Chair of the Remuneration Committee. More information on the appointment process that was undertaken is provided in the Nomination Committee Report on page 45.

Succession planning and diversity

We continue to assess the composition of the Board and the senior management team. I am confident that we have a strong Board in place with the necessary motivation, experience and skills to support the Group with its future development and challenges. The Group, whilst having no specific gender and diversity targets, strongly supports diversity throughout the work force. Information on the Company's diversity and inclusion is provided on pages 12 and 13. We continue to review how management is increasing diversity at the senior management level.

Board evaluation

In 2017 we conducted an internal Board evaluation, which concluded that the Board is operating at a high level. The size, composition and mix of skills is appropriate, key issues are dealt with quickly, processes are efficient and appropriate, and Committees work diligently and effectively to support the ongoing board agenda. Again, as with last year's externally facilitated review, no significant concerns were raised and you will find more information on the results of the evaluation and areas of focus for the Board in 2018 on page 42.

Appointment and re-election of Directors

All Directors will be standing for election/re-election at the Annual General Meeting ("AGM"). Following the performance evaluation of Directors in 2017, I can confirm that all Directors continue to be effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, as recommended by the Nomination Committee, Sheena Mackay will be offering herself for election, and all other Directors offering themselves for re-election at the Company's AGM to be held on 17 May 2018. Further information on the Directors can be found in the Directors' biographies on pages 36 and 37 and in the Directors' Report on page 65.

Compliance with UK Corporate Governance Code (the "Code")

The Corporate Governance Report, the Directors Report and the reports of the Board Committees have been presented to provide you with a further understanding of how the Company has complied with the requirements of the 2016 edition of the Code. The Board awaits with interest the outcome of the ongoing consultation by the Financial Reporting Council on proposed changes to the Code and will report on how this will impact our governance structures next year.

Annual General Meeting

Strong governance requires effective and open engagement with our Shareholders and with this in mind, I look forward to receiving your feedback on this Annual Report in advance of the AGM. As always the Board will also be available to answer your questions at the AGM.



Garry Watts

Chairman, Foxtons Group plc

27 February 2018

Corporate Governance Statement

Board Governance

This Report outlines the key features of the Company's corporate governance framework and sets out how the Company has applied the principles of the UK Corporate Governance Code published in April 2016 (the "Code") and the extent to which it has complied with the Code's provisions. A copy of the Code is available on the Financial Reporting Council website at www.frc.org.uk.

Compliance with the Code

Throughout the year ended 31 December 2017 the Company was fully compliant with the Code.

The Board and its responsibilities

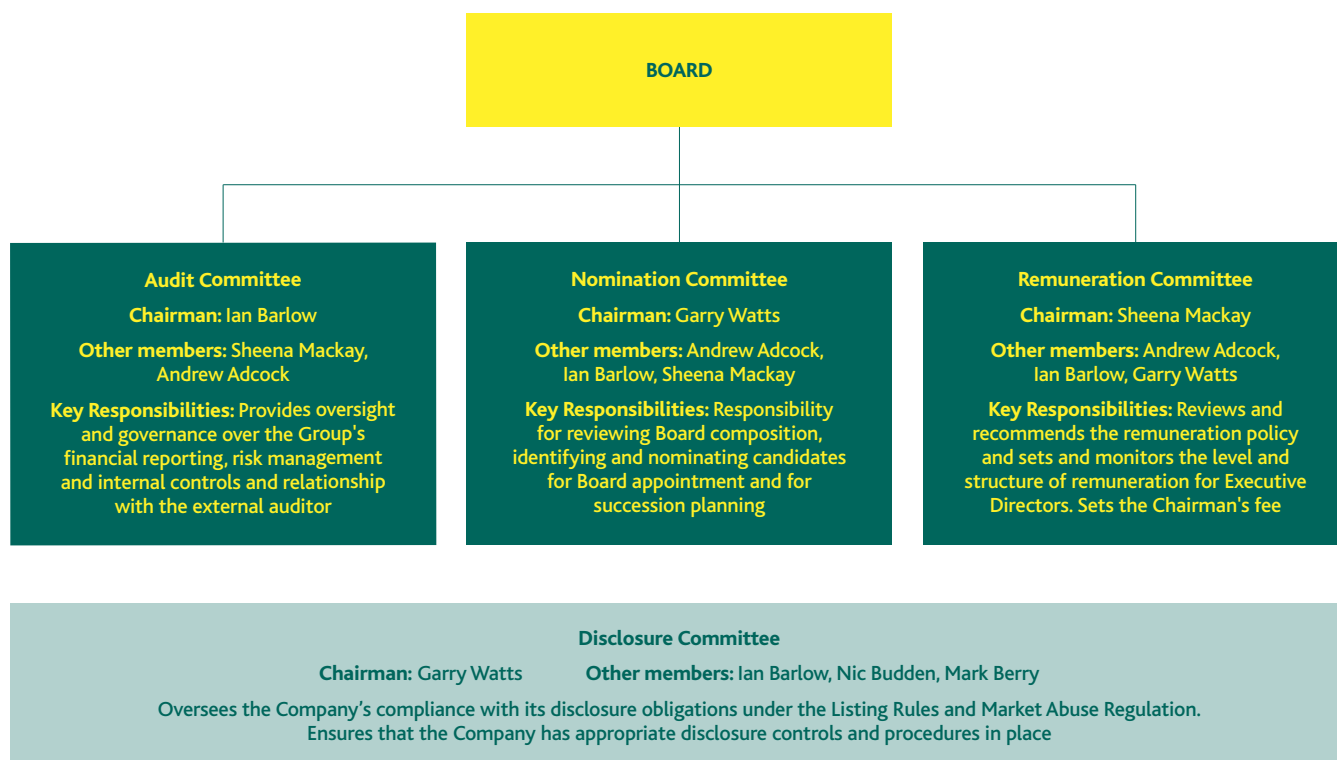
The Board is responsible for the long-term success of the Company and for delivering sustainable Shareholder value. It agrees the strategic objectives for the Company and ensures that these are achieved within an appropriate framework of effective controls which enable risk to be assessed and managed. Responsibility for day-to-day operations is delegated by the Board to the Executive Directors within defined authority limits, which are regularly reviewed and updated by the Board. Certain key decisions and matters are reserved for the Board's approval and are not delegated to management or any Board Committees, though it may consider recommendations from them.

The Board's responsibilities include:

- setting the strategic aims and approving the Group's budget and financial plans
- approval of capital expenditure, significant investments and acquisitions
- approval of annual and interim results and trading updates
- payment of interim dividends and recommendation of final dividends to shareholders
- setting the Group's risk appetite and oversight of the internal control, risk management and governance frameworks
- monitoring management's performance
- ensuring succession plans are in place

The Foxtons Corporate Governance Structure

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



Corporate Governance Statement (continued)

The Board comprises the Non-Executive Chairman, three independent Non-Executive Directors, one non-independent Non-Executive Director and two Executive Directors. A list of the Directors, with biographical details, is provided on pages 36 and 37. There is a separation of responsibilities between the Chairman and the Chief Executive Officer which is set out in writing. This division of responsibilities, together with the schedule of matters which are reserved for the Board, ensures that no individual has unfettered powers of decision-making.

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

Roles and Responsibilities

Chairman

Garry Watts

- Provides leadership and promotes a culture of openness and debate between Executive and Non-Executive Directors.
- Sets the Board agenda and ensures that Directors are provided with accurate, timely and clear information to enable the Board to operate effectively.
- Responsible for the integrity and effectiveness of the system of governance.

Chief Executive Officer

Nic Budden

- Responsible for leading the Group's operating performance and day-to-day management and implementation of the strategic objectives agreed by the Board.

Chief Financial Officer

Mark Berry

- Responsible for the Group's financial reporting, financial strategy and investor relations programme.
- Provides leadership of the finance function.

Non-Executive Directors

Andrew Adcock, Ian Barlow, Michael Brown, Sheena Mackay

- Provide a broad range of skills and experience to the Board to assist in formulating the Company's strategy; and provide constructive challenge and support to the Executive Directors based on their breadth of knowledge and experience.

Senior Independent Director

Ian Barlow

- Available to Shareholders if they have concerns that cannot be addressed through normal channels, internal sounding board for the Chairman and acts as intermediary for the other Directors with the Chairman, if necessary.

With the exception of Michael Brown, all of the Non-Executive Directors are regarded by the Company as independent and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

Board activities during the year

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

The main topics considered by the Board during the year included:

Area	Agenda items
Financial Reporting	• Approval of annual results for 2016 and interim results for 2017 • Approval of trading updates • Review of dividend policy, dividend payment/recommendation (as appropriate) • Review of monthly financial performance
Budget	• Approval of 2017 annual budget
Internal Control and risk management (in conjunction with the Audit Committee)	• Consideration of risk appetite and principal risks • Assessment of effectiveness of internal controls and risk management systems • Consideration of viability statement and going concern
Operations	• Review of market performance, trends and outlook • Operational performance monitoring and review • Presentations from, and discussion of, performance of business divisions, including reviews of Alexander Hall's strategy, trading and risk management • Competitor performance review • Review of customer journey, digital proposition (including My Foxtons portal) and marketing strategy
Strategy	• Consideration of overall strategy, strategic projects and monitoring progress
Shareholder engagement	• Regular updates on views of investors, including independent feedback from brokers following investor meetings and AGM • Consideration of market reaction to key announcements
Board	• Consideration of Board Evaluation results for 2017 • Succession Planning and appointment of a new Non-Executive Director • Approval of Non-Executive Directors' fees (by Executive Directors and Chairman only)
Governance	• Review of Terms of Reference of Committees and matters reserved for the Board • Review of membership of Board Committees and independence • Review of Company policies and approval of changes to Board delegated authorities • Updates on governance, legal and regulatory matters and the impact of regulatory changes on the Group

Board meetings

Directors' attendance at Board and Board Committee meetings held during 2017 is provided in the table below:

Director	Meetings attended			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Garry Watts	5 of 6	—	5 of 5	5 of 6
Andrew Adcock	6 of 6	3 of 3	5 of 5	6 of 6
Ian Barlow	6 of 6	3 of 3	5 of 5	6 of 6
Mark Berry	6 of 6	—	—	—
Michael Brown	5 of 6	—	—	—
Nic Budden	6 of 6	—	—	—
Sheena Mackay (appointed 14 September 2017)	2 of 2	1 of 1	1 of 1	1 of 1
Annette Court (resigned 17 May 2017)	2 of 2	1 of 1	3 of 3	2 of 2

Corporate Governance Statement (continued)

Disclosure Committee

The Board has constituted a Disclosure Committee to oversee the Company's compliance with the inside information regulations in the Listing Rules and the Market Abuse Regulation, on behalf of the Board. The Chairman is Garry Watts and its members are Ian Barlow, Nic Budden and Mark Berry. The Committee will meet on an ad hoc basis when there are matters to be considered within its remit.

Directors' appointments and service contracts

The Board has a formal procedure in respect of the appointment of new Directors, with the Nomination Committee leading the process and making recommendations to the Board. The steps undertaken in respect of the appointment of Sheena Mackay are outlined in the Nomination Committee Report on page 45.

All of the Directors have service agreements or letters of appointment which are available for inspection at the Company's registered office during normal business hours. The details of their terms are also set out in the Remuneration Report. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Directors' induction and professional development

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

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

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

Induction programme for Sheena Mackay

Following her appointment, Sheena Mackay is currently undergoing a full induction programme, which includes structured meetings with the Chairman, each of the Non-Executive Directors, members of senior management and other staff from across the business, the branch network and the Alexander Hall mortgage brokerage. Sheena will also meet with the Company's lead audit partner and other professional advisers and the induction programme will include branch visits, briefings and updates on topical industry issues, in addition to relevant legal, regulatory and governance matters.

Directors' conflicts of interest

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

Board evaluation and effectiveness

An internal Board evaluation was completed in the second half of 2017. This exercise was carried out to review the performance of the Board, its Committees and individual Directors. The internal Board evaluation was facilitated by Link Company Matters Limited, under the direction of the Chairman. The evaluation took the form of a questionnaire, where Directors were required to rate certain aspects of the Board's and Committee's performance. The questionnaire also gave Directors the opportunity to provide comments on areas to focus, which included structure of the Board, effectiveness of the Board, and committee specific questions.

The responses to the evaluation of the Board and the Committees were collated and analysed by Link Company Matters Limited. The results indicated that the Board continues to work well and there are no significant concerns among the Directors about the Board's effectiveness. The actions agreed by the Directors will be monitored by the Board during 2018.

As a separate exercise the SID (Senior Independent Director), together with the Non-Executive Directors, conducted the Chairman's evaluation. The SID subsequently discussed the outcome of the evaluation with the Chairman.

Accountability and audit

Financial reporting

The Group has in place a comprehensive financial review cycle, which includes a detailed annual financial planning process where budgets are prepared for approval by the Board. The Group uses a number of KPIs to measure both operational and financial activity within the business. Depending on the measure, these are reported and reviewed on a weekly or monthly basis. In addition, management receives a weekly and monthly pack of indicators which are the basis of regular operational meetings, where corrective action is taken if necessary. At a Group level, a well-developed comprehensive management accounts pack, including income statements, balance sheets, cash flow statements as well as key ratios, is reviewed monthly by management and at Board meetings. A re-forecast of the current year numbers is carried out quarterly. Management monitors the publication of new reporting standards and reports on any updates to the Board.

Risk management and internal controls

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

The Board has defined its risk appetite for strategic, financial, operational and compliance risks. A standard methodology for risk assessment is applied across the Group to assist with monitoring gross and residual risk and comparing residual risk against the appropriate risk appetite. As required by the Code, the Board has carried out a robust assessment of the principal risks facing the Company, including those that could threaten its business model, future performance, solvency or liquidity. This is more fully described in the Risk Management section on pages 26 to 30.

