



2014

Annual Report and Accounts
Foxtons Group plc

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

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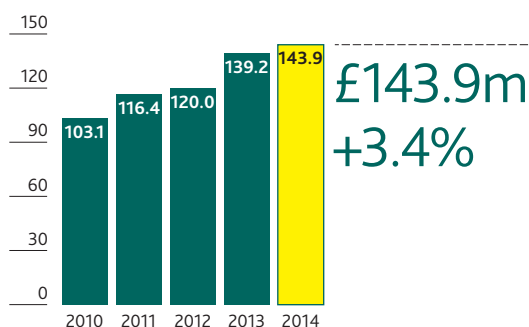
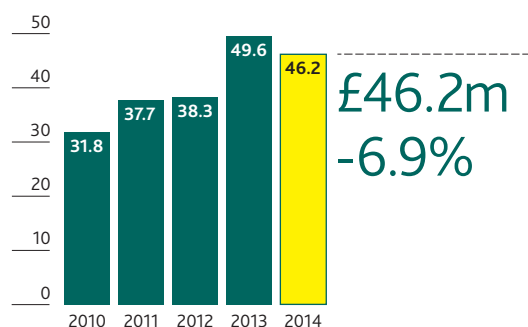
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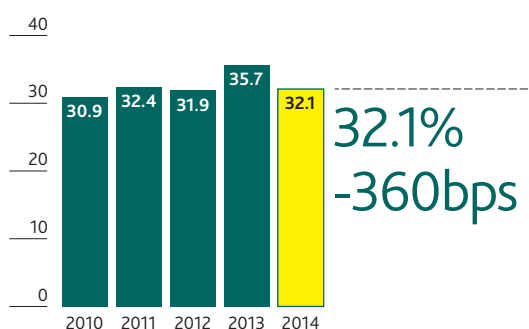
This Annual Report can be found on our website: www.foxtonsgroup.co.uk

Continued high margins and strong cash generation

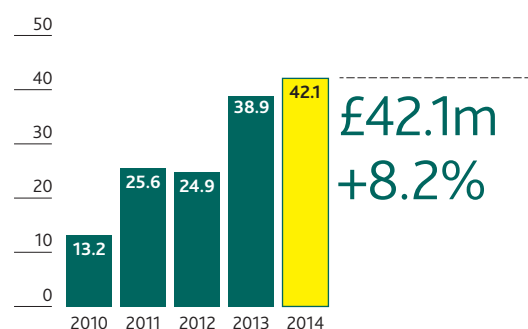
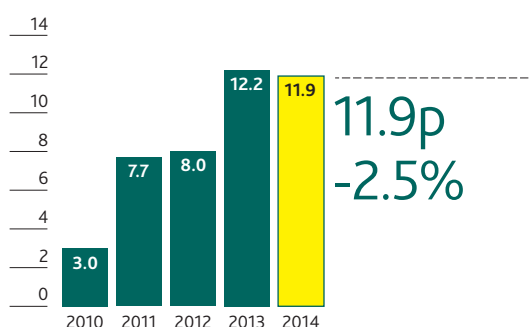
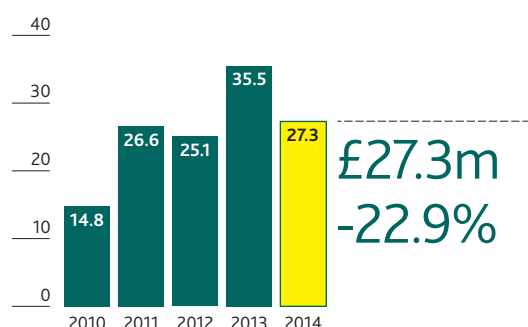
Revenue (£m)

Adjusted EBITDA¹ (£m)

Adjusted EBITDA margin (%)



Profit before tax (£m)

Basic earnings per share² (pence)Net free cash flow³ (£m)

1 Adjusted EBITDA is defined as profit before tax, finance costs, finance income, exceptional items, profit on disposal of assets, costs of the debt repayment incentive scheme and share based payments (refer to note 5, page 72 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 exclusive of exceptional items. (Refer to note 32, page 92 for a calculation of net free cash flow and page 85 for further analysis).

Continuing successful expansion



The attractive fundamentals of the London property market are as strong as ever. Foxtons is maintaining its organic growth strategy to ensure the long term success of the company and continued impressive conversion of profits into returns to Shareholders.

Overview

Revenue grew across all business streams despite a sharp downturn in the property sales market during the second half of the year. We do not anticipate any recovery in sales volumes prior to the General Election in May 2015, after which greater political and economic certainty may return. The balance of our business model was demonstrated again in the final quarter with lettings revenue growing 8% on quarter 4 of 2013. Margins remained in excess of 32% with Adjusted EBITDA of £46.2 million (2013: £49.6 million). The Company continued its growth across London by opening seven new branches bringing the total network to 51. Cash generation remains strong which allows the Company to propose a final and special dividend of 5.16p per share in total.

Board and governance

During the year Michael Brown stepped down as CEO; he remains on the Board as a Non-Executive Director ensuring that we retain his valuable experience within the company. Nic Budden was his natural successor having been the COO of Foxtons for nine years and having worked closely with Michael during that period. Nic was formally appointed to the Board on 1 July 2014. Stefano Quadrio Curzio stepped down from the Board on 1 October 2014 in line with the reduction in the shareholdings of the private equity funds advised by BC Partners. I would like to thank Stefano for his wise counsel to Foxtons over the years.

Dividend

The Group's dividend policy is to pay between 35% and 40% of profit after tax as ordinary dividends with the potential for special dividends to return excess cash to Shareholders. During 2014 an interim dividend of 1.77p per share plus a special dividend of 2.77p per share was paid in September 2014. The Board is proposing a final dividend for 2014 of 3.17p per share plus a further special dividend of 1.99p per share; bringing the total for the full year to 9.70p per share. The proposed dividends will, subject to Shareholder's approval at the AGM on 20 May 2015, be paid on 29 May 2015, to Shareholders on the register at 1 May 2015. Since IPO in September 2013 the Company will have returned £42.7 million of dividends to Shareholders inclusive of the above dividend proposal.

Summary

The attractive fundamentals of the London property market are as strong as ever. Our strategy continues to be the delivery of profitable growth through targeted organic expansion. The Group has continued to perform well taking into consideration the recent downturn in the London property sales market in the second half of the year. The Group has a dynamic and dedicated team of people all determined to build further on our success. I would like to take this opportunity on behalf of the Board to thank everyone at Foxtons for their commitment and hard work. With their continued support we can look forward with confidence to the future.

Garry Watts
Chairman

Delivering on our strategy



Despite challenging conditions in property sales markets during the second half of 2014, our innovative business model, effective expansion strategy and strong position in lettings enabled us to grow revenues and maintain high EBITDA margins.

Review of the year

2014 was a year of contrasting halves. The first half was characterised by a very strong property sales market with transactions reaching their highest levels since 2008. In the second half we saw a sharp downturn in property sales volumes, particularly in Central London.

Group revenue grew 3.4% versus prior year while Adjusted EBITDA fell by 6.9% to £46.2 million, reflecting the downturn in the property sales market during the second half of the year. Adjusted EBITDA margins remained strong at 32.1% (2013: 35.7%), a positive performance when set against the extremely favourable property sales market conditions in 2013 as well as the absorption of the first full year of costs associated with operating as a public company.

Foxtons property sales revenues grew 3.6% with increases in average property sales revenues of 7.5% being partially offset by lower property sales volumes resulting from the market downturn in the second half. The average price of Foxtons property sales increased by 10.3% to £544k (2013: £493k).

Our lettings business, which accounts for 46.8% of Group revenue and delivers EBITDA margins of 32.4%, improved significantly during Q4 2014 with growth in volumes leading to a 7.7% increase in Q4 revenue compared to the same period last year. Full year lettings revenue was 1.5% up on prior year.

Albeit from a low base, Alexander Hall, our mortgage broker continued to grow with revenue up 26.8% and Adjusted EBITDA of £736k (2013: £270k) up 172.6% compared to prior year.

The Group once again generated high levels of cash with an operating cash conversion ratio of 84.6% in 2014 (2013: 83.1%) and a net free cash flow of £27.3 million (2013: £35.5 million).

Expansion programme

We opened seven new Foxtons branches during the year and have a sufficient pipeline of new sites to complete our expansion plan for 2015. Like those before them, these most recent branches are performing in line with expectations and will support further profitable growth as they mature. The long-term outlook of the London market remains robust and we are committed to our organic growth strategy which delivers a high level of return on capital.

Awards

As well as achieving solid financial results, Foxtons was delighted to win many prestigious awards for its service, training, website and marketing, both nationally and internationally, including Best London Real Estate Agency at the International Property Awards and Best Customer Service at The Estate Agency Awards in association with the Sunday Times. These awards demonstrate the unwavering commitment of our people to delivering exceptional service to clients, day in, day out.

Outlook

The Group remains highly profitable, cash generative and debt free. Whilst we expect property sales activity to remain subdued at levels comparable to those seen in late 2012 and early 2013 until greater political and economic certainty returns, the long-term fundamentals of the London market remain sound and attractive. We continue to be confident that our organic expansion strategy together with our strong lettings business will enable us to grow revenue and profit even in a flat sales market.