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

- an ongoing process to identify, evaluate and manage significant risks, which is monitored and regularly reviewed by the Executive Team with significant issues presented to the Board and Audit Committee;
- the Group's Compliance department continuously reviews operations to ensure that transactions have been properly authorised and procedures are adhered to across the Group;
- the Group's controls include appropriate segregation of duties and are fully documented and embedded within the organisation;
- the Audit Committee reviews fraud, anti-bribery and whistle-blowing policies and procedures and considers any whistle-blowing incidents; and
- the Group has in place a system for planning, reporting and reviewing financial performance, including performance against strategy and the business plan as described under the Financial Reporting above.

On the basis of the above procedures and the monitoring processes employed, and having regard to the "Guidance on Risk Management, Internal Control and Related Financial and Business Reporting" issued by the Financial Reporting Council in September 2014, the Board, advised by the Audit Committee, has concluded that the systems of internal controls within the Group are effective. No significant control failings or weaknesses were identified during the period under review.

The Directors confirm that the processes described above have been in place during the 2017 financial year and up to the date of the approval of this Annual Report and Accounts.

Whistle-blowing

The Group believes that it is important to have a culture of openness and accountability in order to prevent situations relating to possible impropriety, financial or otherwise, from occurring or to address them when they do occur. The Company's independent whistle-blowing hotline continues to be in operation and reports are provided to the Audit Committee on any matters reported to the independent whistle-blower hotline.

Corporate Governance Statement (continued)

Fair, balanced and understandable

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

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

The process outlined, together with the review and challenge of management by the Audit Committee and its recommendation to the Board, provides comfort to the Board that the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Company's business model, strategy, position and performance.

Relations with Shareholders

Responsibility for Shareholder relations rests with the Chairman, Chief Executive Officer and Chief Financial Officer. The Board receives regular updates at Board meetings on the views of its Shareholders, and the SID is available to meet Shareholders if they wish to raise issues separately. The Chairman, Chief Executive Officer and Chief Financial Officer also ensure that there is effective communication with Shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major Shareholders.

The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of major Shareholders and to communicate with them. The Non-Executive Directors are available to meet with Shareholders if requested and would instigate such meetings if they became aware of issues or concerns through the procedures in place.

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

Nomination Committee Report

Dear Shareholders,

Welcome to the Company's Nomination Committee Report for 2017.

Nomination Committee

Chairman: Garry Watts

Other members: Ian Barlow, Andrew Adcock, Sheena Mackay
(all independent Non-Executive Directors)

Role and responsibilities

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

- to keep under review the structure, size and composition (including the skills, knowledge, expertise and diversity) of the Board and the membership of its Committees
- to consider succession planning for the Board and other senior executives
- to assist with the selection process for the appointment of new Directors, both Executive and Non-Executive, including the Chairman

Terms of reference were reviewed during the year and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Company's website at: www.foxtongroup.co.uk/corporate/. The Company Secretary acts as Secretary to the Committee. In accordance with the UK Code Provision B.2.1 all members of the Committee were independent. Sheena Mackay became a member of the Committee upon her appointment (see below). There have been no changes in the membership of the Committee since the year end. Biographies of each Committee member are shown on pages 36 and 37.

Main activities during the year

The Committee met six times during the year. Attendance at the meetings is shown in the table on page 41. The main activities of the Committee are set out below.

Appointment of new Non-Executive Director

One of the main issues that the Committee considered this year was the appointment of Sheena Mackay as a Non-Executive Director of the Company in September. Egon Zehnder, who do not have any connection with the Company, were engaged to assist in identifying potential candidates and were given a role profile outlining the skills, attributes and experience sought. A range of candidates from various backgrounds and industries were considered and a short list was compiled. Those on the shortlist were then formally interviewed by the Chairman and the Senior Independent Director. Shortlisted candidates then met with the other Directors. Following this process the Committee concluded that Sheena Mackay was a suitable individual for the role, with her broad and global experience in HR, which will be influential in chairing the Remuneration Committee and supporting the Company's focus on succession planning and diversity. On the recommendation of the Committee, the Board agreed the appointment.

Senior Independent Director

As reported in last year's Committee report, Annette Court advised the Board that she would not be seeking re-election at the Company's 2017 Annual General Meeting ("AGM"). The Committee considered her replacement as the Senior Independent Director and recommended the appointment of Ian Barlow effective from the conclusion of the 2017 AGM in May.

Succession Planning

During the year, the Committee again considered succession planning for the Executive Directors and reviewed the Chief Executive Officer's plan for senior management succession. The Company's policy is to develop the talent pipeline and promote from within, wherever possible. Due to the nature of the Company's operations and size it is not practicable for the Company to have an internal successor identified for all senior management roles, but where there is no obvious successor, the Committee is satisfied that the Company has a plan for appropriate short-term cover until a permanent successor can be recruited. Senior management succession planning will continue to be a focus for 2018.

The Committee also reviewed the size, composition and skill set of the Board during 2017 and concluded that there was an appropriate mix of experience, skills and knowledge to provide strong and effective leadership. Board succession planning will continue to be a focus in the coming year and beyond in order to ensure that the Board retains the right balance of skills and experience to meet the requirements of the business as it evolves.

Board appointment criteria are considered automatically as part of the Committee's review of succession planning. Currently all the Independent Non-Executive Directors and the Chairman have been appointed for less than six years as identified by Provision B.2.3 of the UK Code. Non-Executive Directors are typically expected to serve two three year terms but may be invited by the Board to serve an additional period.

Corporate Governance Statement (continued)

Diversity

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

As part of its ongoing review of succession planning, the Committee considers the diversity of the senior management team. The Committee is broadly satisfied with the diversity within the Company but aspires to improve the gender balance and ethnic diversity at the senior level. Management has in place a range of measures designed to address this, including coaching, mentoring, development programmes and flexible working, and the Committee will continue to monitor progress on behalf of the Board over the coming year. More information on Foxtons diversity policy and the diversity of its workforce is provided on pages 12 and 13.

Annual evaluation of the Nomination Committee's performance

As part of the internal Board evaluation this year, the performance of the Nomination Committee was reviewed. I am pleased to report that there were no areas of significant concern and it was concluded that the Committee was operating effectively and provided robust challenge to the business on issues within its remit. Actions arising for the Committee from the evaluation of both the Board and the Committee are detailed on page 42.

Directors' Performance and Re-Election

Following consideration, and taking into account the results of the recent Board Evaluation, the Committee has concluded that each Director on the Board standing for election/re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Taking into account the continuing effective performance of the directors, the Committee has recommended to the Board that Sheena Mackay should be put forward for election, and all other Directors for re-election, at the AGM.

No Director was able to vote in respect of their own re-election when consideration was given to Director re-election at the AGM. Information on the Directors' service agreements, shareholdings and share options in the Company is set out in the Directors' Remuneration Report on pages 50 to 64.

Priorities for 2018

During the forthcoming year the Committee will be focusing on the succession planning of senior management, taking into account the challenges and opportunities facing Foxtons and the future skills and expertise needed by the business.

I will be available at the AGM to answer any questions about the work of the Committee.



Garry Watts

Chairman of the Nomination Committee

27 February 2018

Audit Committee Report

Dear Shareholders,

I am pleased to report on the activities of the Audit Committee in 2017. The Committee held three meetings during the year with attendance disclosed on page 41.

In May 2017, Annette Court stood down from the Board and the Audit Committee. In September 2017 Sheena Mackay was appointed to the Board as a Non-Executive Director, also joining the Audit Committee. Each member is an independent Director and two of the three members are deemed to have recent and relevant financial experience with the Chairman, Ian Barlow, being a chartered accountant and chartered tax adviser.

Current members of the Audit Committee

Chairman: Ian Barlow

Other members: Andrew Adcock, Sheena Mackay

Role, responsibilities and main activities

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of the Shareholders with regard to the integrity of the financial reporting, audit, risk management and internal controls. Since the last Audit Committee Report the Committee has held three meetings, with the principal work being:

Role	Tasks	July 2017	Nov 2017	Feb 2018
Financial Reporting	Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements.			▲
	Reviewing the plan for the production of the 2017 Annual Report and Accounts.		▲	
	Receiving the annual and half yearly financial statements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable. In fulfilling this task the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures. The Committee also reviewed supporting papers to ensure the Annual Report and Accounts were factually correct.	▲		▲
	Reviewing the going concern paper which analysed the profitability and cash generation of the Company and agreeing with the adoption of the going concern basis.	▲		▲
	Considering and reviewing the viability statement and supporting sensitivity analysis which assessed the potential impact of the principal risks on the future performance and liquidity of the Group over a three year period. For each principal risk the Company assessed adverse scenarios and their potential impact.			▲

Corporate Governance Statement (continued)

Role	Tasks	July 2017	Nov 2017	Feb 2018
External audit	Approving the appointment of, and recommending the reappointment of, the external Auditor and their terms of engagement and fees.		▲	▲
	Considering the scope of work to be undertaken by the external Auditor and reviewing the results of that work.		▲	▲
	Receiving the external Auditor's audit planning paper for 2017 and reviewing materiality thresholds and areas of risk where the Auditor would concentrate.		▲	
	Reviewing and monitoring the independence of the external Auditor and approving their provision of non-audit services.			▲
	Reviewing the effectiveness of the external Audit process.			▲
	Receiving the external Auditor's interim review report to the Audit Committee in which there were no issues of concern identified.	▲		
Internal controls	Ensuring compliance with the Code.			▲
	Reviewing whether the Company should have an internal audit function. Again it was concluded that this was not required because of the simplicity of the Group's centralised business model combined with existing assurance activity in key control areas. This will continue to be reviewed annually.		▲	
	However, the Audit Committee will specify a limited number of areas to be reviewed during 2018 using third party resource.			
	Reviewing the whistle-blowing policy and helpline reports.		▲	▲
Risk management	Reviewing the Company's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Company and comparing residual risk against the Board's risk appetite.	▲	▲	▲
	Receiving a report on controls within the IT function.			▲
	Receiving a report on compliance within the group including an overview of the General Data Protection Regulations (GDPR), which come into force during 2018, and the Company's response to ensure compliance with those regulations.		▲	
	Advising the Board on the appropriateness of the Company's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.			▲
	Receiving a report on the Company's progress in complying with forthcoming GDPR regulations.			▲
Governance	Reviewing the Committee's terms of reference and recommending changes to the Board.		▲	

Governance processes

The Audit Committee usually invites the full Board, plus the external Auditor, to attend each meeting. Other members of management attend as and when requested. The Committee holds a private session with the external Auditor after the February meeting at which the Annual Report is reviewed and at other times during the year without members of management being present, where necessary.

Critical accounting judgements and key sources of estimation uncertainty

The Audit Committee reviewed the following judgements, estimates and assumptions made by the Directors in the production of the accounts, all of which were consistent with prior years.

Revenue recognition in respect of lettings commission	For lettings commission, as the business has substantially completed all of its obligations at the point of signing the contract, with the exception of the administration in respect of the cash collection service, the Group is able to recognise the majority of the lettings commission upfront. However, for those leases with break clauses, the Group is required to refund any commissions related to the associated period should these break clauses be activated. The Audit Committee reviewed management's methodology and judgement in assessing the recognition of lettings commission which is based on historical average contract lengths, average break clause lengths and average commission rates. The Audit Committee concurred with their approach. (See notes 3 and 4 of the financial statements.)
Impairment of goodwill and intangibles with an indefinite life	The Group has goodwill and intangible assets with indefinite lives amounting to £19.2 million and £99 million respectively. The Audit Committee considered the impairment review methodology used by management including relevant forecasts and discount rates. The Audit Committee concurred with management's view that, despite the reduction in profitability of the Group in 2017, no impairment was required. The Audit Committee noted, that although headroom in the analysis had reduced, it also noted that a series of possible adverse scenarios, individually, would not change the conclusion of the impairment review. However, a combination of all of these scenarios occurring at once would remove both the headroom of the sales CGU and the brand asset. (See note 14 of the financial statements.)
Client funds	The rationale for not showing client funds in the consolidated statement of financial position was reviewed and the Committee concurred with management's view that, as these funds belong to the client, the asset and liability should not be recorded in the accounts. (See note 4 of the financial statements.)

External Auditor

The external Auditor, Deloitte LLP, has audited the accounts of the Group since 2009. The 2017 audit process was led by Claire Faulkner. No tender has been conducted since Deloitte's appointment.

In accordance with the requirements of the Code and recent changes to the EU regulatory framework, our Auditor can continue to audit up to and including the financial year ending 31 December 2022. There are no contractual obligations on the Company which restrict the choice of Auditor.

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

- Reviewing the proposed external Auditor's plan for the 2017 audit;
- Discussing the results of the external Auditor testing, including their views on material accounting issues and key judgements and estimates and their audit report;
- Considering the robustness of the audit process;
- Reviewing the quality of people and service provided by Deloitte; and
- Confirming the independence and objectivity of Deloitte.

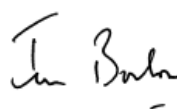
We concluded that we were satisfied with the performance and independence of Deloitte LLP as external Auditor and recommended their re-appointment.

Non-audit services

The details of our non-audit services policy are set out on our website www.foxtonsgroup.co.uk. In brief, there are certain services termed "excluded services" that are not permitted to be provided by the external Auditor. Excluded services refers to the situation where the Auditor could audit their own work or work to which they have contributed. All permitted non-audit services provided by the external Auditor are subject to prior approval by the Audit Committee. With the exception of the interim report and accountants report for ARLA, there were no non-audit services undertaken. Total non-audit services provided by Deloitte LLP for the year ended 31 December 2017 were £25,000 (2016: £0.2 million) (note 7 on page 84). Audit fees for the year total £0.2 million (2016: £0.2 million).

Independent evaluation of the Audit Committee's performance

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



Ian Barlow
Chairman of the Audit Committee

27 February 2018

Directors' Remuneration Report

Annual statement from the Remuneration Committee Chairman

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 December 2017. This is my first report following my appointment as Remuneration Committee Chairman in September 2017. Andrew Adcock stepped down from his role as Chairman of the Committee in September 2017, and I would like to thank Andrew very much for the work he has done in this role. My thanks also goes to the other members of the Committee for their work during the year.

This report has been prepared in accordance with the relevant provisions of the Listing Rules, section 421 of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The report is set out in two main parts:

- the Remuneration Policy Report, which was approved by Shareholders at last year's AGM; and
- the Annual Report on Remuneration which sets out how Directors were paid for 2017 and how we will apply the Policy to remuneration in 2018. This will be subject to an advisory vote at the 2018 AGM.