Nic Budden
Chief Executive Officer

Note 1: Operating cash conversion is computed as adjusted operating cash flow/Adjusted EBITDA.
Adjusted operating cash flow is defined as the summation of Adjusted EBITDA, change in working capital and net capital spend.

Foxtons: The market leader

Foxtons Group is the leading London estate agency, offering residential property sales and lettings services through its network of 51 branches. The Group offers independent mortgage advice and other related services through Alexander Hall. Foxtons was founded in 1981 and the first branch opened in Notting Hill Gate in 1982. The Group focuses on the higher-volume, higher-value London property market. In 2014 Foxtons revenue was £144 million, generating £46.2 million of Adjusted EBITDA at a margin of 32.1%.

Market overview

Page 6

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

Strategy

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The Group has a clear strategy to grow profitability by:

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

Business model

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

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

Value creation

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



Attractive market fundamentals

The UK property market in terms of value and volume is concentrated in the south-east of the country. High property density and resilient prices in London and the south-east create a disproportionately valuable market in this area. Based on Land Registry data in 2013, London accounted for nearly half of all residential property sales transactions by value in England and Wales while the south-east accounted for over 80%. London also supports a very strong lettings market. Foxtons current and medium-term focus is on the London area with a longer-term opportunity in the south-east.

London focus

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

Although average prices are significantly higher in London than the rest of the country, over 90% of sales volume in London is transacted at prices below £1 million and 66% of sales volume is transacted in the price band £200k to £600k. With an average price during 2014 of £544k, Foxtons market profile mirrors that of the total London market.

The recent change in stamp duty announced by the UK Government (December 2014) is likely to have a favourable impact on volumes as less tax will actually be paid on transactions below £937k which is where the vast majority of volumes fall.

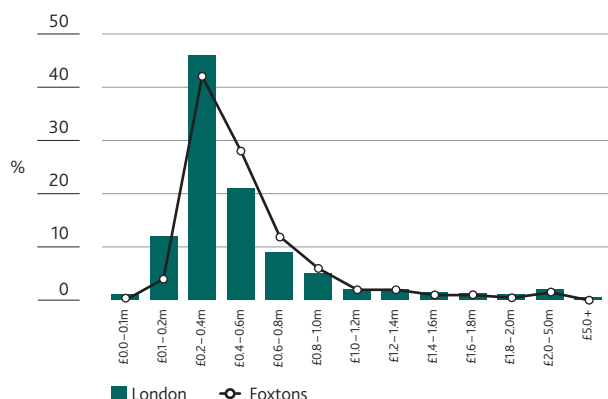
Potential for growth

Foxtons current and future focus continues to be on the higher-volume, higher-value London market. As at 31 December 2014, the Group operated 51 offices (49 located in London and two in Surrey). Foxtons currently operates in only a portion of London and so there is significant scope to expand and to grow revenue and profit even without any uplift in the overall market.

The lettings market in London is particularly strong and acts as a useful counter to the more volatile sales market. Foxtons aims for an equal emphasis on both sales and lettings.

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

London property sales market profile



Nearly
50%
of all residential property
sales transactions in
England and Wales by
value in 2013 occurred
within London

Over
80%
of all residential property
sales transactions in
England and Wales by
value in 2013 occurred
within the south-east



Strategy

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



Foxtons has five strategic priorities:

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

Foxtons current focus is on the higher-volume, higher-value London market which represents a disproportionately valuable property market. Over time we have the potential to double the number of existing branches in London.

Related to KPIs: 2 3 4 6

Related to principal risks: 1 2 3 7

Balanced business

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

Related to KPIs: 1

Related to principal risks: 1 2 3

Premium service and prices

The Group delivers high-quality service levels, maximising value for clients by selling or letting their properties at the best price through the innovative application of technology, the utilisation of data and by working harder than competitors. Foxtons branches are open 8am to 8pm, 362 days a year, enabling them to work around our clients' busy schedules. Over a third of viewings take place outside normal working hours.

Related to KPIs: 5 7 8

Related to principal risks: 3 7

Organic expansion under a single strong brand

The Group has a track record of profitable, organic expansion. Complemented by the Group's well-invested centralised business model, which enables rapid scaling at low incremental cost, new branches achieve a rapid payback and a high-return on capital employed. Growth is financed by internal funds.

Related to KPIs: 6

Related to principal risks: 3 6 7

Related to executive remuneration. See annual bonus

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Positioned for sales market growth

Residential property sales transaction volumes in London have been depressed since 2008. Over the last four years, Foxtons has almost doubled the size of its branch network, gaining market share and positioning itself to benefit from any future growth in sales volumes. Furthermore, the operational leverage inherent in the Foxtons centralised business model means that the incremental contribution of any increase in sales revenues will be higher than current margins once the initial 0% marketing campaign is completed.

Related to KPIs: 6

Related to principal risks: 1 6 7

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

Read about how we manage risks and their potential impact on our strategy

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- 1 Macroeconomic conditions
- 2 Government policy
- 3 Competitor challenge
- 4 Client monies
- 5 Potential for fraud
- 6 IT systems
- 7 People

Business model

The Group is based around a business model with a proven significant and sustainable competitive advantage.





A single brand with a strong identity

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

Business centralisation

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

Innovative application of technology

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

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

Culture and people

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

Integrated mortgage broker

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

The key to our success

We are a service business and recognise that our people are key to our success. We are not just passionate about training people in how to sell and let properties, we are passionate about people development, both personally and professionally.

Unique culture

Working at Foxtons is energetic, sociable and rewarding. We reward hard work, providing the opportunity for talented and enthusiastic individuals to thrive in an incentive driven environment.

We offer incentives where outstanding work is recognised in both team and individual capacities encouraging development as a team member as well as personally. We also hold annual Negotiator Awards ceremonies, where our employees are recognised for their exceptional performance or contribution.

Training

Much of the value we offer our clients is created through the specialist skills and deep knowledge of our people and therefore we are committed to ensuring our people receive the best training and career development opportunities with a view to building a long-term career. Our award winning training strategy consists of formal and informal training, mentor programmes and networking events giving everyone the support and first-class resources they need to drive their own learning. We're strongly committed to the highest standard of business behaviour, compliance and ethics and this forms a major part of all our training.

Career progression

We are a true meritocracy and everyone who demonstrates skill and hard work may aspire to reach the highest level and experience accelerated development. We only ever promote from within (specialist positions excepted) as we believe those trained by us are best suited to drive this company forward. Our commitment to opening five to 10 new offices every year means that we offer fast track career opportunities for those with the ability and drive to succeed. The average tenure of a senior operational Director at

Foxtons is 13 years, however early responsibility and rapid promotion for high achievers is not unusual.

Diversity

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 society and our client base.

We are committed to 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 we have created an inspiring working environment where everyone is engaged and motivated and safe from discrimination so they can fulfil their own potential.

Our diversity is evident throughout the organisation where 49% (2013: 48%) of our total staff are female and 23% (2013: 25%) 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.

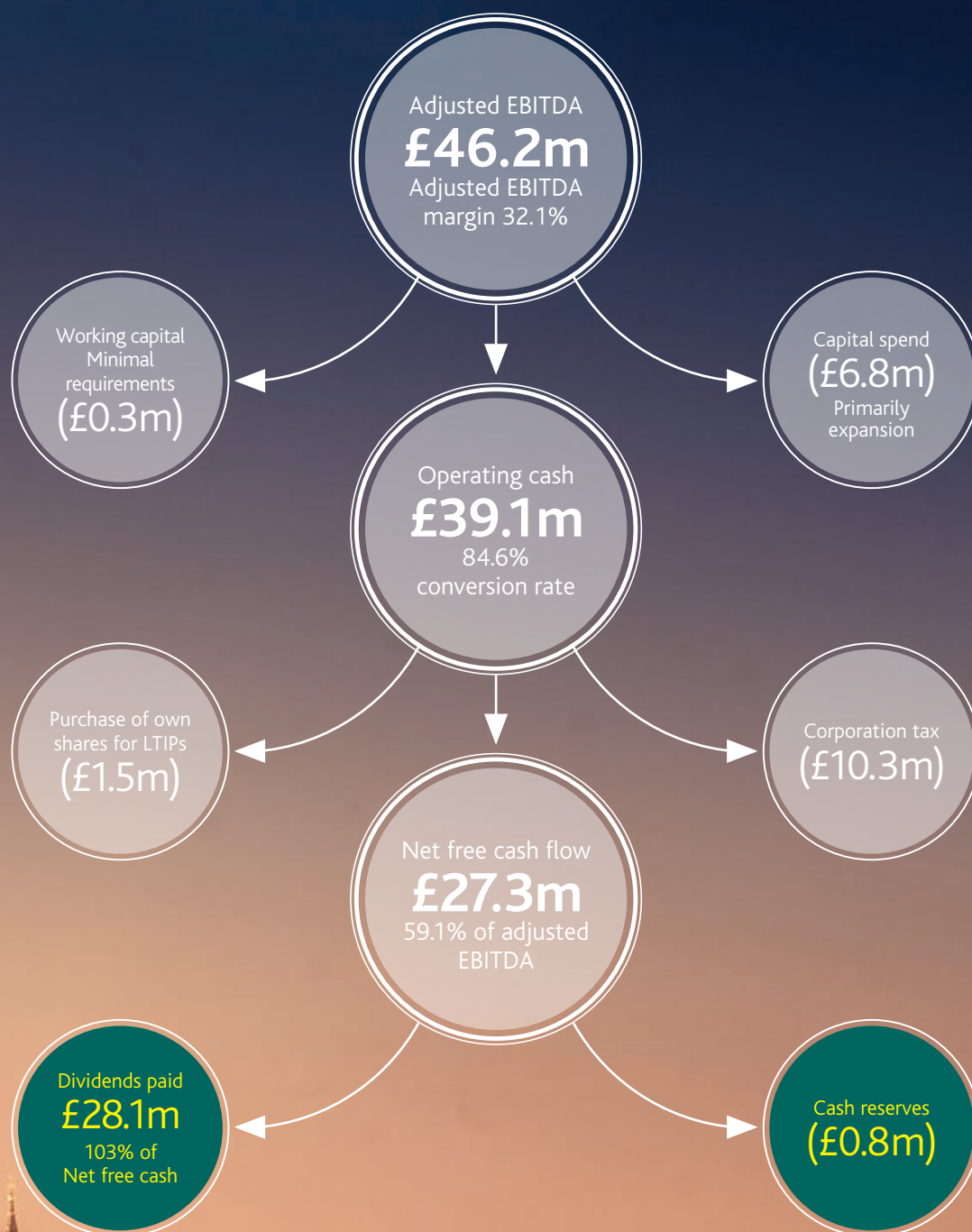
Full company diversity analysis [Page 22](#)