Remuneration decisions for 2017

As part of its review of the Remuneration Policy last year, the Committee consulted with Shareholders and their advisory bodies. In light of the feedback received, the Committee agreed a new Share Option Plan (SOP) which was introduced in 2017. At our 2017 AGM, Shareholders voted 72% in favour of the Directors' Remuneration Policy, and 95% in favour of the Directors' Annual Report on Remuneration.

Grants under the new SOP were made on 17th May 2017. The earliest exercise opportunity will be 5 years from the grant date, and awards will start to vest if Foxtons' 5-year TSR exceeds 10% per annum. Full vesting will require TSR to exceed 110% over 5 years.

2017 was again a challenging year for the property market in which Foxtons operates. Whilst the lettings business continues to deliver a steady income stream for the Group, the London sales market continues to be weighed down by the impact of the stamp duty tax changes introduced during 2016 and the wider macro-political uncertainty affecting the London property market. Despite tight cost control, strong cash generation and good progress on a series of successful strategic initiatives, market conditions adversely impacted Adjusted EBITDA, resulting in no payment under the primary financial element of the executive Directors' bonus. Foxtons operating cash conversion outcome, an objective in the CFO's bonus, was 91.8% of EBITDA, and resulted in vesting of this element.

26.4% of the CEO's 2017 bonus vested on performance against personal/strategic objectives. These objectives included developing strong positions in emerging new sectors of the market, ensuring new branches achieve their targets, and successfully implementing new technology aimed at improving the customer experience. 'My Foxtons' was launched, receiving a positive response from landlords and high levels of offers and viewings.

43.5% of the CFO's 2017 bonus vested on performance against personal/strategic objectives which included creating a strategic plan and business model for expansion, further developing the Company's reporting systems, and creating a growth plan for our mortgage provider Alexander Hall.

LTIP awards made in 2015 were conditional on 3-year performance to 31 December 2017, based 70% on EPS growth and 30% on relative TSR against the FTSE250 (excluding financial services and oil & gas companies). The EPS performance condition of the 2015 LTIP scheme was not met and the relative TSR was below the median of the comparator group, which resulted in nil vesting for the 2015 LTIP.

Remuneration decisions for 2018

Salaries for the CEO and CFO remain unchanged for 2018.

The 2018 annual bonus for executive directors continues to be based 60% on financial objectives and 40% on personal/strategic objectives. For the CEO, the financial objective focuses on EBITDA growth; for the CFO, it is split between EBITDA growth and cash conversion, with 40% of the total bonus opportunity linked to EBITDA and 20% linked to cash conversion. Personal/strategic objectives include progress on strategic initiatives and market share growth, and will be detailed in next year's annual report. Bonus opportunities are unchanged from 2017 at 150% of salary for the CEO and 125% of salary for the CFO. Any bonus earned is subject to malus and clawback provisions to align with Shareholder interests and market best practice.

The new SOP has a 5-year performance period (with malus and clawback provisions) and a 5-10 year vesting period. It is designed to maximise the alignment of executives with Shareholder interests. No further SOP grants or other long-term incentive awards will be made to executive directors during the year.

We are committed to maintaining an open and transparent dialogue with Shareholders, and hope that the level of disclosure we have provided this year will ensure that decisions made on executive remuneration are fully explained.

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



Sheena Mackay
Chairman of the Remuneration Committee

27 February 2018

Remuneration Policy Report (unaudited)

This Remuneration Policy was approved by Shareholders at the 17 May 2017 AGM and applies to incentive awards with performance periods beginning on or after 1 January 2017.

Policy table for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver Foxtons strategy.	- Fixed cash amount paid monthly. - A number of factors are taken into account when setting salary, including: - Scope and responsibilities of role; - Skills, experience and circumstances of individual; - Appropriate market data; and - Pay and conditions elsewhere in Foxtons. - Salary levels are typically reviewed on an annual basis.	- Although the Committee does not consider it appropriate to set a defined maximum limit on pay increases, the intention is that ordinarily the Executive Directors' increases will be in line with those given to our employees whose pay is non-commission based. - Increases may be made above this in certain circumstances, including: - Progression within the role; - Increase in scope and responsibility of the role; and - Increase in experience where an individual has been recruited on a lower salary initially.	N/A
Benefits	To provide Executive Directors with market competitive benefits consistent with the role.	- Benefits provided to Executive Directors may include a company car (or cash equivalent), life assurance, private medical insurance, health club membership and other benefits as appropriate. - Executive Directors would also be able to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the Group.	Although the Committee does not consider it appropriate to set a maximum benefits level, they are set at an appropriate level for the specific nature of the role.	N/A
Retirement benefits	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	Pension contributions are made to a personal pension scheme or cash allowances in lieu of contributions paid.	20% of base salary.	N/A

Directors' Remuneration Report (continued)

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Annual bonus	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis.	• Payments are typically made in cash based on annual performance against targets set and assessed by the Committee. The Committee may determine that an element of the bonus is deferred into shares. • All payments are at the discretion of the Committee who can therefore adjust them to ensure payouts are reflective of performance. • Bonus earned is subject to malus and clawback provisions. These provisions allow the Committee in certain circumstances, such as an individual engaging in misconduct, miscalculation or a material misstatement of results, the discretion to: – Reduce or cancel entitlement to a potential bonus; – Delay payment; – Impose additional conditions; – Amend performance conditions; and – Request the participant pays back up to 100% of any bonus paid in circumstances detailed above.	• 150% of base salary.	• Performance measures are determined with reference to Foxtons key strategic business objectives for the year. • No less than 50% of the bonus will be dependent on financial measures, with the remainder based on non-financial measures aligned to the strategic priorities of the business. • At threshold performance, 25% of the maximum pays out. Below this level of performance, no bonus pays out.
Share Option Plan	Variable pay opportunity designed to align Executive Director's interests with those of Shareholders by rewarding for the creation of long-term superior Shareholder returns.	• One-off award of market value share options. • Vesting is dependent on performance normally measured over 5 years. • Earliest exercise date is normally 5 years after grant for Executive Directors. • The option term is up to 10 years. • The exercise price is equal to the share price at grant less cumulative dividends per share between grant and exercise. The exercise price cannot be less than zero. • In certain circumstances such as an individual engaging in misconduct, miscalculation or a material misstatement of results, the Committee has discretion to: – Reduce or cancel unvested or unexercised options; – Delay vesting or exercise; – Impose additional conditions; – Amend how the exercise price is adjusted for cumulative dividends; and – Request the participant pays up to 100% of the proceeds earned from any share options exercised within two years based on circumstances detailed above.	• Up to 6.5m options may be granted to the CEO. Up to 2.15m options may be granted to other Executive Directors. • The Company will continue to operate within the IA limit for new-issue shares of 10% in 10 years for all plans.	• Vesting of options is dependent on the achievement of an absolute TSR performance condition. • For threshold performance, 25% of options may vest. Below this level of performance, no options will vest. 100% of options will vest for maximum performance. Vesting between these points will be on a straight-line basis.

Notes to the policy table

Outstanding LTIP awards

Following Shareholder approval at the 2017 AGM, a one-off award of market value share options was granted to Executive Directors under the new Share Option Plan and Executive Directors will not receive any further awards under the LTIP. The CEO holds outstanding awards under the LTIP cycles granted in 2015 and 2016 which are due to vest in 2018 and 2019 respectively. Therefore, for ease of reference, detailed below is the section of the policy table for the LTIP disclosed in the previous Policy Report which was approved at the 2014 AGM.

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
LTIP	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives over the longer term.	- Usually a contingent award of shares or grant of nil cost options is made annually. - Vesting of the award is dependent on the achievement of performance targets, typically measured over a three year period. - In certain circumstances such as an individual engaging in misconduct, miscalculation or a material misstatement of results, the Committee has discretion to: - Reduce or cancel unvested awards; - Delay vesting; - Impose additional conditions; and - Amend performance conditions. - LTIP awards granted after 2016 will also have clawback provisions which allow the Company within two years of any award vesting to claim back up to 100% of the award based on circumstances detailed above.	- Usual maximum of 150% of base salary. - Absolute maximum of 200% of base salary provided for in plan rules.	- At least 50% of the LTIP will be based on financial measures with the remainder based on share price related measures. - For threshold levels of performance, 25% of the award will vest. Below this level of performance, the award will not vest. 100% of the award will vest for maximum performance. Vesting between these points will be on a straight-line basis.

Rationale for Share Option Plan

The predecessor scheme to the SOP (Share Option Plan), the LTIP, based on relative TSR and EPS, was perceived not to work by management and the Board. Foxtons has few good listed comparators and the cyclical nature of the London property market means it is difficult to set robust long-term EPS targets. The Committee considered the full range of alternative incentive structures and the Share Option Plan was identified as the most likely to help reinforce success. It is simple, it encourages a longer-time horizon and it aligns with shareholder interests.

Discretion

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

- before the Policy came into effect; or
- at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company.

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

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

Directors' Remuneration Report (continued)

Annual bonus

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

Share Option Plan

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

LTIP

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

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

Takeover or other corporate event

For share options, on a takeover or other corporate event, generally the vesting period will end on the date of the event. The Committee will determine the extent to which performance conditions have been achieved and any share options vesting will be immediately exercisable. Such early vesting would generally be on a time pro-rata basis.

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

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

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

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

Minor changes

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

Performance measures and target setting

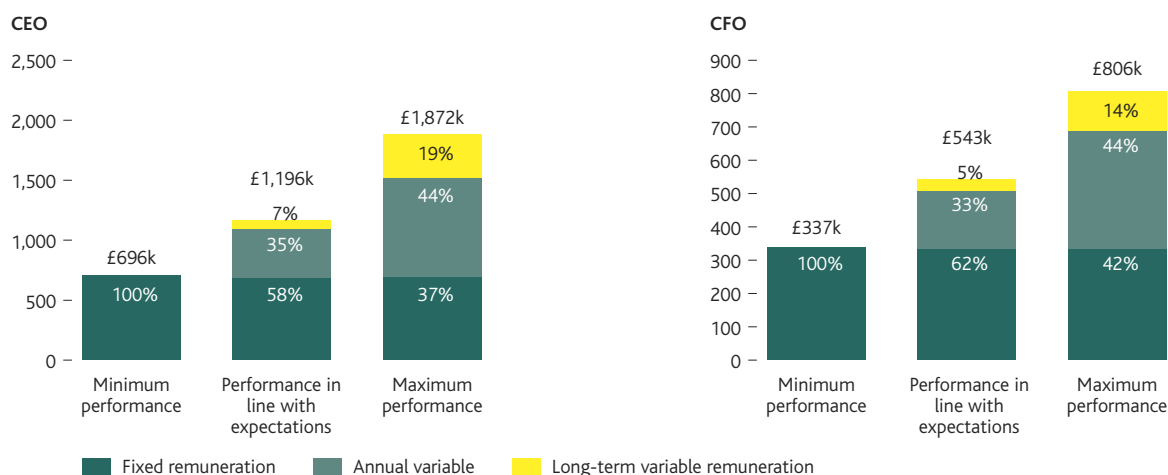
The annual bonus is based on both financial and non-financial performance measures which are aligned with Foxtons annual strategic plan. Targets are set on an annual basis by the Committee and take into account a number of internal and external reference points including historic performance, internal expectations and broker forecasts.

The Committee considers that absolute TSR (under the SOP) helps align executives with shareholder interests and is a simple objective and transparent measure of the Company's performance and Shareholder value creation. Performance targets are set to be stretching with regard to particular strategic priorities and the economic environment.

Illustrations of Remuneration policy for 2018 (£'000)

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

The share option plan is a one-off award granted over a 5 year period, therefore in the maximum scenario we have estimated the value of the award based on one fifth of the IFRS 2 fair value of the options calculated on 28 February 2017.



The assumptions used for these charts are as follows:

Levels of performance		Assumptions
Fixed pay	All scenarios	- Total fixed pay comprises base salary, benefits and pension. - Base salary – effective as at 1 January 2018. - Benefits – as provided in the single figure table on page 60. 15% of base salary pension contributions.
	Minimum performance	- No payout under the annual bonus. - No vesting under the SOP.
Variable pay	Performance in line with expectations	50% of the maximum annual bonus. 25% vesting of share option award, amortised over 5 years.
	Maximum performance	100% of the maximum annual bonus. 100% vesting of share option award, amortised over 5 years.

Directors' Remuneration Report (continued)

Policy for Chairman and Non-Executive Director fees

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

Purpose and link to strategy	Operation	Fee levels
To enable Foxtons to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	- The Chairman is paid an all-inclusive fee for all Board responsibilities. - Non-Executive Directors receive a basic Board fee. - Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a Committee. - The Committee reviews the fees paid to the Chairman and the Board reviews the fees paid to Non-Executive Directors, periodically. The Committee or the Board (as the case may be) may increase the fees, and any such increases will take into account factors including: - Scope and responsibility of the role, and - Appropriate market data. - No Director plays a role in determining their own remuneration.	- Fee levels remained unchanged in 2017. - The fee levels are unchanged for 2018. - These fees are the only element of Chairman and Non-Executive Director remuneration.

Approach to remuneration on recruitment

Overarching principle

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

Recruitment of Executive Directors

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

- Although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent;
- The maximum level of variable remuneration will be in line with individual limits set out in the policy table;
- It may be necessary to "buy-out" remuneration arrangements forfeited on leaving a previous employer on appointment. Such payments or awards could include cash as well as performance and non-performance related share awards, and would be in such form as the Committee considers appropriate taking into account all relevant factors such as the form, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be no more than the value forfeited;
- An Executive Director may initially be hired on a contract requiring 24 months' notice, which then reduces pro-rata over the course of the first year of the contract to 12 months' notice; and

- Appropriate relocation costs and support may be provided and where an Executive Director is appointed from within the organisation, the normal policy of the Company is that any legacy arrangements would be honoured in line with the original terms and conditions. Similarly, if an Executive Director is appointed following Foxtons acquisition of or merger with another company, legacy terms and conditions would be honoured.