High profitability and cash generation

The combination of our strategy and business model, whilst operating within the attractive London property market, leads to high profit margins and high cash generation:

- The absolute level of profit is determined by the market and our branch expansion plan;
- Our strategy and business model generates industry leading margins in excess of 30%;
- Minimal working capital requirements and a relatively low level of capital spend, compared to net free cash, ensures a high operating cash conversion ratio of circa 85%;
- After payment of corporation tax and purchase of own shares for Long Term Incentive Plans, net free cash flow of £27.3 million remains which is 59.1% of Adjusted EBITDA;
- As the Company is debt free, net free cash is available to return to Shareholders;
- During 2014 the Company returned 103% of net free cash to Shareholders in the form of dividends.



Continued high margins and strong cash generation

The Group has grown revenue across all operating segments and maintained high margins despite the challenges posed by the sales market in the second half of the year. The Group's operating cash conversion rate of 85% allowed the Company to make significant returns to Shareholders.

Segments

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

Sales revenue was 48.5% (2013: 48.4%) of total revenue while lettings revenue was 46.8% (2013: 47.7%), mortgage broking 4.4% (2013: 3.5%) and all other 0.3% (2013: 0.4%). This balance across the sales and lettings segments provides financial strength to the Company to withstand fluctuations in the property market. Both estate agency segments are highly profitable with Adjusted EBITDA margins in excess of 30%. Mortgage broking operating margins increased to 11.8% (2013: 5.5%) due to an overall improvement in the mortgage market, together with the increasing size of the Foxtons branch network which generates increasing mortgage leads.

Comparison of half years

Historically, profitability has been weighted slightly towards the second half of the year. However, this traditional seasonal picture has been quite different over the last two years due to sharper movements in the London property sales market. In 2013 the sales market increased substantially in the second half of the year while lettings growth reduced slightly resulting in total Adjusted EBITDA increasing from £19.4 million in H1-2013 to £30.2 million in H2-2013. Conversely, in 2014 a strong sales market in H1-2014 together with flat lettings generated total Adjusted EBITDA of £24.9 million followed by £21.3 million in H2-2014 as the sales market returned to similar levels seen in H1-2013 with lettings producing growth in the final quarter of 2014.

Organic expansion

The Group has continued its expansion programme, opening seven new branches during the year, increasing the network to 51 branches. Foxtons has an experienced in-house project team that works with a small number of external professionals to manage the opening of new branches. Organic expansion is a low-risk growth route with many opportunities available within London over the foreseeable future. Each cohort of new branches opened between 2010 and 2012 achieved positive cash flow within six to seven months of opening and broke even in cash terms within 19 months. Average returns on capital employed for the second full year of operation were circa 150%. All new branches are performing in line with expectations.

Revenue

- Revenue growth:

£m	2014	2013	% variance
Sales	69.8	67.4	3.6%
Lettings	67.4	66.4	1.5%
Mortgage broking	6.3	4.9	26.8%
Other income	0.4	0.5	–
Total revenue	143.9	139.2	3.4%

- Sales: During the year, sales commission increased by 3.6%, which was price driven with a 7.5% increase in average revenue per deal offset by a volume reduction of 3.7%. The average revenue increase of 7.5% was below the published inflation figures for London property prices reflecting the reduced volumes in the higher priced central London area together with new branches at lower average sales prices.
- Lettings: Lettings revenue increased by 1.5% versus prior year. This growth was achieved in the final quarter of 2014 as the first nine months had been flat on prior year due to the strength of the sales market. Revenue from new deals was broadly flat with the majority of growth being renewals income offset partially by reduced income from net tenants deposit interest due to reduced market interest rates. Overall, lettings units were up 1.7% while average revenue per deal fell by 0.2%.
- Mortgage broking: An improvement in the mortgage market led to mortgage revenue increasing by 26.8% which was volume driven.

Administration expenses

Administration expenses were £101.9 million (2013: £93.1 million) an increase of 9.5% reflecting the increased size of the branch network plus the additional costs of operating as a listed company for the full year.

Adjusted EBITDA margins

	2014	2013	2012
Sales	33.3%	39.1%	30.2%
Lettings	32.4%	34.6%	34.8%
Mortgage broking	11.8%	5.5%	6.0%
Total Adjusted EBITDA margin	32.1%	35.7%	31.9%

The reduction in the sales market in the second half of 2014 during a period of growth in branches and headcount reduced the sales margin from the high level seen in 2013. However, the 2014 sales margin of 33.3% was still above that produced in 2012 of 30.2%. The lettings margin of 32.4% was marginally below the prior year of 34.6% due to the subdued activity levels seen during the first three quarters of the year. The margin for mortgage broking increased substantially to 11.8% (2013: 5.5%) due to the strength of the mortgage market and increased leads from Foxtons as a consequence of branch expansion.

Operating profit after exceptional items

Operating profit after exceptional items of £42.0 million (2013: £43.0 million) fell by 2.2% due to a reduction in underlying profitability of 8.9% offset by the absence of exceptional items in 2014 in contrast to 2013 which incurred £3.2 million of one-off IPO costs.

Profit before tax (PBT)

PBT of £42.1 million (2013: £38.9 million) increased by 8.2% due to the repayment of debt in September 2013 and consequently zero finance costs in 2014.

Taxation

The tax charge for the year increased to £8.7 million (2013: £6.8 million). The effective rate of tax for 2014 was 20.7% (2013: 17.5%) which is broadly in line with the statutory rate of tax for the current year. The effective rate for 2013 was substantially below the statutory rate of 23.25% for 2013 as the net tax charge for that year included a deferred tax credit of £2.97 million due to the adjustment for reduced corporation tax rates on the brand intangible asset.

Basic earnings per share (EPS)

Basic EPS of 11.9p (2013: 12.2p) fell by 2.5% versus prior year reflecting:

- Increased profitability of the company with the reduction in underlying profitability being outweighed by the elimination of exceptional charges and finance costs; offset by:
- Increased weighted average number of shares in issue due to the primary share issue in September 2013 as part of the IPO.

Adjusted Basic EPS (after eliminating exceptional items and share based payments) of 11.9p (2013: 13.3p) fell by 10.5% versus prior year. However, the 2013 EPS figure benefited from a £2.97 million deferred tax credit which primarily reflected the change in corporation tax rates on the deferred tax liability for intangibles. Adjusting for this factor would reduce 2013 Adjusted EPS by 1.1p.

Cash resources and dividends

Year-end cash reduced marginally to £22.5 million (2013: £23.4 million) with operating cash conversion increasing to 84.6% (2013: 83.1%). This healthy closing cash balance will allow a total dividend of £14.5 million to be paid, subject to Shareholder approval at the AGM on 20 May 2015. The proposed dividend payment will comprise a final dividend of 3.17p per share and a special dividend of 1.99p per share. During the year actual dividends paid totalled £28.1 million being the 2013 final and special dividend of £15.3 million and the 2014 interim and special dividend of £12.8 million.

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

Risk management

The Group has identified its principal risks and uncertainties which are detailed on pages 20 to 21. The Board and senior management regularly review these in the light of any changed circumstances.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk. The Group became debt free in September 2013 lowering financial risk within the business. In addition, as the Group is totally UK-based there is no foreign currency risk. As a consequence of the above the Group has not had to enter into any financial instruments to protect against risk.

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

Pensions

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



Gerard Nieslony
Chief Financial Officer

Measuring our progress

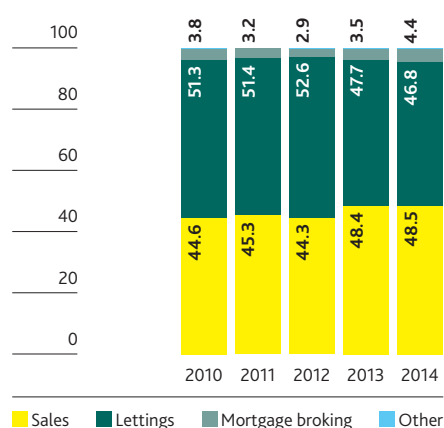
The Group uses a number of KPIs to measure its performance and review the impact of management strategies. The Group continues to review the mix of KPIs to ensure that these best measure our performance against our strategic objectives.