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

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

Recruitment of Chairman and Non-Executive Directors

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

Service contracts

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

The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of three years, which is renewable, and is terminable by the Chairman/Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination.

Policy on payment for loss of office

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

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

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

Plan	Automatic Good Leaver categories	Treatment for Good Leavers	Treatment for all other reasons for leaving
Annual bonus	• Death. • Ill-health, injury or disability. • Employing company being transferred to an entity which is not a Group member. • Transfer of undertaking. • Any other reason, except summary dismissal as the Committee determines.	• The participant will normally retain their entitlement to the bonus to the extent that the performance targets have been met. • Bonuses will normally be subject to time pro-rating to reflect the period in employment, although the Committee has the discretion to vary this. • The Committee may determine that the bonus payment is calculated and made, at their discretion, at cessation instead of at the end of the performance period.	• All other leavers will forfeit their entitlement to an annual bonus payment.
Share Option Plan	• Death. • Ill-health, injury or disability. • Employing company being transferred to an entity which is not a Group member. • Transfer of undertaking. • Any other reason, except summary dismissal as the Committee determines.	• Awards will normally vest on a time-apportioned basis taking into account the achievement of the relevant performance conditions at the vesting date. • The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. • On death, the Committee may exercise discretion to allow awards to vest, as soon as practicable, taking into account performance achieved. • On vesting, participants will normally have up to six months from the date of vesting to exercise their awards (12 months in the case of death).	• Awards will normally lapse in full (unless otherwise determined by the Committee).
LTIP	• Death. • Ill-health, injury or disability. • Employing company being transferred to an entity which is not a Group member. • Transfer of undertaking. • Any other reason, except summary dismissal as the Committee determines.	• Awards will normally vest on a time-apportioned basis taking into account the achievement of the relevant performance conditions at the vesting date. • The vesting date for such awards will normally be the original vesting date, although the Committee has the flexibility to determine that awards can vest upon cessation of employment. • On death, the Committee may exercise discretion to allow awards to vest, as soon as practicable, taking into account performance achieved. • On vesting, shares will be transferred to the participant as soon as practicable. For options, participants will have up to six months from the date of vesting to exercise their awards.	• Awards will normally lapse in full (unless otherwise determined by the Committee).

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

Directors' Remuneration Report (continued)

Differences in remuneration policy for Executive Directors compared with other employees

As for our Executive Directors, the remuneration for the majority of our employees is weighted towards variable pay. However, unlike our Executive Directors, whose variable pay is linked to a mixture of short-term and long-term Group-wide performance measures, the majority of our employees' remuneration is linked to individual/team performance measured over the shorter term. This is consistent with their focus on the selling and letting of properties within particular geographical areas. During 2015, the Company introduced the Senior Management LTIP to accommodate grants of shares to employees, which are normally subject to performance conditions over a three year period. Following Shareholder approval at the 2017 AGM, selected senior employees are eligible to participate in awards under the Share Option Plan on a similar basis as awards to the Executive Directors.

The Company continues to operate within the dilution limit of no more than 10% in 10 years for all schemes.

Executive Directors may not participate in the Senior Management LTIP, although awards granted to an individual who subsequently is appointed to the Board will continue to vest.

Consideration of employment conditions elsewhere in Foxtons

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

Consideration of Shareholder views

The Committee consulted with major Shareholders, IA and ISS as part of its review of the Remuneration Policy last year.

In light of their feedback, the Committee agreed a TSR-based vesting condition of 10% p.a. to 16% p.a. over 5 years. The new scheme is broadly equivalent in terms of IFRS 2 P&L cost to the scheme being replaced.

The Committee takes an active interest in the views of Shareholders and these help shape the structure of the Directors' remuneration arrangements of Foxtons. The Committee also monitors published Shareholder and remuneration governance guidelines and intends to incorporate any emerging best practice features as appropriate.

Summary of Shareholder voting at the 2017 Annual General Meeting (unaudited)

The following table shows the results of the votes on the Policy Report and Annual Report on Remuneration at the AGM in May 2017:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy	149,696,924	72.02%	58,161,478	27.98%	207,858,402	1,435,751
Approval of the Directors' Annual Report on Remuneration	187,966,734	95.31%	9,242,651	4.69%	197,209,385	12,094,768

I would like to explain a bit of the background to the 72% vote for the Remuneration Policy. In the months before the 2017 AGM, Foxtons undertook a full review of the Group's Remuneration Policy to ensure it had a Policy that would be appropriate to the Group's strategy and business needs for the following 3 years. In formulating the proposed new policy, the Remuneration Committee considered a full range of alternative incentive structures to address concerns with the existing arrangements. The Committee sought the views of Shareholders holding in excess of 60% of share capital, and proposed a new Share Option Plan to replace the current LTIP. In light of Shareholders' feedback, the Committee agreed a TSR-based vesting condition of 10% p.a. to 16% p.a. over 5 years and calibrated the option award sizes to be cost-neutral against the LTIP it replaced. In the Committee's view, the option plan (whose introduction was supported by 72% of Shareholders) is more shareholder-aligned (as there is no gain for participants unless TSR > 10% p.a.), is longer term than the LTIP (minimum of 5 years before any vesting), and is simpler. It is also believed by the Board to be more motivational and retentive in the context of Foxtons. The Committee appreciates that a significant minority of Shareholders did not support the scheme, either because they prefer full value shares to market value options, or because they prefer relative to absolute TSR, or because they would have preferred lower award sizes. The Committee does not plan to make any further awards under the scheme to EDs during the 3-year term of the Policy.

Annual Report on Remuneration

Consideration by Directors of matters relating to Directors' remuneration (unaudited)

The Remuneration Committee is responsible for reviewing and making recommendations to the Board regarding the Remuneration Policy of the Group and for reviewing compliance with the Policy. During 2017, the Remuneration Committee consisted of the following Directors: Sheena Mackay (member and Chair from 14 September), Andrew Adcock (Chairman until 14 September), Ian Barlow, Annette Court (until 17 May 2017) and Garry Watts. The Committee met 5 times during the year with attendance disclosed on page 41.

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

During 2017, the Remuneration Committee received independent advice on executive remuneration from Mercer | Kepler ("Kepler"). Kepler was appointed in May 2014 as independent advisers to the Remuneration Committee following a formal tender process. Kepler is a signatory to the Remuneration Consultants' Code of Conduct. Other than in relation to advice on remuneration, neither Kepler nor its parent Mercer provided other services to the Company. The fees paid to Kepler for advice provided to the Remuneration Committee were £30,000. The Committee is satisfied that Kepler provides independent remuneration advice to the Committee and does not have any connections with Foxtons that may impair its independence.

The following section provides details of how our remuneration policy was implemented during the financial year ended 31 December 2017, and how the Committee intends to implement the Policy in 2018.

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

Directors' Remuneration Report (continued)

Single figure of total remuneration (audited)

The table below sets out the total remuneration for the Directors for 2017 and 2016:

£'000	2017					Total
	Salary and fees	Benefits ¹	Bonus ²	LTIP ³	Pension ⁴	
Current Executive						
Nic Budden	550	63	218	0	83	914
Mark Berry	282	13	153	0	42	490
Non-Executive						
Michael Brown	63	0	0	0	0	63
Garry Watts	184	0	0	0	0	184
Ian Barlow	63	0	0	0	0	63
Annette Court ⁷	24	0	0	0	0	24
Sheena Mackay ⁸	19	0	0	0	0	19
Andrew Adcock	63	0	0	0	0	63
Total	1,248	76	371	0	125	1,820

£'000	2016					Total
	Salary and fees	Benefits ¹	Bonus ²	LTIP ³	Pension ⁴	
Current Executive						
Nic Budden	550	48	301	—	83	982
Mark Berry ⁵	42	2	—	—	6	50
Former Executive						
Gerard Nieslony ⁶	246	10	118	—	37	411
Non-Executive						
Garry Watts	184	—	—	—	—	184
Ian Barlow	63					63
Andrew Adcock	63					63
Michael Brown	63					63
Annette Court	63					63
Total	1,274	60	419	—	126	1,879

- The benefits paid in respect of 2017 and 2016 related to a car allowance for Mark Berry and Gerard Nieslony and the provision of a car for Nic Budden.
- In 2017, Nic Budden and Mark Berry were awarded bonuses of 26.4% and 43.5% of maximum, equivalent to 39.6% and 54.3% of salary. In 2016, Nic Budden was awarded a bonus of 36.5% of maximum, equivalent to 54.8% of salary. Further details of the performance criteria, achievement and resulting awards for the 2017 bonus can be found on page 61.
- The 2017 figure for Nic Budden and Mark Berry includes the 2015 LTIP, which lapsed based on the performance over the three-year period ending 31 December 2017. Further details of the performance criteria, achievement and resulting awards for the 2017 LTIP can be found on page 61.
- "Pension" includes payments in lieu of pension. For 2017, the Executive Directors received contributions of 15% of salary.
- Mark Berry was appointed CFO on 7 November 2016 on a salary of £282,000 p.a. His salary, benefits and pension are pro-rated to reflect the period from 7 November 2016 to 31 December 2016.
- Gerard Nieslony stepped down as CFO and from the Board on 7 November 2016, becoming the Finance Director of Foxtons. As a result, his salary, benefits, bonus and pension for 2016 are pro-rated to reflect the period from 1 January 2016 to 7 November 2016. The vesting of his 2014 LTIP has been shown in full (nil).
- Annette Court stood down from the Board on 17 May 2017.
- Sheena Mackay joined the Board on 14 September 2017.

Base salary for 2017

As explained in last year's Annual Report on Remuneration, Nic Budden's base salary was unchanged for 2017 at £550,000. Mark Berry was appointed CFO on 7 November 2016 on a base salary of £282,000.

Annual bonus outcomes for 2017 (unaudited)

For the 2017 financial year, the maximum bonus opportunity for Nic Budden and Mark Berry was 150% and 125% of salary respectively.

The CEO bonus was based 60% on Foxtons Adjusted EBITDA and 40% on personal/strategic measures. The CFO bonus was based 40% on Foxtons Adjusted EBITDA and 60% on personal/strategic measures. The following tables provide the performance targets set and actual performance during the year.

CEO bonus outcome

Measure	Weighting	Threshold	Performance targets		Actual performance	Payout (% of maximum)
			On-Target	Maximum		
Adjusted EBITDA ¹	60%	£18m	£20m	£22m	£15m	0.0%
Personal/strategic objectives	40%					66.1%
Total	100%					26.4%

CFO bonus outcome

Measure	Weighting	Threshold	Performance targets		Actual performance	Payout (% of maximum)
			On-Target	Maximum		
Adjusted EBITDA ¹	40%	£18m	£20m	£22m	£15m	0.0%
Personal/strategic objectives	60%					72.5%
Total	100%					43.5%

1. For 2017 bonuses, 25% of this element pays out at threshold, 50% at target and full payout at maximum.

For Nic Budden, personal/strategic objectives for 2017 included market share targets while for Mark Berry objectives included cash conversion targets.

Following an assessment of corporate performance, and performance against personal/strategic objectives by the Committee, Nic Budden and Mark Berry were awarded bonuses of 26.4% and 43.5% of maximum respectively, equivalent to 39.6% and 54.3% of salary. Annual bonuses will be paid in cash.

2015 LTIP outcomes (unaudited)

On 16 March 2015, Nic Budden was granted an award under the LTIP. Vesting was dependent 70% on EPS growth and 30% on relative TSR over the three year performance period to 31 December 2017. The TSR comparator group is the FTSE 250 (excluding financial services and oil & gas companies). Details of the performance conditions are set out below:

	Basic EPS growth over the three year performance period (70% of the award)	Relative TSR performance against the comparator group over the three year performance period (30% of the award)
Threshold (25% vesting)	15%	Median
Stretch (100% vesting)	48%	Upper quartile

Neither the EPS or TSR performance conditions were met. Therefore, nil% of the 2015 LTIP will vest. Details of the 2015 LTIP awards are summarised in the table below:

	Number of shares held	Vesting (% of grant)
Nic Budden	359,883	nil
Gerard Nieslony	219,929	nil

Directors' Remuneration Report (continued)

Scheme interests awarded in 2017 (audited)

On 17 May 2017, Nic Budden and Mark Berry were granted one-off awards under the Foxtons Group SOP. Awards were granted with an exercise price equal to the share price at grant less cumulative dividends per share between grant and exercise.

Details are summarised in the table below:

Executive	Number of options awarded	Face value ¹	Exercise price	Threshold vesting	Performance period
Nic Budden	6.5m	102.5p	105.7p ²	25%	17 May 2017 to 16 May 2022
Mark Berry	2.15m	102.5p			

1. This is the closing share price on date of grant of 17 May 2017.

2. Average share price over the three trading days immediately preceding the date of grant.

Awards were granted in the form of market value share options, which will, subject to the rules of the Foxtons Group Share Option Plan, vest following the Committee's determination of the extent to which the performance conditions have been satisfied.

As described in last year's Annual Report on Remuneration, awards may vest based on five year absolute TSR. The exercise window is 5 to 10 years from grant.

Details of the performance conditions are set out below:

	Absolute TSR (100% of the award)
Threshold (25% vesting)	10% growth p.a.
Stretch (100% vesting)	16% growth p.a.

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

Statement of Directors' shareholding and share interests (audited)

The Committee believes that Directors should build a sizeable shareholding in Foxtons over time to ensure that they are as closely aligned as possible with the Shareholder experience. The guideline for Executive Directors is two times their gross basic salary. The tables below show the Directors' share ownership as at 31 December 2017:

	Shares held		Unvested market value options subject to performance	Shareholding guideline (% of basic salary)	Actual share ownership (% of basic salary)*
	Owned outright	Unvested shares subject to performance			
Current Executive					
Nic Budden	1,304,660	510,836	6.5m	200%	195%
Mark Berry**	nil	nil	2.15m	200%	n/a

* The shareholding as a percentage of basic salary has been calculated based on the share price on 31 December 2017 of 82p. Only shares owned outright have been included.