Read about how our KPIs are linked to our strategic priorities

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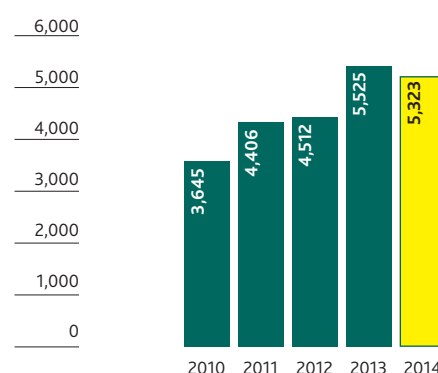
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Balanced business (% of total revenue)



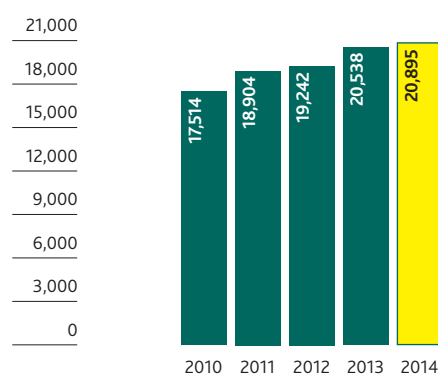
2

Sales volumes



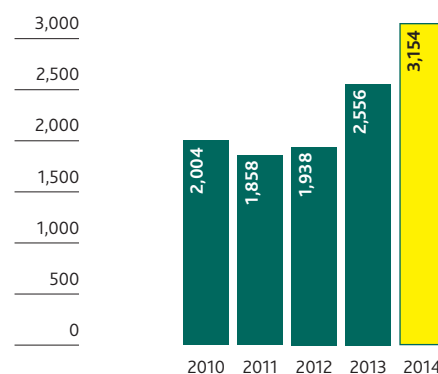
3

Lettings volumes

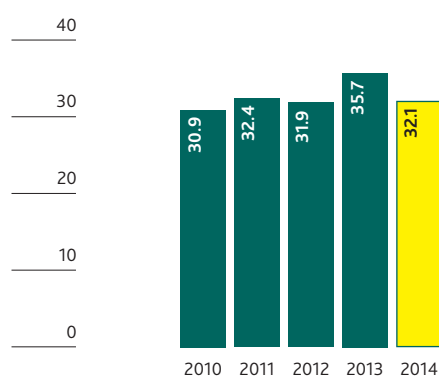


4

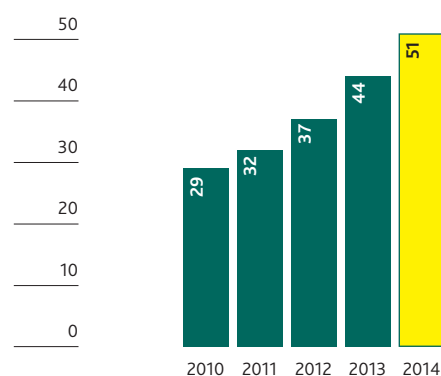
Mortgage volumes



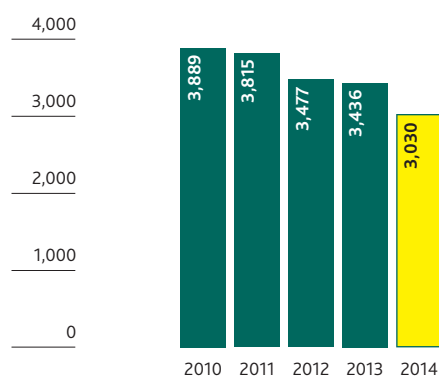
5 Adjusted EBITDA margin (%)



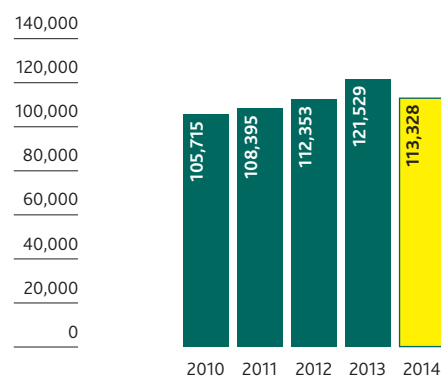
6 Number of branches at year end



7 Average revenue per branch (£'000)



8 Average revenue per employee (£)



Risk management










The Company takes a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders in the constantly changing environment in which it operates. As set out in the Corporate Governance section on pages 26 to 53, the Group has policies and procedures in place to ensure that risks are properly identified, evaluated and managed at the appropriate level within the business. The identification of risks and the development of action plans to manage the risks are integral parts of the business process.

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







Read about how our Principal Risks are linked to our strategic priorities

Page 9

External factors

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

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

















Probability	Potential impact
 Low potential of the risk crystallising	 Very limited or isolated impact to the firm and/or its broader customer base
 Moderate potential of the risk crystallising	 Moderate impact to the Group and/or our broader customer base
 High potential of the risk crystallising	 Potentially significant impact to the Group and/or our broader customer base

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.

 Increasing  No change  Reducing

Internal factors

Risk	Impact on Group	Probability	Potential impact	Assessment of change in risk year-on-year	Mitigation of risk
 Client monies	Foxtons holds large amounts of client monies, which may be at risk in the event of a banking failure.				The Group holds all client monies in correctly designated client accounts within FCA-approved UK banks (at least A rated).
 Potential for fraud	Foxtons operations are susceptible to fraud and bribery, which could lead to financial loss and reputational damage.				Foxtons has implemented an anti-bribery policy and provides appropriate training to all employees. The policy is reviewed on a regular basis and risk assessments are carried out periodically. The Company also has an independent whistle-blowing hot line in place through which staff are able to report any suspected wrongdoing.
 IT systems	Foxtons business operations are dependent on sophisticated IT systems which could fail, 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. Business continuity and contingency plans are in place and key systems have resilience built in. Group disaster recovery and business continuity procedures are implemented, regularly tested and reviewed. Upgrade plans on a physically separate location for critical systems are to be implemented during 2015.
 People	There is a risk that Foxtons may not be able to recruit and retain sufficient people to satisfy its organic expansion plans.				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 only promoting from within generates significant staff loyalty within senior and mid-management employees.

Commitment to integrity

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

Integrity

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

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.

Company diversity

End of year figures	Male	Female	Male %	Female %
Directors of parent company	6	1	86%	14%
Senior Managers (note 1)	91	27	77%	23%
All other	578	615	48%	52%
Total	675	643	51%	49%

Note 1: Senior Managers are defined as direct reports of the CEO and COO plus Sales Managers and Lettings Managers.

Greenhouse Gas Emissions Reporting

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

This is our second carbon footprint emissions report and has been prepared in full accordance with the Greenhouse Gas Protocol (GHG), the most widely used international carbon calculation methodology. Foxtons uses operational control to establish the

Health and safety

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

Human rights

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

Whistle-blowing

Details of the Company's whistle-blowing procedures are included in the governance section on page 31.

organisational boundary of its carbon reporting which includes all the sites and vehicles owned and leased by Foxtons.

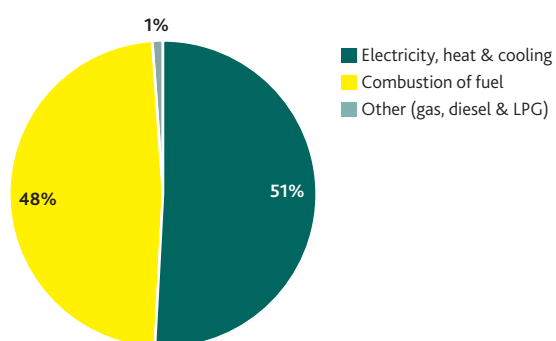
The GHG statement opposite is based on Foxtons Group plc greenhouse gas emissions from 1 January 2014 to 31 December 2014. It gives a summary of emissions from fuel consumption and the operation of our facilities (scope 1) and from purchased electricity (scope 2), both of which are mandatory.

Our total GHG footprint in line with mandatory reporting requirements is 5,750 tonnes CO₂e.

Baseline year:	Financial year: 2013
Emission factor data source:	Defra (2014)
Assessment methodology:	The Greenhouse Gas Protocol
Intensity ratio:	Emissions per full time employee (FTE)

Foxtons Group PLC emission data for period:		
	2014	2013
	Tonnes of CO₂e	Tonnes of CO ₂ e
Emissions from		
Scope 1		
Combustion of fuel	2,807	2,564
Other (Gas, diesel & LPG)	35	37
Scope 2		
Purchased electricity	2,908	2,569
Total footprint	5,750	5,170
Group Metrics		
FTE (average number during the year)	1,270	1,145
Intensity ratios		
Tonnes of carbon dioxide per FTE	4.53	4.52

Total CO₂ by emission type



Working within our local communities

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

The Strategic Report, from pages 1 to 23, has been reviewed and approved by the Board of Directors on 10 March 2015.