** Joined 7 November 2016.

The table below shows the Non-Executive Directors' shareholdings as at 31 December 2017:

	Shares held as at 31 December 2017
Garry Watts	43,477
Ian Barlow	117,987
Sheena Mackay	—
Andrew Adcock	43,477
Michael Brown (former CEO)	22,730,022

No changes in Directors' interests have occurred between 31 December 2017 and 27 February 2018.

Payments to past Directors and payments for loss of office (audited)

	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000
Nic Budden (from 1 July 2014)					
Single figure of remuneration	n/a	327	856	982	914
Annual bonus payout (% of maximum)	n/a	20%	51.5%	36.5%	26.4%
LTIP vesting (% of maximum)	n/a	n/a	n/a	0%	0%
Michael Brown (to 30 June 2014)					
Single figure of remuneration	624	257	n/a	n/a	n/a
Annual bonus payout (% of maximum)	n/a	n/a	n/a	n/a	n/a
LTIP vesting (% of maximum)	n/a	n/a	n/a	n/a	n/a

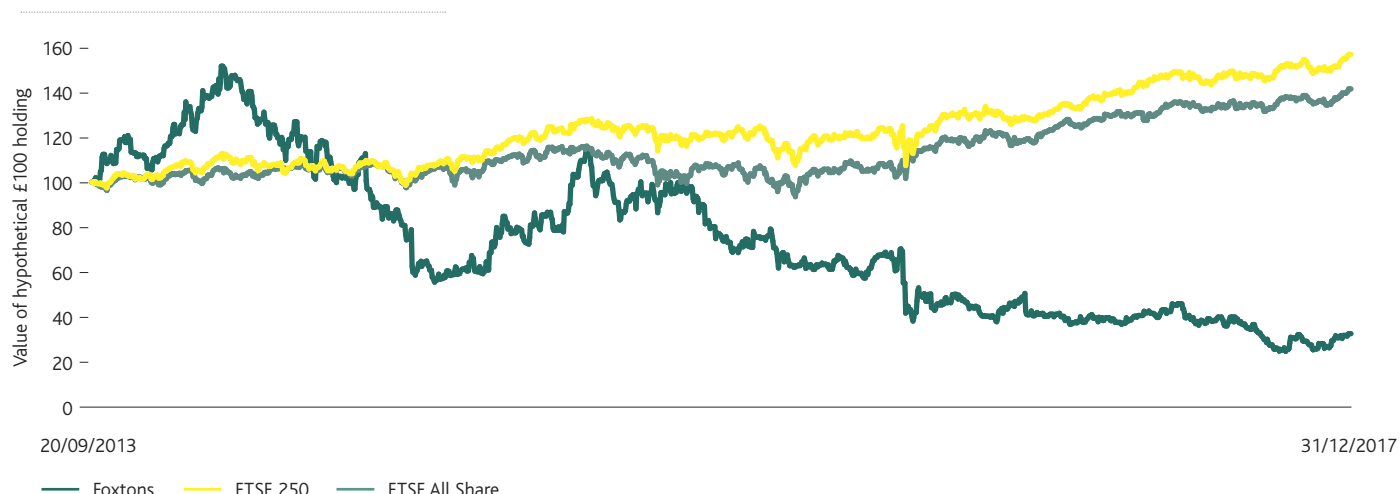
There were no payments to former Directors during the year.

Performance graph and table (unaudited)

The chart below illustrates Foxtons TSR performance against the FTSE 250 and FTSE All Share since listing in September 2013. The FTSE 250 has been chosen as Foxtons was a constituent of this index during some of the period shown, and remains close in size to companies ranked towards the bottom of the FTSE 250. Note that this does not represent either the comparator group or the time period against which performance is assessed under the LTIP.

The table below shows the total remuneration paid to the CEO between 2013 and 2017:

Pay for performance: TSR chart (£'000)



Percentage change in remuneration of Director undertaking the role of Chief Executive Officer (unaudited)

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

	% change in basic salary (2017/2016)	% change in benefits (2017/2016)	% change in annual bonus (2017/2016)
CEO	0%	+31%	(28)%
All other employees (at Head office ¹)	+2%	+15%	n/a

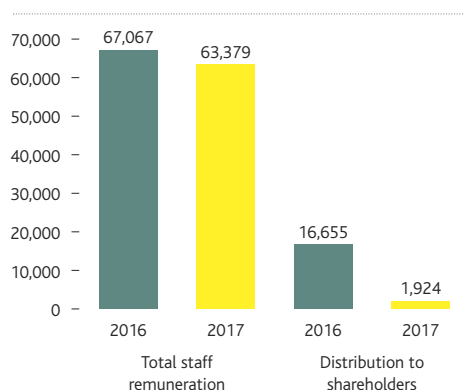
1. Excludes branch-based staff where pay is largely commission based.

Directors' Remuneration Report (continued)

Relative importance of spend on pay (unaudited)

The charts below illustrate the year-on-year change in total remuneration for all employees and total Shareholder distributions.

Relative importance of spend on pay (£'000)



Base salary

Executive Director salaries are unchanged for 2018.

	Base salary at	
	1 January 2017	1 January 2018
Nic Budden	£550,000	£550,000
Mark Berry	£282,000	£282,000

Benefits

For 2018, Executive Directors continue to be provided with a company car (or cash equivalent) and will be provided with life assurance and private medical insurance.

Annual bonus

2018 bonuses are up to 150% of salary for the CEO and 125% of salary for the CFO. Bonuses are based 60% on Foxtons annual Adjusted EBITDA, 20% on market share objectives and 20% on personal/strategic objectives.

Adjusted EBITDA and market share are important measures of annual performance. We continue to strive to achieve high levels of profitability through our focus on higher-volume, higher-value markets combined with the real competitive advantage that our business model provides.

The remaining 20% will be based on the achievement of personal/strategic objectives to help reinforce achievement of annual business priorities.

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

Share option plan

In May 2017, the Group granted one-off awards of market value share options to the CEO of 6.5 million options and 2.15 million options to the CFO, which will vest after 5 years based on Foxtons' 5-year absolute TSR. No further awards will be granted to Executive Directors under the Foxtons Group SOP.

Pension

For 2018 pension contributions are unchanged. Contributions of 15% of base salary will be made to the Executive Directors' personal pension schemes. Alternatively, a cash allowance equal to this value may be paid.

Non-Executive Director fees

For 2018, the fees for the Chairman and Non-Executive Directors are unchanged.

Sheena Mackay
Chairman of the Remuneration Committee

27 February 2018

Directors' Report

Corporate structure

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

Corporate governance

A report on corporate governance and the Company's compliance with the UK Corporate Governance Code is set out on pages 38 to 64 and forms part of this report by reference.

The Board of Directors

The members of the Board of Directors and their biographical details are shown on pages 36 and 37 of this Annual Report and are incorporated into this report by reference. During the year, Annette Court resigned as a Director of the Company on 17 May 2017 and Sheena Mackay was appointed as a Non-Executive Director on 14 September 2017.

Appointment and replacement of Directors

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

Powers of Directors

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

Articles of Association

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

Directors' indemnity

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

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 50 to 64.

Dividends

An interim dividend of 0.43p per share was paid on 26 September 2017. The Board recommends a final dividend of 0.27p per share for the year ended 31 December 2017. Shareholders will be asked to approve the dividend at the AGM on 17 May 2018, for payment on 25 May 2018 to Shareholders whose names are on the register on 27 April 2018.

Total ordinary dividends paid and proposed for the year ended 31 December 2017 amount to 0.70p per share, resulting in a total return of £1.9m to Shareholders.

Post balance sheet events

There are no post balance sheet events to report.

Future developments in the business of the Company

Details of the Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 33 and form part of this report by reference.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility statement on pages 31 to 33 and forms part of this report by reference.

Directors' Report (continued)

Research and development

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

Political donations

No political donations were made in 2017 (2016: nil).

Employee involvement and policy regarding disabled persons

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

Foxtons operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or any other basis. The Company's policy and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Company will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

Further information on the Company's policies on diversity, inclusion and career progression are contained in the Our People section on pages 12 and 13.

Directors' interests

The beneficial interests of the Directors of the Company and their closely associated persons in the issued ordinary shares of the Company at 31 December 2017 are provided on pages 62 and 63, within the Directors' Remuneration Report. Details of any changes in those interests between 31 December 2017 and 27 February 2018 are also shown on page 63.

Share capital

At 31 December 2017, there were 275,104,391 ordinary shares of £0.01 each in issue. Each ordinary share carries one vote; therefore, the total votes in issue at 31 December 2017 were 275,104,391.

Details of the Company's issued share capital can be found in note 22 to the financial statements on page 94.

Rights and obligations attaching to shares

The Company has a single class of ordinary shares in issue. Holders of the ordinary shares are entitled to receive dividends (when declared) and a copy of the Company's Annual Report, attend and speak at general meetings of the Company and appoint proxies and exercise voting rights. At any general meeting, on a show of hands, every Shareholder present shall have one vote and, on a poll, every Shareholder present in person or by proxy shall have one vote for every share of which they are the holder. Subject to certain thresholds being met, holders of ordinary shares may requisition the Board to convene a general meeting or propose resolutions at AGMs. On liquidation, holders of ordinary shares may share in the assets of the Company.

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

The Foxtons Group Employee Benefit Trust is an Employee Benefit Trust which holds ordinary shares in the Company in trust for employees within the Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the ordinary shares subject to the Trust in such manner as the Trustee in its absolute discretion thinks fit. The Trustee of the Employee Benefit Trust has waived its rights to dividends on ordinary shares held by the Trust as these have not yet vested unconditionally in employees. Details of the ordinary shares held by the Trust can be found in note 23 to the financial statements on page 94.

Restrictions on transfers of securities

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

Authority to allot shares

The Company was granted a general authority by its Shareholders at the 2017 AGM to allot shares up to 33.33% of the Company's issued share capital as at 24 March 2017. The Company also received authority to allot shares for cash on a non pre-emptive basis up to 5% of the Company's issued share capital as at 24 March 2017. As at the date of this Report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2018 AGM. Resolutions will be proposed at the 2018 AGM to renew these authorities.

Major interests in shares

Information on major interests in shares provided to the Company under the Disclosure Guidance and Transparency Rules (DGTRs) of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website www.foxtongroup.co.uk.

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

Institution	Voting rights at 31 December 2017	% of capital at 31 December 2017	Nature of holding
Caledonia (Private) Investments Pty Ltd	58,728,300	21.30%	Direct
Platinum Investment Management Limited	30,585,105	11.12%	Direct – 11.03% Indirect – 0.09%
Select Equity Group, L.P. – George Loening	24,449,445	8.90%	Indirect
Michael Brown	22,730,022	8.26%	Direct
Highclere International Investors	9,623,408	3.50%	Direct

As at 27 February 2018 the Company had received notification under DGTR 5 that Franklin Templeton Institutional, LLC had acquired voting rights over 14,149,000 of its ordinary shares, being 5.14% of its issued shares (all of this interest was held indirectly).

Buy-back of own shares

The Company did not buy back any shares during the year.

Authority for the company to purchase its own shares

The Company was granted authority by its Shareholders at the 2017 AGM to purchase up to 27,510,439 of its ordinary shares, being 10% of the issued share capital as at 24 March 2017. This authority will expire at the conclusion of the 2018 AGM. No shares have been bought under this authority.

The Company does not have any current intention to purchase any of its own ordinary shares, however, in order to retain flexibility the Company will propose a resolution at the 2018 AGM to renew the Company's authority to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority which will lapse at the conclusion of the 2018 AGM on 17 May 2018.

Significant agreements

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

Principal Risks and Uncertainties

The Board have carried out a robust assessment of our current key risks and these are summarised in the Risk Management section of the Strategic Report on pages 26 to 30.

Financial risk management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 26 to the Group's consolidated financial statements on pages 96 to 98.

Information presented in other sections

Certain information is required to be included in the Annual Financial Report by Listing Rule 9.8.4. The following table provides references to where this information can be found in this Annual Report. If a requirement is not shown, it is not applicable to the Company.

Section	Listing Rule Requirement	Location	Page
4	Details of long term incentive schemes	Directors' Remuneration Report	53
12 and 13	Shareholder waivers of dividends and future dividends	Directors' Report	66

Directors' Report (continued)

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the Financial Statements section. Furthermore, note 26 on page 96 to the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Directors believe the Group is in a strong financial position due to its profitable operations and strong cash generation and that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Company's budgeted cash flows and related assumptions and in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the UK Financial Reporting Council in September 2014.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming AGM.

Statement on disclosure to the auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

AGM

The Company's AGM will take place on 17 May 2018 at the Company's registered office at Building One, Chiswick Park, 566 Chiswick High Road, London, W4 5BE. The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM accompanies this Annual Report and can also be found on the Company's website at www.foxtongroup.co.uk.

The AGM is the Company's principal forum for communication with Shareholders. The Chairman of the Board and the Chairmen of the Committees, together with the other Directors, will be available to answer Shareholders' questions at the meeting.

The Directors look forward to meeting Shareholders at the meeting.