Nic Budden
Chief Executive Officer

10 March 2015

Governance

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BOARD OF DIRECTORS



Garry Watts

Non-Executive Chairman

Appointed to
the Board

23 August 2013

Committee
memberships

Remuneration, Nomination (Chair)

Experience: 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 2004 and 2008, he was Non-Executive Director and Chairman of the audit committee of Protherics plc. 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 Executive Chairman of Spire Healthcare Group UK plc, Chairman of BTG plc, Deputy Chairman of Stagecoach Group plc, and a Non-Executive Director and member of the audit committee of Coca-Cola Enterprises Inc.



Nic Budden

Chief Executive Officer

1 July 2014

None

Experience: 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 from 1990 to 1997, Cable & Wireless Group from 1997 to 2002 and Severn Trent Group from 2003 to 2005. Nic holds a degree in economics from the University of Essex.

External appointments:
None



Gerard Nieslony

Chief Financial Officer

23 August 2013

None

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

External appointments:
None



Annette Court

**Senior Independent
Non-Executive Director**

23 August 2013

Audit, Remuneration,
Nomination

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

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



Andrew Adcock

**Independent
Non-Executive Director**

23 August 2013

Audit, Remuneration (Chair),
Nomination

Experience: Andrew was, until July 2011, Managing Partner of Brompton Asset Management and, until 2009, Vice-Chairman of Citigroup Corporate Finance. He was previously a partner at Lazard LLC. Andrew has over 30 years of experience in the City of London and holds an MA in law and history of art from the University of Cambridge.

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



Ian Barlow

**Independent
Non-Executive Director**

23 August 2013

Audit (Chair), Remuneration,
Nomination

Experience: Ian is a past chairman of WSP Group plc. He retired from KPMG LLP in 2008 as Senior Partner, London. Ian is a chartered accountant and a chartered tax adviser. He holds an MA in engineering science from the University of Cambridge.

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



Michael Brown

**Non-Independent
Non-Executive Director**

18 December 2009

None

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

External appointments:
None

Dear Shareholders,

I am pleased to be introducing our 2014 Corporate Governance Report.

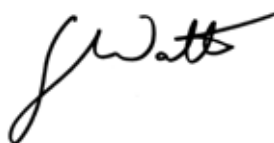
At Foxtons the Board is committed to ensuring that the Group operates with high standards of corporate governance. We believe that it is important that the governance structure supports the achievement of the Company's strategy and ensures the creation and preservation of Shareholder value, in addition to benefiting other stakeholders.

There is a clear division of responsibilities between the management of the Company, led by the CEO, which has responsibility for the running of the Company, and the Board, acting under my leadership, which provides oversight, support and constructive challenge to ensure accountability and achievement of performance by management. The composition of the Board is a key element in this and it is important to ensure there is a balance of skills and experience, sufficient knowledge of the Company and the market in which it operates, and a strong level of objectivity and independence. Since the last Annual Report, there have been a number of changes to the Board composition. At the end of June, Michael Brown stepped down as CEO but has remained on the Board as a Non-Executive Director as we believe the Board benefits from his extensive knowledge and experience of both the Company and industry. Nic Budden, previously the COO, was appointed by the Board as CEO in place of Michael on the recommendation of the Nomination Committee. A further change was the resignation of Stefano Quadrio Curzio with effect from 1 October 2014. During the brief period between July 2014 and October 2014 the Company did not comply with UK Corporate Governance Code (the "Code") provision B.1.2. that at least half of the Board, excluding the Chairman, should comprise independent Non-Executive Directors. However, following Stefano's departure the Company is now fully compliant with this provision. All Non-Executive Directors bring valuable and extensive experience to the Company.

The Board has regular items that it discusses during the course of a year, which include performance and progress of the Company, succession planning and future development, strategy, Shareholder relations and value creation, customer satisfaction and risk. During this year we continued to build on our procedures and processes that had been put in place at the time of the IPO, focusing on ensuring robust internal controls and risk management systems. The Audit Committee has played a pivotal role in this. We will continue to review our procedures and processes regularly, implement any developments in corporate governance best practice as necessary and seek to apply them appropriately.

In 2014 we carried out our first Board Evaluation exercise to review the performance of the Board, its Committees and individual Directors. This was facilitated by Capita Asset Services, under my direction. Further details of the process undertaken are set out on page 31.

The remainder of this report explains in more detail how the Company has complied with the principles of the 2012 edition of the Code, the Listing Rules and the Disclosure and Transparency Rules.



Garry Watts
Chairman, Foxtons Group plc

10 March 2015

Board governance

Overview

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

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

Compliance with the Code

Except as referred to below, the Company has complied with all the provisions set out in the Code through the year:

- The Company did not comply with part of Code Provision A.4.2., as the Non-Executive Directors, led by the Senior Independent Director (SID), did not hold a separate meeting without the Chairman present, to appraise the Chairman's performance. Following the positive results received from the Board evaluation survey of the Chairman's performance, the SID and the other Non-Executive Directors did not deem it necessary to hold a separate meeting to discuss this further in 2014. It is envisaged that a separate meeting of the Non-Executive Directors will be held to review the Chairman's performance in 2015.
- As explained in the Chairman's Introduction there was a brief period between 1 July and 1 October 2014 when the Company did not comply with Code Provision B.1.2. which states that at least half the Board, excluding the Chairman, should comprise Non-Executive Directors determined by the Board to be independent. Following Michael Brown's resignation as CEO at the end of June 2014, it was agreed that the Company would benefit from his knowledge and experience if he remained on the Board as a Non-Executive Director. At this time Stefano Quadrio Curzio also indicated his intention to resign as a Director with effect from 1 October 2014. Although there was a temporary period of non-compliance, the Board believes that there was no detrimental impact on its operation during this time and effective governance was maintained.
- The Company did not comply with the parts of Code provision E.1.1. relating to the Chairman's discussions with major Shareholders and the SID attending meetings with a range of major Shareholders. The Board believes that there were appropriate mechanisms in place during the year for the Board to understand the views of Shareholders and to communicate with them on matters including governance, strategy and performance. Both the Chairman and the SID 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 believes this is consistent with the main principle of the Code on dialogue with Shareholders. Further information on the Company's engagement with Shareholders is provided on pages 31 and 32.

The Board

The Board comprises three independent Non-Executive Directors, the Non-Executive Chairman, one non-independent Non-Executive Director and two Executive Directors. A list of the Directors, with brief biographical details, is provided on pages 26 to 27. The Board is responsible for the effective oversight of the Company. It also agrees the strategic direction and governance structure that will help to achieve the long-term success of the Company and deliver Shareholder value. The Board takes the lead in areas such as strategy, financial policy and making sure we maintain a sound system of internal controls. A number of key decisions and matters are reserved for the Board's approval and are not delegated to management. These include matters relating to the Group's strategy, approval of acquisitions, capital expenditure, financial results and overseeing the Group's systems of internal control, governance and risk management.

Each year, the Board meets to set annual objectives for the business in line with the current Group strategy. The Board monitors the achievement of the Company's objectives through monthly Board reports which include updates from the Group Chief Executive, Chief Financial Officer and other key personnel. The Board has 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.

Chairman and Chief Executive Officer

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

Senior Independent Director

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

Non-Executive Directors

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

Board Committees

The Board delegates specific responsibilities to Committees so that the Board can operate effectively and efficiently and give the right level of attention and consideration to relevant matters. The Board has established the following Committees: Audit, Nomination and Remuneration. A report from each Committee is set out on pages 32 to 49. The role and responsibilities of each Board Committee are set out in formal terms of reference which are determined by the 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. The terms of reference of the Committees are available at www.foxtonsgroup.co.uk.

Board meetings

The effective working of the Board is crucial to the long-term success of the Company.

The Board has six scheduled meetings a year with additional ad hoc meetings as required. The Board and its Committees have standing agenda items to cover their proposed business at their scheduled meetings which, in the Board's case, includes a review of the latest financial position and current trading and an analysis of the work being undertaken by its Committees. The Chairman ensures that the very significant work of the Committees feeds into, and is influenced by the full Board. The Board regularly receives technical and investor relations updates. The Chairman holds meetings with the Non-Executive Directors without the Executive Directors present, and usually at least once a year the Senior Independent Director meets with the Non-Executive Directors without the Chairman present to discuss the performance of the Chairman.

Directors' attendance at Board and Board Committee meetings held during 2014 is provided in the table below:

Board/Committee:	Board		Audit Committee		Remuneration Committee		Nomination Committee	
Number of meetings held	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Garry Watts	7	7	—	—	3	3	2	2
Andrew Adcock	7	6*	4	4	3	3	2	2
Ian Barlow	7	7	4	4	3	3	2	2
Michael Brown	7	6*	—	—	—	—	—	—
Nic Budden	3	3	—	—	—	—	—	—
Annette Court	7	7	4	4	3	3	2	2
Gerard Nieslony	7	7	—	—	—	—	—	—
Stefano Quadrio Curzio	5	5	—	—	—	—	—	—

* Andrew Adcock was unable to attend an ad hoc meeting called at short notice during October 2014 but was fully consulted on the business to be discussed and his views were taken into account at the meeting. Michael Brown missed one Board meeting due to compassionate leave.