On behalf of the Board



Nic Budden

Chief Executive Officer

27 February 2018



Mark Berry

Chief Financial Officer

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for preparing the Directors' Report, the Strategic Report, the Remuneration Report and the Corporate Governance Statement in accordance with the Companies Act 2006 and applicable regulations, including the requirements of the Listing Rules and the Disclosure Guidance and Transparency Rules of the FCA.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the consolidated financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 27 February 2018 and is signed on its behalf by:



Nic Budden
Chief Executive Officer
27 February 2018



Mark Berry
Chief Financial Officer

Financial Statements





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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	5	117,648	132,688
Administrative expenses		(111,055)	(113,877)
Operating profit		6,593	18,811
Finance income	10	1	34
Finance costs		(70)	(80)
Profit before tax		6,524	18,765
Tax	11	(1,175)	(3,043)
Profit and total comprehensive income for the year	6	5,349	15,722
Earnings per share			
Basic and diluted (pence per share)	13	1.9	5.7
Adjusted (pence per share) ¹	13	2.6	5.7

1. Adjusted earnings per share is defined as earnings per share excluding Adjusted items. See Note 13 to the financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 £'000	2016 £'000
Non-current assets			
Goodwill	14	19,168	19,168
Other intangible assets	14	100,975	100,104
Property, plant and equipment	15	24,009	28,077
Deferred tax assets	18	1,015	468
		145,167	147,817
Current assets			
Trade and other receivables	17	7,082	7,753
Prepayments		6,341	5,681
Cash and cash equivalents	24	18,630	9,476
		32,053	22,910
Total assets		177,220	170,727
Current liabilities			
Trade and other payables	19	(12,634)	(11,313)
Current tax liabilities		(1,003)	(1,184)
Provisions	21	(1,307)	(286)
Deferred revenue and lettings refund liability	20	(4,524)	(4,473)
		(19,468)	(17,256)
Net current assets		12,585	5,654
Non-current liabilities			
Deferred tax liabilities	18	(16,830)	(16,830)
		(16,830)	(16,830)
Total liabilities		(36,298)	(34,086)
Net assets		140,922	136,641
Equity			
Share capital	22	2,751	2,751
Other capital reserve	36	2,582	2,582
Capital redemption reserve	22	71	71
Own shares held	23	(720)	(1,540)
Retained earnings		136,238	132,777
Total equity		140,922	136,641

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 27 February 2018.
Signed on behalf of the Board of Directors



Mark Berry
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017		2,751	(1,540)	2,582	71	–	132,777	136,641
Total comprehensive income for the year		–	–	–	–	–	5,349	5,349
Dividends	12	–	–	–	–	–	(2,089)	(2,089)
Exercise of shares from EBT	23	–	820	–	–	–	(820)	–
Credit to equity for share based payments	29	–	–	–	–	–	1,021	1,021
Balance at 31 December 2017		2,751	(720)	2,582	71	–	136,238	140,922

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016		2,817	(1,540)	2,582	5	52,727	95,994	152,585
Total comprehensive income for the year		–	–	–	–	–	15,722	15,722
Dividends	12	–	–	–	–	–	(21,694)	(21,694)
Share buy-back	22	(66)	–	–	66	–	(11,163)	(11,163)
Share premium cancellation net of transaction costs		–	–	–	–	(52,727)	52,703	(24)
Credit to equity for share based payments	29	–	–	–	–	–	1,215	1,215
Balance at 31 December 2016		2,751	(1,540)	2,582	71	–	132,777	136,641

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Operating activities			
Operating profit:		6,593	18,811
Adjustments for:			
Depreciation of property, plant and equipment		4,847	4,949
Loss on Adjusted items		447	–
Gain on disposal of property, plant and equipment		(59)	(113)
Amortisation of intangibles		101	101
Increase in provisions		1,021	91
Share based payment charges		1,292	854
Operating cash flows before movements in working capital		14,242	24,693
Decrease in receivables		11	4,819
Increase in payables		1,334	195
Cash generated by operations		15,587	29,707
Income taxes paid		(2,136)	(6,322)
Net cash from operating activities		13,451	23,385
Investing activities			
Interest received		1	34
Proceeds on disposal of property, plant and equipment		340	399
Purchases of property, plant and equipment		(1,507)	(6,296)
Purchases of intangibles		(972)	(704)
Net cash used in investing activities		(2,138)	(6,567)
Financing activities			
Dividends paid	12	(2,089)	(21,694)
Cancellation of share premium expenses		–	(24)
Interest paid		(70)	(80)
Share buy-back		–	(11,163)
Net cash used in financing activities		(2,159)	(32,961)
Net increase/(decrease) in cash and cash equivalents		9,154	(16,143)
Cash and cash equivalents at beginning of year		9,476	25,619
Cash and cash equivalents at end of year		18,630	9,476

Notes to the Financial Statements

1. General information

Foxtons Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, the "Group") is the provision of services to the residential property market in the UK.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

2. Adoption of new and revised standards

The Group has adopted the following Standards and Interpretations during the current year, which had no significant effect on the Group's results:

IAS 19 (amended)	<i>Employee Benefits</i>
Annual Improvements to IFRSs	<i>(2010 – 2012) Cycle</i>
Annual Improvements to IFRSs	<i>(2011 – 2013) Cycle</i>

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	<i>Financial Instruments</i>
IFRS 14	<i>Regulator Deferral Accounts</i>
IFRS 15	<i>Revenue from Contracts with Customers</i>
IFRS 16	<i>Leases</i>
Annual Improvements to IFRSs	<i>(2012 – 2014) Cycle</i>

The Directors of the Company (the "Directors") have assessed the provisions of the above standards and concluded that the adoption of these standards will not have a material impact on the financial statements of the Group in future periods, with the exception of:

- IFRS 16 – is expected to result in a material increase to both the assets and liabilities of the Group and will also impact the timing of recognition of operating costs. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed during 2018.

3. Significant accounting policies

Compliance with International Financial Reporting Standards

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

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2016 and 2017, with the exception of note 2.

Basis of preparation

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

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable return from its involvement with the investee; and has the ability to use its power to affect its returns.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

3. Significant accounting policies (continued)

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having considered the Group forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors' Report on page 68.

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.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group, representing the acquired Foxtons brand name, software and purchased contracts, 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. Purchased contracts and software are amortised on a straight line basis over their estimated useful economic lives of five years. Amortisation is included within administrative expenses in the consolidated statement of comprehensive income.

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:

- (1) Securing the letting for the landlord including rent collection; and
- (2) Managing the letting on behalf of the landlord.

Commissions earned on the above services are recognised as follows:

- (1) Commissions on securing the letting are recognised immediately subject to the following:
 - (a) a percentage of contracts have break clauses and may require a refund if the tenant breaks early for which the Group recognise an estimated lettings refund liability (see note 20) based upon the historical experience of commission repayments over the last 12 months; and
 - (b) a deferral of revenue in recognition that the Group is contracted to provide a rent collection service for the estimated duration of the outstanding tenancies and the related revenue associated with the service is recognised on a straight-line basis over that period.
- (2) The management fee is billed and recognised monthly at a fixed percentage of the monthly rental.

Commission earned on financial services is recognised when insurance policies go on risk and when mortgage contracts complete. Income from other services is recognised in the period or periods when the services are provided. Commission is recognised at fair value which takes account of expected future cancellations.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Interest income

The Group deposits its cash with reputable financial institutions. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The Group earns interest income on own funds which is shown as finance income. It also earns interest on client funds which is included within Lettings revenue. See note 28.

Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. 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.

Adjusted items

Adjusted items include costs or revenues which due to their size, incidence and departure from the Company's strategy require disclosure in the financial statements to give a true representation of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges together with any particular significant one-off items.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's current tax liability is calculated at the statutory rate for the period which in the year ended 31 December 2017 is a blended rate of 19.25 % (2016: 20%).

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and amended to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

3. Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets (other than land and assets under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Leasehold improvements	Over the term of the lease
Fixtures, fittings and equipment	Between 20% and 25% straight-line
Motor vehicles	25% straight-line

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

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

Capitalisation of expenditure on new branches totalled £1,533k (2016: £4,628k) and is reflected in leasehold improvements £1,411k (2016: £4,172k) and fixtures, fittings and equipment £122k (2016: £456k). Depreciation is charged on assets once the office set up is complete.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value plus transaction costs.

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

Loans and receivables

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

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

Impairment of financial assets

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

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

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

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

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

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

Effective interest method

The effective interest method is used in calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Valuation of share options

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Critical judgements in applying the Group's accounting policies

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

Revenue recognition – Estimate of lettings refund liability

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

Useful economic life of the brand

The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows.

Client funds

Client monies and the associated liabilities are not shown on the consolidated balance sheet because the Company treats the monies as belonging to clients and not as its own funds, (note 28 refers). Client monies are held by the Company in specifically designated client accounts and, on that basis, the Company expects that, in the event of the Company becoming insolvent, such monies would be ring-fenced and not be available to the Company's creditors as a whole. They are not available for offset against any other account held with the bank. Treatment of client monies are subject to Association of Residential Lettings Agency Rules.

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 the balance sheet date was £120.1 million. There have been no impairments to the value of goodwill and intangible assets. See note 14 for details of the tests for impairment.

Notes to the Financial Statements (continued)

5. Business and geographical segments

Products and services from which reportable segments derive their revenues

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Directors are the chief operating decision-makers in accordance with the requirements of IFRS 8 'Operating segments'.

The operating and reportable segments of the Group are (i) Sales, (ii) Lettings and (iii) Mortgage Broking.

The Sales segment generates commission on sales of residential property. The Lettings segment earns fees from the letting and management of residential properties and income from interest earned on tenants' deposits. As these two segments operate out of the same premises and share support services, a significant proportion of costs have to be apportioned between the segments. The basis of apportionment used is headcount in each segment.

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

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 before tax for the period earned by each segment before allocation of finance costs, finance income, depreciation, amortisation, profit on disposal of fixed assets, share based payments and Adjusted items. This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance.

Adjusted items include costs or revenues which due to their size, incidence and departure from the Group's strategy require disclosure in the financial statements to give a true representation of the underlying performance of the Group and allow comparability of performance from one period to another.

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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 December 2017:

	Notes	Sales £'000	Lettings £'000	Mortgage Broking £'000	Consolidated £'000
Revenue		42,583	66,314	8,751	117,648
Contribution ¹		25,107	48,633	4,362	78,102
Contribution margin ²		59.0%	73.3%	49.8%	66.4%
Adjusted EBITDA		1,182	12,120	1,749	15,051
Adjusted EBITDA margin		2.8%	18.3%	20.0%	12.8%
Depreciation					(4,847)
Amortisation					(101)
Profit on disposal of property, plant and equipment					59
Adjusted items	9				(2,277)
Finance income					1
Finance cost					(70)
Share based payment charge					(1,292)
Profit before tax					6,524

1. Contribution is defined as revenue less directly attributable salary costs and bad debts in each business unit.

2. Contribution margin is defined as Contribution divided by revenue.

3. 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 14.

5. 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 2016:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Consolidated £'000
Revenue	55,489	68,349	8,850	132,688
Contribution ¹	33,971	50,234	4,154	88,359
Contribution margin ²	61.2%	73.5%	46.9%	66.6%
Adjusted EBITDA	7,021	16,155	1,425	24,601
Adjusted EBITDA margin	12.7%	23.6%	16.1%	18.5%
Depreciation				(4,949)
Amortisation				(101)
Profit on disposal of property, plant and equipment				113
Adjusted items				–
Finance income				34
Finance cost				(80)
Share based payment charge				(854)
Profit before tax				18,765

1. Contribution is defined as revenue less directly attributable salary costs and bad debts in each business unit.

2. Contribution margin is defined as Contribution divided by revenue.

3. 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 14.

6. Profit and total comprehensive income for the year

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

	2017 £'000	2016 £'000
Operating leases	12,995	13,427
Depreciation of property, plant and equipment	4,847	4,949
Amortisation of intangible assets	101	101
Adjusted items	2,277	–
Gain on disposal of property, plant and equipment	(59)	(113)
Impairment loss on trade receivables	455	419
Staff costs (see note 8)	63,379	67,067

Notes to the Financial Statements (continued)

7. Auditor's remuneration

	2017 £'000	2016 £'000
The audit of the Company	97	78
The audit of the Company's subsidiaries	75	79
Total audit fees	172	157
Taxation compliance services	–	169
Other taxation advisory services	–	43
Other assurance services	4	3
Interim review	21	21
Total non-audit fees	25	236

Details of the Company's policy on the use of Auditors for non-audit services, the reasons why the Auditor was used rather than another supplier and how the Auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on page 49. No services were provided pursuant to contingent fee arrangements. In light of the new EU restrictions regarding non-audit services, the Group appointed PwC to provide tax compliance services with effect from 2016. As such, non-audit fees for the current year were minimal.

8. Staff costs

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

	2017 Number	2016 Number
Sales	704	847
Administration	466	490
	1,170	1,337

Their aggregate remuneration comprised:

	2017 £'000	2016 £'000
Wages and salaries	56,811	60,149
Social security costs	6,292	6,625
Pension costs	276	293
	63,379	67,067

9. Adjusted items

	2017 £'000	2016 £'000
Lease exit costs	1,218	–
Reorganisation costs	1,059	–
	2,277	–

Lease exit costs comprised costs associated with exiting a small number of prospective branches which are no longer required, and in the case of one property, the recognition of an onerous lease provision.

Reorganisation costs comprised costs associated with a limited number of staff changes.

10. Finance income

	2017 £'000	2016 £'000
Interest income on bank deposits	1	34

11. Tax

	2017 £'000	2016 £'000
Current tax		
Current period UK corporation tax	1,874	4,065
Adjustments in respect of prior periods	81	(231)
Total current tax	1,955	3,834
Deferred tax		
Origination and reversal of temporary differences	(749)	–
Impact of change in tax rate	67	(990)
Adjustment in respect of prior periods	(98)	199
Total deferred tax	(780)	(791)
Tax on profit on ordinary activities	1,175	3,043

Corporation tax for the year ended 31 December 2017 is calculated at 19.25% (year ended 31 December 2016: 20%) of the estimated taxable profit for the period.

From 1 April 2017, the UK corporate tax rate fell from 20% to 19%.

For the year starting 1 April 2020, the UK corporate tax rate will reduce to 17%. This reduction has resulted in a deferred tax credit of £1.0 million in the year ended 31 December 2016 relating to the intangible brand asset.

The deferred tax adjustment in respect of prior periods relates primarily to temporary differences for the prior year for both 2017 and 2016.

The origination and reversal of temporary differences includes a credit of £572k representing the recognition that it has now become probable that there will be future taxable profits available to be utilised against certain tax losses brought forward.

Notes to the Financial Statements (continued)

11. Tax (continued)

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

	2017 £'000	2016 £'000
Profit before tax	6,524	18,765
Tax at the UK corporation tax rate (see above)	1,266	3,753
Tax effect of expenses that are not deductible in determining taxable profit	423	545
Offset of losses brought forward	–	(169)
Other short-term timing differences	146	(64)
Adjustment in respect of previous periods – current tax	81	(231)
Adjustment in respect of previous periods – deferred tax	(98)	199
Impact on deferred tax of change in tax rate	67	(990)
Recognition of a deferred tax asset	(710)	–
Tax on profit on ordinary activities	1,175	3,043

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit.