Appointment and election of Directors

The Chairman considers all Directors are effective, committed to their roles and have sufficient time available to perform their duties. Accordingly, all members of the Board will be offering themselves for re-election at the Company's Annual General Meeting to be held on 20 May 2015.

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

Directors' induction and professional development

The Company has in place an induction programme 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 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 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.

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. 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

The effectiveness and performance of the Board is vital to our continuing success.

An internal evaluation of the performance of the Board, its Committees and the Chairman was carried out during the year. The process of evaluating the performance was undertaken by Capita Asset Services under the direction of the Chairman. A tailored, high-level questionnaire was distributed for the Directors to complete. This was structured to provide Directors with an opportunity to express their views about:

- The performance of the Board and its committees, including how the Directors work together as a whole;
- The balance of skills, experience, independence and knowledge of the Directors; and
- Individual performance and whether each Director continues to make an effective contribution.

The responses to the evaluation of the Board and its Committees were reviewed with the Chairman and then considered by the Board. The results of the evaluation indicated that the Board is working well and that there are no significant concerns among the Directors about its effectiveness. Some actions were agreed as a result of the exercise and these will be progressed over the coming year. These included:

- Providing Non-Executive Directors with the opportunity to have more direct contact with the senior management team through, for example, organised site visits in order to deepen their knowledge of the Group's business and culture; and
- Having further industry presentations to the Board from external sources in order to enable Directors to gain a broader perspective on the market.

The results of the evaluation of the Chairman's performance were considered by the SID and were discussed between them at a separate one to one meeting. The performance of individual Directors was evaluated by the Chairman, with input from the Committee Chairmen and other Directors.

Remuneration

Remuneration is covered in the Remuneration Report on pages 37 to 49 which includes a description of the work of the Remuneration Committee.

Accountability and audit

Financial reporting

The Group has in place a comprehensive financial review cycle, which includes a detailed annual 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. A re-forecast of the current year numbers is carried out quarterly. Management monitors the publication of new reporting standards.

Internal control and risk management

The Board has responsibility for establishing and maintaining the Group's system of risk management and internal control to safeguard Shareholders' investments and the Group's assets and for reviewing the effectiveness of this system. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The key elements of the Group's internal control and risk management are as follows:

- A system is in place for planning, reporting and reviewing performance as described above;
- The Group has established processes for the identification, review and mitigation of risks that are reviewed and monitored regularly by the Executive team. These have been reviewed by the Audit Committee including the Group's compliance programmes which support these and reflect the Group's commitment to conduct its business responsibly and in accordance with all relevant laws and regulations. The Board has reviewed the Company's strategic risks arising from the processes described; and
- The Group has in place comprehensive controls which cover financial, operational and compliance controls, and these are well established and documented.

On the basis of the above and following the guidance in "Internal Control: Revised Guidance for Directors on the Combined Code" (Revised Turnbull guidance), the Board, advised by the Audit Committee, has concluded that the systems of internal control are effective.

The Directors confirm that these processes have been in place during the 2014 financial year and up to the date of approval of the Annual Report and Accounts.

Whistle-blowing

During 2014 an independent whistle-blowing hot line was implemented to encourage staff to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise. The new system was reviewed by the Audit Committee. The Group believes that it is important to have a culture of openness and accountability in order to prevent such situations occurring or to address them when they do occur.

Relations with Shareholders

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

The Board aims to present a balanced and clear view of the Group in communications with Shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important. We 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 also regularly meet with existing and prospective Shareholders to update them on our latest performance or to introduce them to the Company and periodically arrange a visit to the business to give analysts and major Shareholders a better understanding of how we manage our business. These visits and meetings are principally undertaken by the Chief Executive Officer, Chief Financial Officer and Head of Investor Relations with any relevant material being uploaded to the corporate website so being available to all Shareholders.

The Board receives regular updates on the views of its Shareholders through a monthly report based on information from the Head of Investor Relations and its brokers, which is an agenda item for all Board meetings. In addition, the SID is available to meet Shareholders if they wish to raise issues separately from the arrangements as described above.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the performance, strategy and business model of the Company.

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

- A verification process dealing with the factual content of the reports and to ensure consistency across the various sections;
- A common understanding amongst senior management which ensures consistency and overall balance; and
- The Audit Committee reviewed the Annual Report and Accounts and its compliance with the new requirements, concluded that they had been met and recommended their approval by the Board as fair balanced and understandable.

Nomination Committee

Chairman: Garry Watts

Other members: Ian Barlow, Andrew Adcock, Annette Court

Biographies are detailed on pages 26 and 27.

Welcome to the Company's Nomination Committee Report for 2014.

The members of the Committee comprise all the independent Non-Executive Directors, together with the Chairman.

The Committee met twice during the year with attendance disclosed on page 30.

Role and responsibilities

The main responsibilities of the Committee 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; and to assist with the selection process for the appointment of new Directors, both Executive and Non-Executive, including the Chairman.

The Group's policy and information on diversity is detailed within the Our People section and the Corporate Social Responsibility report on pages 12 and 22 respectively.

Main activities

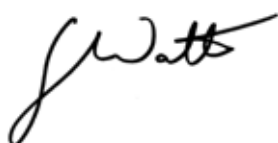
At its first meeting in January 2014 the Committee considered the recommendation to be made to Shareholders for the election of Directors at the Annual General Meeting. Consideration was given to individual performance and time commitment and it was concluded that each Director had the necessary skills, experience and commitment to contribute effectively and add value to the Board. Accordingly, all Directors were recommended for election.

In June 2014 the Committee considered the appointment of a new Chief Executive Officer following the decision by Michael Brown to resign. The Company's succession planning had identified Nic Budden as a potential successor to Michael and the Committee considered both the option of recruiting a new Chief Executive Officer externally and the appointment of Nic to the position. The Committee considered that Nic, who was then Chief Operating Officer, had been a key figure in Foxtons' success and had the experience and attributes to assume the position of Chief Executive Officer and deliver the strategic vision for the Company.

The Committee also reviewed the composition of the Board and the balance of independent to non-independent Directors as a result of the changes, and appropriate recommendations were made and implemented in order to ensure that the Company complied with the Code.

Annual evaluation of the Nomination Committee's performance

An evaluation of the performance of the Nomination Committee was undertaken during the year and it was concluded that the Committee had fulfilled its role effectively.



Garry Watts

Chairman of the Nomination Committee

10 March 2015

Audit Committee

Chairman: Ian Barlow

Other members: Annette Court, Andrew Adcock

Biographies are detailed on pages 26 and 27.

Welcome to the Company's Audit Committee Report for 2014.

There were no changes to the Committee members from the previous year. Each member is an independent Director and deemed to have recent and relevant financial experience with the Chairman, Ian Barlow, being a chartered accountant and chartered tax adviser. The Committee held four meetings during the year with attendance disclosed on page 30.

Role and responsibilities

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

Financial reporting

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

External audit

- Approving the appointment 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;
- Reviewing and monitoring the independence of the external Auditor and approving their provision of non-audit services; and
- Reviewing the effectiveness of the external Auditor.

Internal controls

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

Risk management

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

Governance processes

The Audit Committee usually invites the full Board, plus the external Auditor, to attend each meeting. Other members of management attend as and when requested. The Committee held a private session with the external Auditor without members of management being present at the February 2014 and February 2015 meetings.

Main activities

During 2014 the Committee held four meetings, with the principal work being:

February	<ul style="list-style-type: none"> • Reviewing the Annual Report and Accounts for 2013 and recommending to the Board their adoption as fair, balanced and understandable. In fulfilling this task the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures. The Committee also reviewed supporting papers to ensure the Annual Report and Accounts were factually correct; • Reviewing the proposed final dividend and agreeing to recommend to the Board that it should be recommended to Shareholders; • Receiving the external Auditor's Report to the Audit Committee. Discussions were held with management concerning any control recommendations; • 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; • Reviewing the effectiveness and recommending the reappointment of the external Auditor; • Agreeing the policy for approval of non-audit services provided by the external Auditor – details are on our website: www.foxtonsgroup.co.uk; and • Considering the risk assessment, mitigation actions and assurance activities produced by management. Having considered the analysis the Committee agreed that it was appropriate for the Board to assert in the Annual Report and Accounts that the Company's systems of internal control are effective.
July	<ul style="list-style-type: none"> • Reviewing the interim results announcement and recommending it to the Board for approval. In addition the Committee reviewed the supporting interim results presentation; • Reviewing the proposed interim dividend and agreeing to recommend to the Board its approval; • Reviewing a going concern paper which analysed the profitability and cash generation of the Company and agreeing with the adoption of the going concern basis; and • Receiving Deloitte's interim review report to the Audit Committee in which there were no issues of concern identified.
September	<ul style="list-style-type: none"> • Reviewing the plan for the production of the 2014 Annual Report and Accounts; • Receiving Deloitte's audit planning paper for 2014 and reviewing materiality thresholds and areas of risk where the auditors would concentrate. A new area of focus was share based payments as this was the first year in which awards were being made; • Reviewing the need for 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; and • Reviewing and agreeing the Deloitte audit fee proposal for 2014.

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- November**
- Reviewing an assessment of the principal risks and uncertainties that could threaten the business together with the mitigating actions and the monitoring and assurance work that is undertaken. The review also included the structure and process of risk management within the Group;
 - Receiving a report on the IT function and how its risks are managed with particular focus on IT security;
 - Receiving a report on the mortgage broking function and how its risks are managed;
 - Reviewing a paper on critical accounting judgements and key sources of estimation uncertainty. It was noted that a new critical accounting judgement for 2014 would be the valuation of share options being the first year of award. (Refer to page 71 of the notes to the financial statements);
 - Reviewing the Group's accounting policies and confirming that they are suitable and that management have made appropriate estimates and judgements. There has been no change in accounting policies (see note 3 in the financial statements);
 - Reviewing and re-confirming the policy for approval of non-audit services provided by the external Auditor – details are on our website: www.foxtonsgroup.co.uk; and
 - Reviewing a policy on the employment of former employees of the external auditor and agreeing its adoption.
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In February 2015, the Committee had one further meeting which covered the following:

- February**
- Reviewing the Annual Report and Accounts for 2014 and recommending to the Board their adoption as fair, balanced and understandable. In fulfilling this task the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures. The Committee also reviewed supporting papers to ensure the Annual Report and Accounts are factually correct;
 - Receiving the external Auditor's Report to the Audit Committee. Discussions were held with management concerning any control recommendations;
 - 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;
 - Reviewing the new whistle-blowing policy (see pages 21 and 31);
 - Reviewing the effectiveness and recommending the reappointment of the external Auditor which included the review of the Financial Reporting Councils AQR for Deloitte; and
 - Considering the risk assessment, mitigation actions and assurance activities produced by management. Having considered the analysis the Committee agreed that it was appropriate for the Board to support the assertion in the Annual Report and Accounts that the Company's systems of internal control are effective.
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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.

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 no impairment was required and that a reasonable change in assumptions would not lead to an impairment. (See note 15 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 managements' view that as these funds belong to the clients that the asset and liability should not be recorded in the accounts. (See note 4 of the financial statements).
Share-based payments	The methodology and conclusion presented by management in relation to the various share-based payment arrangements was reviewed. The Committee also reviewed an independent valuation report prepared by an external specialist. The assumptions made were considered and agreed as reasonable. (See note 31 of the financial statements).

External Auditor

The external Auditor, Deloitte LLP, has audited the accounts of the Group since 2009 under the same partner, Richard Muschamp. Following completion of his term, Richard will step down after the conclusion of the 2014 audit process, when he will be replaced by Claire Faulkner. No tender has been conducted since Deloitte's appointment.

We will comply with the new provisions being introduced by the Competition and Markets Authority Order requiring an audit tender at least every 10 years and our approach to this will be considered during 2015. There are no contractual obligations on the Company which restrict the choice of Auditor.

As noted, the Committee reviewed the effectiveness of the external Auditor. The Committee did this by:

- Reviewing their proposed plan for the 2014 audit;
- Discussing the results of their audit including their views on material accounting issues and key judgements and estimates and their audit report;
- Considering the robustness of the audit process;
- Reviewing the quality of people and service provided by Deloitte; and
- Confirming their independence and objectivity.

We concluded that we were satisfied with the performance and independence of Deloitte LLP as external auditors and recommended their reappointment.

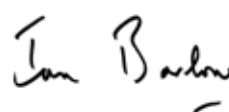
Non-audit services

Total non-audit services provided by Deloitte LLP for the year ended 31 December 2014 were £0.2 million (2013: £1.1 million) (note 7 on page 73). Clearly 2013 was an unusual year due to the involvement of Deloitte in the IPO process (IPO fees: £0.9 million).

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

Annual evaluation of the Audit Committee's performance

An evaluation by the Board of the performance of the Audit Committee has been undertaken and concluded that it had effectively fulfilled its role.



Ian Barlow
Chairman of the Audit Committee

10 March 2015

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 2014, which has been prepared in accordance with the relevant provisions of the Listing Rules, section 421 of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Report is set out in two parts:

- **Policy Report** – This sets out our Remuneration Policy for all Directors of the Group, which was approved by Shareholders at our 2014 AGM. For clarity, we have updated the Policy Report to reflect 2015 figures where relevant, for example in the Illustration of Remuneration Policy. As the Policy is unchanged, there will be no vote on this section at the 2015 AGM.
- **Annual Report on Remuneration** – This sets out how our Directors were paid in 2014 and how we will apply our Policy in 2015. There will be an advisory Shareholder vote on this section of the Report at the 2015 AGM.

2014 was the first full year for Foxtons as a public company. On 1 July 2014, Nic Budden succeeded Michael Brown as CEO. The Company has continued with its organic growth strategy and opened a further seven branches, increasing the network to 51 branches in total. However, the sales market has shown a degree of volatility during the year, slowing from the levels seen in H2-2013 and H1-2014. This has presented challenges to the management team and will continue to do so in the run up to the 2015 General Election.

As described in last year's report, in the second half of 2013, we undertook a full review of our remuneration policy and practices. We believe the resulting framework is aligned with our business operating model, helps attract, motivate and retain key executives, is simple and transparent and takes into account best practice guidelines. At the 2014 AGM, 92% of votes cast were in favour of the Policy Report and 100% in favour of the Annual Report on Remuneration.

As a Committee, we are mindful of the need to pay no more than is necessary to attract and retain high-quality talent. A significant portion of the remuneration package for our Executive Directors is linked to the medium and long-term performance of the Group and incorporates our key performance indicators including earnings performance, organic expansion and sustainable growth in Shareholder value.

Nic Budden's appointment as CEO was on terms consistent with the Shareholder-approved policy: a base salary of £450,000 p.a., cash in lieu of pension of 15% of salary, annual bonus opportunity of 125% of salary, and Long-Term Incentive Plan (LTIP) opportunity of 200% of salary in 2014 to help provide a motivational incentive from the outset of his taking on the CEO role and support alignment with Shareholders' interests. It is intended that the CEO's 2015 LTIP opportunity will be 150% of salary.

Michael Brown received fixed remuneration as CEO to 30 June 2014, and no further remuneration in respect of his former executive role. Given his extensive knowledge and experience, the Board asked Michael Brown to remain on the Board as a Non-Executive Director and he took up the role from 1 July 2014.

Following a review by the Committee, Executive Directors' salaries were increased by 2.5% for 2015.

As regards the 2014 executive bonus, the financial targets were not met. However, the non-financial targets based on branch openings were met and consequently bonuses of 20% of the maximum were awarded to the executive Directors.

During the year, the Company introduced a Senior Management LTIP to accommodate grants of shares to employees, which are normally subject to performance conditions over a three year period. Executive Directors will not participate in this plan. The Company will be seeking Shareholder approval for the scheme at the 2015 AGM to provide the flexibility for future awards to be settled with new-issue shares. The Company will continue to operate within the dilution limits approved by Shareholders on IPO of no more than 5% in 10 years for discretionary schemes and 10% for all schemes.

In light of recent changes to the Code, the Committee intends to incorporate malus and clawback provisions during the next financial year for future incentive awards.

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

Andrew Adcock

Andrew Adcock
Chairman of the Remuneration Committee

10 March 2015

Policy Report (unaudited)

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

Policy table for Executive Directors

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Base salary	Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver Foxtons strategy.	<ul style="list-style-type: none"> Fixed cash amount paid monthly. A number of factors are taken into account when setting salary, including: <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Various cash/non-cash benefits are provided to Executive Directors which may include a company car (or cash equivalent), life assurance, private medical insurance, health club membership and other benefits as appropriate. Executive Directors would also be able to participate in any all-employee share plans on the same basis as other eligible employees, should such plans be implemented by the Company. 	<ul style="list-style-type: none"> Although the Committee does not consider it appropriate to set a maximum benefits level, they are set at an appropriate level for the specific nature of the role. 	N/A

Policy table for Executive Directors (continued)

Component	Purpose and link to strategy	Operation	Maximum	Performance framework
Retirement benefits	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	<ul style="list-style-type: none"> Pension contributions are made to a personal pension scheme or cash allowances in lieu of contributions paid. 	<ul style="list-style-type: none"> 20% of base salary. 	N/A
Annual bonus	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis.	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Usual maximum of 125% of base salary. Absolute maximum of 150% of base salary provided for in plan rules. 	<ul style="list-style-type: none"> Performance measures are determined with reference to Foxtons key strategic business objectives for the year. No less than 50% of the bonus will be dependent on financial measures and the remainder will be based on non-financial measures that are aligned to the strategic priorities of the business. At threshold performance, 25% of the maximum pays out. Below this level of performance, no bonus pays out.
LTIP	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives over the longer term.	<ul style="list-style-type: none"> Usually a contingent award of shares or grant of nil cost options is made annually. Vesting of the award is dependent on the achievement of performance targets, typically measured over a three-year period. In certain circumstances such as an individual engaging in misconduct or a material misstatement of results, the Committee has discretion to: <ul style="list-style-type: none"> Reduce or cancel unvested awards; Delay vesting; Impose additional conditions; and Amend performance conditions. 	<ul style="list-style-type: none"> Usual maximum of 150% of base salary. Absolute maximum of 200% of base salary provided for in plan rules. 	<ul style="list-style-type: none"> At least 50% of the LTIP will be based on financial measures with the remainder based on share price related measures. For threshold levels of performance, 25% of the award will vest. Below this level of performance, the award will not vest. 100% of the award will vest for maximum performance. Vesting between these points will be on a straight-line basis.