The deferred tax asset that has been recognised in the current year of £710k is in respect of interest on the renewal of an inter-company loan where it has now become probable that there will be future taxable profits available to be utilised against certain tax losses brought forward.

12. Dividends

	2017 £'000	2016 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 December 2016: 0.33p (2016: 6.23p) per ordinary share	908	17,108
Interim dividends year ended 31 December 2017: 0.43p (2016: 1.67p) per ordinary share	1,181	4,586
	2,089	21,694

For 2017, the Board proposes a final dividend of 0.27p per ordinary share (£0.7 million) to be paid in May 2018.

These financial statements do not reflect this dividend payable.

13. Earnings per share

	2017 £'000	2016 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	5,349	15,722
Adjusted items*	1,909	–
	7,258	15,722
* Adjusted items totalling £2,277k per note 9, less associated tax of £368k, resulting in an after tax cost of £1,909k.		
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	274,791,016	275,161,239
Effect of dilutive potential ordinary shares	727,703	786,455
Weighted average number of ordinary shares for the purpose of diluted earnings per share	275,518,719	275,947,694
Basic and diluted earnings per share (in pence per share)	1.9	5.7
Adjusted earnings per share (in pence per share)	2.6	5.7

14. Intangible assets

	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Cost					
At 1 January 2017	19,168	99,000	728	494	119,390
Additions	–	–	972	–	972
At 31 December 2017	19,168	99,000	1,700	494	120,362

Software additions of £972k (2016:£715k) relate to a project under development. Amortisation will commence on completion of the project.

	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Accumulated amortisation					
At 1 January 2017	–	–	–	118	118
Charge for the period	–	–	–	101	101
At 31 December 2017	–	–	–	219	219

	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Carrying amount					
At 31 December 2017	19,168	99,000	1,700	275	120,143
At 1 January 2017	19,168	99,000	728	376	119,272

Notes to the Financial Statements (continued)

14. Intangible assets (continued)

	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Cost					
At 1 January 2016	19,168	99,000	13	505	118,686
Additions	–	–	715	(11)	704
At 31 December 2016	19,168	99,000	728	494	119,390
	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Accumulated amortisation					
At 1 January 2016	–	–	–	17	17
Charge for the period	–	–	–	101	101
At 31 December 2016	–	–	–	118	118
	Goodwill £'000	Brand £'000	Software £'000	Purchased contracts £'000	Total £'000
Carrying amount					
At 31 December 2016	19,168	99,000	728	376	119,272
At 1 January 2016	19,168	99,000	13	488	118,669

Goodwill for the years ended 31 December 2016 and 2017 has been allocated to segments as follows: Sales £9,819k, Lettings £9,349k and Mortgage Broking (£nil).

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

The recoverable amount of the above has been calculated using value in use determined from cash flow projections from formally approved budgets and forecasts covering a three year period for each cash-generating unit (CGU). The key assumptions in determining the cash flows are expected changes in sales and lettings volumes and direct costs to be incurred during the forecast period. These assumptions are based upon a combination of past experience of recently observable trends and expectations of future changes in the market.

To evaluate the recoverable amount of each CGU or group of CGUs, a terminal value has been assumed after the third year and includes a growth rate in the cash flows of 2% (2016: 2%) into perpetuity. The discount rates used reflect the risks specific to the CGUs.

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

The pre-tax rate used to discount cash flows from Sales is 9.9% (2016: 9.9%), from Lettings is 9.4% (2016: 9.4%) and from the aggregation of Sales and Lettings is 9.7% (2016: 9.7%).

The Group has conducted a sensitivity analysis on the impairment test of each CGU and the brand asset. This has been based on changes to key assumptions that are considered by management to be reasonably possible. These include a 1% increase in the discount rate, a 1% change in the long term growth rate from 2020 onwards, a 20% underperformance in Sales revenue and a 5% underperformance in Lettings revenue after allowing for cost mitigating actions. The sensitivity analysis shows that no impairment would arise under each scenario for any of the CGUs or the brand asset.

It is management's view that given the relative stability of the Lettings CGU that any Group sensitivity to impairment is driven primarily by the business performance of the Sales CGU. Assuming a reduction of greater than 20% in sales revenue, and including appropriate cost mitigation, the headroom in relation to the Sales CGU is removed. A reduction greater than 24% removes the headroom in relation to the brand asset.

15. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2017	33,844	14,153	2,657	789	51,443
Additions	65	398	77	967	1,507
Disposals	(1,071)	(330)	(749)	(69)	(2,219)
Reclassification/transfer	1,411	122	–	(1,533)	–
At 31 December 2017	34,249	14,343	1,985	154	50,731
	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Accumulated depreciation					
At 1 January 2017	12,848	9,811	707	–	23,366
Charge for the period	2,519	1,655	673	–	4,847
Disposals	(672)	(301)	(518)	–	(1,491)
At 31 December 2017	14,695	11,165	862	–	26,722
	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount					
At 31 December 2017	19,554	3,178	1,123	154	24,009
At 1 January 2017	20,996	4,342	1,950	789	28,077

Notes to the Financial Statements (continued)

15. Property, plant and equipment (continued)

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2016	29,437	12,800	1,875	1,876	45,988
Additions	320	897	1,538	3,541	6,296
Disposals	(85)	–	(756)	–	(841)
Reclassification/transfer	4,172	456	–	(4,628)	–
At 31 December 2016	33,844	14,153	2,657	789	51,443
	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Accumulated depreciation					
At 1 January 2016	10,264	8,093	615	–	18,972
Charge for the period	2,584	1,718	647	–	4,949
Disposals	–	–	(555)	–	(555)
At 31 December 2016	12,848	9,811	707	–	23,366
	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor Vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount					
At 31 December 2016	20,996	4,342	1,950	789	28,077
At 1 January 2016	19,173	4,707	1,260	1,876	27,016

16. Subsidiaries

A list of the investments in subsidiaries is included below:

Name	Place of incorporation and operation ¹	Principal activity	Proportion of ownership interest held in ordinary shares %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited ²	United Kingdom	Holding company	100%	100%
Foxtons Operational Holdings Limited	United Kingdom	Holding company	100%	100%
Foxtons Limited	United Kingdom	Estate agency	100%	100%
Alexander Hall Associates Limited	United Kingdom	Mortgage broker	100%	100%
Alexander Hall Direct Limited	United Kingdom	Dormant	100%	100%

1. All subsidiaries have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE.
2. Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.

17. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	8,607	9,225
Allowance for doubtful debts	(1,887)	(1,974)
Net trade receivables	6,720	7,251
Other debtors	362	502
	7,082	7,753

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 on exchange of sales contract or signing of lettings contract are due immediately, albeit in the case of lettings they may be collected over time through initial rental payments received. For sales, the vast majority of our receivables are received directly from the conveyancing lawyer working on behalf of the vendor. These processes facilitate the prompt collection of receivables. Our negotiators track payment and are incentivised to collect these receivables promptly as commission is based on amounts received in cash. Should a debt become 21 days overdue this is referred to our legal department unless there is a valid reason to the contrary. Outstanding debts are also monitored by Branch Managers and Area Directors. The finance team liaises closely with the legal team and is notified should it be decided that a debt is unlikely to be recovered. The Group has recognised an allowance for doubtful debts of 100% against all receivables over 180 days because historical experience has been that receivables which are past due beyond 180 days are not recoverable. Allowances against doubtful debts recognised against trade receivables between 30 days and 180 days are based on estimated irrecoverable amounts when information comes to our attention that a receivable is irrecoverable.

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 as we are not aware of any information to suggest that there has been a significant change in credit quality and consequently the amounts are still considered recoverable.

Trade debtor days at the year end were 21 days (2016: 21 days).

Movement in the allowance for doubtful debts

Foxtons Group plc	Allowance for doubtful debts £'000
At 31 December 2015	(1,722)
Amounts provided for during the period	(419)
Amounts utilised during the period	167
At 31 December 2016	(1,974)
Amounts provided for during the period	(455)
Amounts utilised during the period	542
At 31 December 2017	(1,887)

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.

Notes to the Financial Statements (continued)

17. Trade and other receivables (continued)

Ageing of receivables	2017			2016		
	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000
0 – 30 days	3,773	–	3,773	4,152	–	4,152
30 – 60 days	1,610	–	1,610	1,504	–	1,504
61 – 90 days	664	–	664	509	–	509
91+ days	2,560	(1,887)	673	3,060	(1,974)	1,086
	8,607	(1,887)	6,720	9,225	(1,974)	7,251

The analysis of the age of financial assets which are past due at the end of the reporting period but not impaired is shown above as "net trade receivables". All of the receivables in the table above are past due but not impaired, with the exception of those included in the category 91+ days.

18. 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:

	2017 £'000	2016 £'000
Deferred tax assets	1,015	468
Deferred tax liabilities	(16,830)	(16,830)
	(15,815)	(16,362)

Deferred tax liabilities 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 or sold by the Group.

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

Foxtons Group plc	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 1 January 2016	(53)	128	219	(17,820)	(17,526)
(Charge)/credit to profit or loss	(37)	430	(219)	990	1,164
At 31 December 2016	(90)	558	–	(16,830)	(16,362)
(Charge)/credit to profit or loss	89	(78)	536	–	547
At 31 December 2017	(1)	480	536	(16,830)	(15,815)

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that it is probable that these assets will be recovered through future taxable profits. The deferred tax credit of £nil (2016: £0.99 million) in respect of intangible assets arose as a result of reduction in future corporation tax rates.

Tax losses carried forward

A deferred tax asset totalling £0.5 million (2016: £nil) has been recognised in relation to tax losses brought forward. This relates to £3.0 million (2016: £nil) of unused tax losses in Foxtons Intermediate Holdings Limited at 31 December 2017. Foxtons Intermediate Holdings Limited has £39.0 million of unused losses (2016: £42.7 million) for which a deferred tax asset has not been recognised on the basis that it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

19. Trade and other payables

	2017 £'000	2016 £'000
Trade creditors	1,741	1,563
Social security and other taxes	2,469	2,468
VAT	885	851
Accruals	6,417	6,280
Other creditors	1,122	151
	12,634	11,313

Other creditors include an amount of £1,014k for Adjusted items (2016: £nil).

The Directors consider that the carrying amount of trade payables approximates to their fair value. The average trade creditor days as at 31 December 2017 were 17 days (31 December 2016: 15 days).

20. Deferred revenue and lettings refund liability

	2017 £'000	2016 £'000
Deferred revenue	466	406
Lettings refund liability	4,058	4,067
	4,524	4,473

21. Provisions

Foxtons Group plc	Sales provision £'000	Provision for Adjusted items £'000	Legal and other provision £'000	Total £'000
At 1 January 2017	223	–	63	286
Increase in provision	63	453	565	1,081
Utilisation of provision	–	–	(60)	(60)
At 31 December 2017	286	453	568	1,307

All provisions are classified as current liabilities.

Sales provision

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

Provision for Adjusted items

This provision relates to the rent service charges under an onerous lease which Foxtons Limited has no intention to occupy during the lease term.

Legal and other provision

These relate mainly to legal and other costs that are incurred in the ordinary course of business.

Notes to the Financial Statements (continued)

22. Share capital

	2017 £'000	2016 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January	2,751	2,817
Share buyback	–	(66)
At 31 December	2,751	2,751

At 1 January 2017, the Company had 275,104,391 ordinary shares (1 January 2016: 281,666,185) with nil (2016: 6,561,794) repurchased at a cost of £nil million (2016: £11.1 million) with nominal value of £nil (2016: £66k). As at 31 December 2017, the Company has 275,104,391 ordinary shares (2016: 275,104,391). Shares purchased during 2016 were cancelled.

The nominal value of shares purchased in 2016 was transferred to the Capital Redemption Reserve.

23. Own shares held

	2017 £'000	2016 £'000
Balance at 1 January	1,540	1,540
Utilised in period	(820)	–
Balance at 31 December	720	1,540

The own shares reserve represents the cost of shares in Foxtons Group plc purchased in the market and held by the Foxtons Group plc Employee Benefit Trust to satisfy options under the Group's share options schemes (see note 29). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2017 was 233,914 (2016: 500,000).

24. Notes to the cash flow statement

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents excludes client monies. See note 28.

25. Operating lease arrangements

The Group as lessee

	2017 £'000	2016 £'000
Lease payments under operating leases recognised as an expense in the period	12,995	13,427

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:

	2017 £'000	2016 £'000
Within one year	12,126	12,119
In the second to fifth years inclusive	38,337	39,601
After five years	37,011	43,776
	87,474	95,496

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

The Group as lessor

	2017 £'000	2016 £'000
Lease receipts under operating leases recognised in the period	336	343

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

	2017 £'000	2016 £'000
Within one year	286	286
In the second to fifth years inclusive	761	936
After five years	–	–
	1,047	1,222

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

Notes to the Financial Statements (continued)

26. 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 whilst maximising the return to Shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, undertake share buy-backs, return capital to Shareholders, issue new shares or negotiate debt facilities.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2017, the threshold was £213k (2016: £215k), for which the entity is in compliance.

Gearing ratio

The gearing ratio at each period end is as follows:

	2017 £'000	2016 £'000
Cash and cash equivalents	18,630	9,476
Net funds/(debt)	18,630	9,476
Equity	140,922	136,641
Net funds to equity ratio	(13)%	(7)%

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

Categories of financial instruments

	2017 £'000	2016 £'000
Financial assets		
Cash and bank balances	18,630	9,476
Loans and receivables	7,082	7,753
Financial liabilities		
Financial liabilities recorded at amortised cost	(10,165)	(8,845)

Financial risk management objectives

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

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see note 28).

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole period.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit before tax and total equity for the 12 months ended 31 December 2017 would increase/decrease by £1.1 million (year ended 31 December 2016: decrease/increase by £1.0 million).

26. Financial instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Trade receivables consist of a large number of customers and are monitored on an ongoing basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any counterparty did not exceed 1% of gross monetary assets at any time during the period.

The credit risk on liquid funds is considered to be limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Client funds (see note 28) are held with three financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the Government guarantees amounts of up to £85,000 each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

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

	Less than 1 month £'000
31 December 2017	
Cash and cash equivalents	18,630
Trade and other receivables	7,082
Trade and other payables	(12,634)
	13,078
31 December 2016	
Cash and cash equivalents	9,476
Trade and other receivables	7,753
Trade and other payables	(11,313)
	5,916

Notes to the Financial Statements (continued)

26. Financial instruments (continued)

The Group does not hold any financial instruments categorised as level 1, 2 or 3 by IFRS 13.

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

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

	2017 £'000	2016 £'000
Cash and cash equivalents	18,630	9,476
Trade and other receivables	7,082	7,753
Trade and other payables	(12,634)	(11,313)

27. 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.

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. Our definition of key management personnel in the year includes the Executive and Non-Executive Directors of Foxtons Group plc and the Chief Operating Officer of Foxtons Limited.

	2017 £'000	2016 £'000
Short-term employee benefits	1,972	2,079
Share-based payments	398	94
	2,370	2,173

28. Client monies

At 31 December 2017, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £88.1 million (31 December 2016: £87.4 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.

29. Share based payments

Equity-settled share option scheme

During the year the Company introduced a new Share Option Plan (SOP) for executives and a limited number of senior staff. The awards have been made in the form of an option with an option price of 105.667p. The vesting period is circa five years. If the options remain unexercised after a period of ten years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions as detailed in the plan rules set out in the table on page 57.

The Company also has a number of outstanding share option schemes for employees of the Group from prior years. These awards have been made in the form of an option with a nil option price. The vesting period is under three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions as detailed in the plan rules as set out in the table on page 57.

Employer's NI is being accrued, where applicable, at the rate of 13.8% which management expects to be the prevailing rate at the time the options are exercised. The total NI charge for the year was £37,520 (2016: £12,177).

Details of the share options outstanding during the year are as follows.

	2017 £'000		2016 £'000	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	6,484,337	—	2,896,837	—
Granted during the period	13,350,000	£1.05667	3,743,842	Nil
Forfeited during the period	(1,292,390)	—	(156,342)	—
Exercised during the period	(266,086)	—	—	—
Outstanding at the end of the period	18,275,861	£0.77187	6,484,337	Nil
Exercisable at the end of the period	110,434	—	—	—

The options outstanding at 31 December 2017 had a weighted average remaining contractual life of 9 years (2016: 9 years).

In 2017, options were granted on 17 May 2017 and 28 July 2017. The aggregate of the estimated fair values of the options granted is £4.4 million (2016: £4.1 million). The inputs into the Black-Scholes and Monte Carlo models are as follows:

	2017	2016	2015
Weighted average share price	103p	157p	190p
Weighted average exercise price	106p	Nil	Nil
Expected volatility	45%	27.6%	27%
Expected life	6.50 years	2.96 years	2.96 years
Risk-free rate	0.63%	0.58%	0.9%
Expected dividend yield	1.95%	7.53%	4.8%

Expected volatility was determined by calculating the historical volatility of the share price of comparable listed companies over the previous 3 years. This is estimated based on comparable companies in line with IFRS 2 as there was insufficient historical information for Foxtons as it listed in September 2013. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of £1,255k (net of NI) in the year ended 31 December 2017 (2016: £842k) related to equity-settled share-based payment transactions.

A summary of the main features of each scheme is given below.

Share option plan (SOP)

Awards are subject to a TSR performance condition and vest over a five year period, with discretion available to the Remuneration Committee.

Notes to the Financial Statements (continued)

29. Share based payments (continued)

Long term incentive plan (LTIP)

Awards are subject to market and non-market performance conditions and vest over a three year period, with discretion available to the Remuneration Committee.

Senior management long term incentive plan (SLTIP)

Awards are subject to market and non-market performance conditions and vest over a three year period, with discretion available to the Remuneration Committee.

Restricted share incentive plan (RSIP)

Awards are subject to non-market performance conditions and vest over a three year period, with discretion available to the Remuneration Committee.

30. Operating cash conversion and net free cash flow

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

	2017 £'000	2016 £'000
Adjusted EBITDA	15,051	24,601
Decrease in receivables	11	4,819
Increase in payables	1,334	195
Adjusted items included in payables and provisions	(1,467)	–
Increase in provisions	1,021	91
Purchases of property, plant and equipment	(1,507)	(6,296)
Purchases of intangibles	(972)	(704)
Proceeds on disposal of property, plant and equipment	340	399
Adjusted operating cash	13,811	23,105
Operating cash conversion	91.8%	93.9%

Net free cash flow is used as a measure of financial performance and is highlighted on page 1. It is defined as net cash from operating activities less net cash used in investing activities.

	2017 £'000	2016 £'000
Net cash from operating activities	13,451	23,385
Investing activities		
Interest received	1	34
Proceeds on disposal of property, plant and equipment	340	399
Purchases of property, plant and equipment	(1,507)	(6,296)
Purchases of intangibles	(972)	(704)
Net cash used in investing activities	(2,138)	(6,567)
Net free cash flow	11,313	16,818

Parent Company Statement of Financial Position

	Notes	2017 £'000	2016 £'000
Non-current assets			
Investment in subsidiaries	33	33,984	32,729
		33,984	32,729
Current assets			
Trade and other receivables	34	23,919	27,441
Cash and cash equivalents		7	4
		23,926	27,445
Current liabilities			
Trade and other payables	35	(561)	(568)
Net current assets		23,365	26,877
Net Assets		57,349	59,606
Equity			
Share capital	22	2,751	2,751
Other capital reserve	36	2,582	2,582
Capital redemption reserve	22	71	71
Own shares reserve	23	(720)	(1,540)
Share premium		–	–
Retained earnings		52,665	55,742
Equity attributable to owners of the Company		57,349	59,606

The Company reported a loss for the financial year ended 31 December 2017 of £1.4 million (2016: £13.4 million profit).

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 27 February 2018.

Signed on behalf of the Board of Directors



Mark Berry
Chief Financial Officer

Parent Company Statement of Changes in Equity

	Notes	Share capital £'000	Own shares reserve £'000	Capital redemption reserve £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2016		2,751	(1,540)	71	2,582	–	55,742	59,606
Total comprehensive loss for the year							(1,422)	(1,422)
Dividends	12						(2,089)	(2,089)
Exercise of shares from EBT	23		820				(820)	–
Share buy-back	22						–	–
Capital contribution given relating to share based payments	33						1,254	1,254
Balance at 31 December 2017		2,751	(720)	71	2,582	–	52,665	57,349

	Notes	Share capital £'000	Own shares reserve £'000	Capital redemption reserve £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2015		2,817	(1,540)	5	2,582	52,727	21,636	78,227
Total comprehensive income for the year		–	–	–	–	–	13,418	13,418
Dividends	12	–	–	–	–	–	(21,694)	(21,694)
Share premium cancellation net of transaction costs	22	–	–	–	–	(52,727)	52,703	(24)
Share buy-back	22	(66)	–	66	–	–	(11,163)	(11,163)
Capital contribution given relating to share based payments	33	–	–	–	–	–	842	842
Balance at 31 December 2016		2,751	(1,540)	71	2,582	–	55,742	59,606

At 31 December 2017, retained earnings is fully distributable.

Notes to the Company Financial Statements

31. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2016 and 2017. The principal accounting policies adopted are the same as those set out in note 3 and 4 to the consolidated financial statements except as noted below.

Basis of preparation

The Company's financial statements are prepared in accordance with the Companies Act 2006. The Company meets the definition of FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2016 the Company decided to adopt FRS 101 and has undergone transition from reporting under UK GAAP to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. This transition is not considered to have a material effect on the financial statements. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments made to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective date of accounting periods beginning on or after 1 January 2016.

Investments in subsidiary companies

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

Going concern

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

32. Loss/(profit) for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the financial year. The Company's loss for the year was £1.4 million (2016: £13.4 million profit).

The Company has no employees at 31 December 2017 (2016: none).

The Auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

33. Investment in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	£'000
At 31 December 2015	31,887
Capital contribution arising from share based payments	842
At 31 December 2016	32,729
Capital contribution arising from share based payments	1,255
At 31 December 2017	33,984

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

The subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in note 16 to the consolidated financial statements.

Notes to the Company Financial Statements (continued)

34. Trade and other receivables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	23,864	27,370
Prepayments and accrued income	55	71
	23,919	27,441

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

35. Trade and other payables

	2017 £'000	2016 £'000
Amounts falling due within one year:		
Accruals	(561)	(568)

36. Other capital reserve

	2017 £'000	2016 £'000
Balance at 1 January and 31 December	2,582	2,582

Prior to IPO a ratchet mechanism reduced the number of shares in issue resulting in a reduction in share capital and transfer to the other capital reserve.

Independent Auditor's Report to the Members of Foxtons Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Foxtons Group plc (the 'parent company') and its subsidiaries (the 'Group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was the impairment of goodwill and other intangible assets.
Materiality	The materiality that we used for the Group financial statements was £1.5 million which was determined on the basis of 5% of the Group's average profit before tax, before adjusted items, over a five year period (2013 – 2017).
Scoping	Our Group audit scope covers 100% of the Group companies, with each entity audited to a statutory materiality appropriate for the individual entity.
Significant changes in our approach	In the prior year we identified revenue recognition in respect of lettings commission as a key audit matter. We have performed a detailed risk assessment process as part of our audit and no longer include this as a key audit matter within our audit report.

Independent Auditor's Report to the Members of Foxtons Group plc (continued)

Conclusions relating to going concern, principal risks and viability statement

Going concern

We have reviewed the directors' statement in note 1 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Principal risks and viability statement

Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to:

- the disclosures on pages 27-29 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation on page 43 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the directors' explanation on page 30 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.

We confirm that we have nothing material to report, add or draw attention to in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill and other intangible assets	
Key audit matter description	The Group's value of goodwill and other intangible assets as at 31 December 2017 totalled £120.1 million (2016: £119.3 million), of which £99 million (2016: £99 million) relates to the Foxtons brand. In combination, these assets represent 85% (2016: 87%) of the Group's balance sheet net asset value. Assessment of impairment of goodwill and other intangible assets is a judgemental process, which requires consideration of the value in use of the cash generating units (the Sales and Lettings businesses). The Sales market continues to be challenging and the impairment assessment is particularly sensitive to the future trading results of the Sales business. The weak Sales market has resulted in the headroom available in the Sales CGU and consequently the brand asset reducing in the year. Calculating the value in use requires estimates of future cash flows of these businesses and associated discount rates and growth rates. Given the significant level of judgement required, we identified this key audit matter as a potential fraud risk area. Further information in this area is discussed in the Audit Committee report on page 48, the significant accounting policies in note 3, critical accounting judgements and key sources of estimation uncertainty in note 4 and the disclosures in note 14.
How the scope of our audit responded to the key audit matter	We have challenged management's key assumptions relating to the estimated future cash flows, growth rates and the discount rate applied through assessment of cash flow forecasts against historical performance and forecast accuracy and consideration of available third party market forecast data. We used our own valuation specialists to produce an independent calculation of the discount rate against which we assessed management's assumptions. We have considered the appropriateness of the sensitivities applied by management, recalculated the headroom available under the sensitised positions and assessed the associated disclosures in the financial statements in relation to the impairment review.
Key observations	Based upon the work performed, we concur with the Directors' conclusion that the carrying value of the goodwill and other intangible assets is not impaired. We concluded that the key assumptions management used to calculate the value in use were within an acceptable range and that the value in use supports the carrying value of the goodwill and other intangible assets. We concur the disclosures made in the financial statements are appropriate.

Independent Auditor's Report to the Members of Foxtons Group plc (continued)

Our application of materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.5 million (2016: £1.7 million).	£0.8 million (2016: £1.1 million).
Basis for determining materiality	We have determined materiality on the basis of 5% of the Group's average profit before tax, before Adjusted items, over a five year period (2013 – 2017). This equates to 1.1% of net assets.	Parent company materiality equates to less than 2% of net assets (2016: 2%) and is capped at 55% (2016: 64%) of Group materiality.
Rationale for the benchmark applied	Professional judgement was applied in determining an appropriate level of materiality and we considered a number of measures with reference to the Group's performance. Given the cyclical nature of the industry, we concluded that it would be appropriate to determine materiality with reference to a five year average of profit before tax, profit before tax being a key metric used both externally and internally to provide an understanding of the trading performance of the business. In our professional judgement this approach provides a more stable basis in an industry that is inherently exposed to market volatility.	The parent company does not trade, as a result a profitability metric is not key to understanding the performance of the business. The parent company holds material investments in subsidiaries and intercompany receivables. As a result in our professional judgement the net assets of the parent company are the key metric of the parent company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £74,000 (2016: £83,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope covers 100% (2016: 100%) of the Group companies, all of which are UK legal entities with the full scope audit procedures performed entirely by the central audit team using a statutory materiality appropriate for each entity which was lower than Group materiality and ranged from £0.1 million to £1.4 million (2016: £0.1 million to £1.6 million). At the parent company level, we also tested the consolidation process.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- *Audit committee reporting* – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Independent Auditor's Report to the Members of Foxtons Group plc ***(continued)***

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Other matters

Auditor tenure

We were appointed by the company in January 2010 to audit the financial statements for the year ending 31 December 2009 and all subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 8 years.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).



Claire Faulkner (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

27 February 2018

Financial Calendar

2017 Financial Year

2017 financial year end	31 December 2017
Year end trading update	25 January 2018
Preliminary announcement	28 February 2018
Publish Annual Report and Accounts	April 2018
Ex-final dividend date	26 April 2018
Final record date	27 April 2018
AGM	17 May 2018
Final dividend payment date	25 May 2018

2018 Financial Year

1st quarter trading update	April 2018
Interim period end	30 June 2018
Announcement of interim results	July 2018
Interim ex-dividend date	August 2018
Interim record date	September 2018
Interim dividend payment date	September 2018
3rd quarter trading update	October 2018
2018 financial year end	31 December 2018
Year end trading update	January 2019
Preliminary announcement	February 2019
Publish Annual Report and Accounts	March 2019
Ex-final dividend date	April 2019
Final record date	April 2019
AGM	May 2019
Final dividend payment date	May 2019

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