Discretion

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

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

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

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

Annual bonus

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

LTIP

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

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

Takeover or other corporate event

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

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

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

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

Minor changes

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

Performance measures and target setting

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

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

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

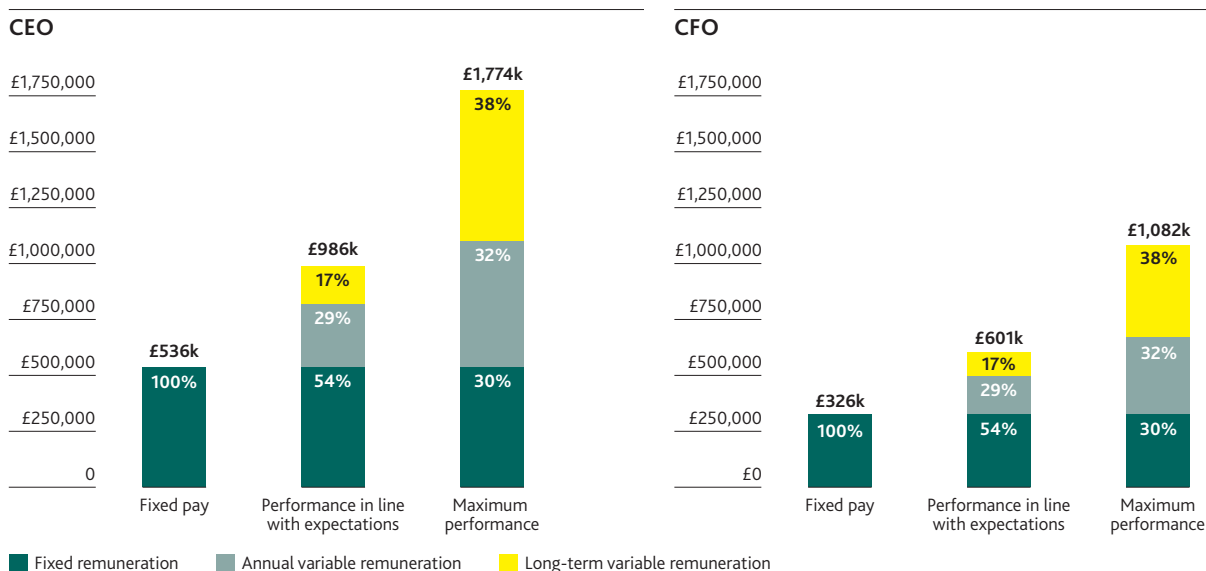
Policy table for Chairman and Non-Executive Directors

Purpose and link to strategy	Operation	Other items
To enable Foxtons to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Scope and responsibility of the role; and Appropriate market data. No Director plays a role in determining their own remuneration. 	<ul style="list-style-type: none"> The fees set out in this table are the sole element of Chairman and Non-Executive Director remuneration.

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

Illustrations of Remuneration Policy

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



The assumptions used for these charts are as follows:

Levels of performance	Assumptions
Fixed pay All scenarios	<ul style="list-style-type: none"> • Total fixed pay comprises base salary, benefits and pension. • Base salary – effective as at 1 January 2015. • Benefits – as provided in the single figure table on page 45. • 15% of base salary pension contributions.
Variable pay Minimum performance	<ul style="list-style-type: none"> • No payout under the annual bonus. • No vesting under the LTIP.
Performance in line with expectations	<ul style="list-style-type: none"> • 50% of the maximum potential payout under the annual bonus (i.e. 62.5% of salary). • 25% vesting under the LTIP (i.e. 37.5% of salary).
Maximum performance	<ul style="list-style-type: none"> • 100% of the usual maximum potential payout under the annual bonus (i.e. 125% of salary). • 100% vesting under the LTIP, assuming the usual maximum grant size (i.e. 150% of salary).

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

Approach to remuneration on recruitment

Overarching principle

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

Recruitment of Executive Directors

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

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

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

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

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

Recruitment of Chairman and Non-Executive Directors

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

Service contracts

The current service contracts of the CEO and CFO can be terminated by not less than 12 months' and 6 months' notice respectively given in writing by either party to the contract.

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

Policy on payment for loss of office

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

- The Committee's objective is to find an outcome which is in the best interests of both Foxtons and its Shareholders while taking into account the specific circumstances of cessation of employment;
- The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations (i) not being in contradiction with

the Policy set out in this Report, or (ii) if so, not having been entered into on a date later than 27 June 2012, in accordance with the relevant legislation; and

- Other than in circumstances where the Company is entitled to terminate employment summarily, if the employment of an Executive Director is terminated with immediate effect, a payment in lieu of notice may be made which would not exceed 12 months' base salary for the current CEO and six months' base salary for the current CFO. This payment may be subject to mitigation if alternative employment is taken up during this period.

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

Plan	Automatic Good Leaver categories	Treatment for Good Leavers	Treatment for all other reasons for leaving
Annual bonus	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • All other leavers will forfeit their entitlement to an annual bonus payment.
LTIP	<ul style="list-style-type: none"> • 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 gross misconduct, as the Committee determines. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • Awards will normally lapse in full (unless otherwise determined by the Committee).

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

Differences in remuneration policy for Executive Directors compared with other employees

As for our Executive Directors, the remuneration for the majority of our employees is weighted towards variable pay. However, unlike our Executive Directors, where their variable pay is linked to a mixture of short-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 the year, 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. The Company will be seeking Shareholder approval for the Senior Management LTIP at our forthcoming AGM to provide the flexibility for future awards under this plan to be settled with new-issue shares. The Company will continue to operate within the dilution limits approved by Shareholders on IPO of no more than 5% in 10 years for discretionary schemes and 10% for all schemes.

No Executive Director will 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 takes an active interest in Shareholder views and these help shape the structure of the Directors' remuneration arrangements at Foxtons. The Committee also monitors published Shareholder guidelines and will incorporate further best practice features as appropriate.

Annual Report on Remuneration**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 2014, the Remuneration Committee consisted of the following Directors: Andrew Adcock (Chairman), Ian Barlow, Annette Court and Garry Watts. The Committee met three times during the year with attendance disclosed on page 30.

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

During the year, the Remuneration Committee received independent advice on executive remuneration in 2014 from Deloitte LLP (until June 2014) and Kepler Associates (from May 2014). Kepler Associates were appointed as independent advisers to the Remuneration Committee following a formal tender process. Kepler Associates and Deloitte LLP are both signatories to the Remuneration Consultants' Code of Conduct. The fees paid to Deloitte LLP and Kepler Associates for advice provided to the Remuneration Committee were £55,450 and £20,000 respectively.

Deloitte also provided audit services to the Group in 2014. Deloitte's advice was developed with the use of established methodologies and the advisers were not involved in the decision-making process. Advisory partners and staff had no involvement in audit and were not involved in the preparation of audited information. The Committee is satisfied that the remuneration advice it received from Deloitte was independent. Similarly, 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 ending 31 December 2014, and how the Committee intends to implement the Policy in 2015.

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.

Summary of Shareholder voting at the 2014 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 2014:

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
Approval of the Directors' Remuneration Policy	187,699,381	91.99%	16,347,408	8.01%	204,046,789	1,300
Approval of the Directors' Annual Report on Remuneration	204,042,200	100.00%	5,889	0.00%	204,048,089	0

Single figure of total remuneration (audited)

The tables below set out the total remuneration for the Directors for 2013 and 2014.

£'000	2014					
	Salary and fees	Benefits ¹	Bonus ²	LTIP	Pension ⁵	Total
Current Executive						
Nic Budden ³	225	12	56	–	34	327
Gerard Nieslony	275	10	69	–	41	395
Former Executive						
Michael Brown ⁴	216	9	–	–	32	257
Non-Executive						
Garry Watts	175	–	–	–	–	175
Ian Barlow	60	–	–	–	–	60
Annette Court	60	–	–	–	–	60
Andrew Adcock	60	–	–	–	–	60
Stefano Quadrio Curzio	–	–	–	–	–	–
Michael Brown ⁴	30	–	–	–	–	30
Total	1,101	31	125	–	107	1,364

£'000	2013						
	Salary and fees	Benefits ¹	Bonus ²	LTIP	Pension ⁵	Others ⁶	Total
Executive							
Michael Brown	589	19	–	–	16	–	624
Gerard Nieslony	134	7	–	–	9	–	150
Non-Executive							
Garry Watts	62	–	–	–	–	25	87
Ian Barlow	21	–	–	–	–	25	46
Annette Court	21	–	–	–	–	25	46
Andrew Adcock	21	–	–	–	–	25	46
Stefano Quadrio Curzio	–	–	–	–	–	–	–
FA Corp Sarl	15	–	–	–	–	–	15
Total	863	26	–	–	25	100	1,014

Notes to the table

- 1 The benefits paid in respect of 2014 and 2013 related to a car allowance for Gerard Nieslony and the provision of a car for Michael Brown (during his tenure as CEO) and Nic Budden.
- 2 2014 was the first year of operation of the annual bonus. Further details of the performance criteria, achievement and resulting awards can be found on page 46.
- 3 Remuneration covers only the period since his appointment as a Director. Nic Budden was appointed CEO on 1 July 2014 on a salary of £450,000 p.a. He was previously the COO on a salary of £375,000 p.a. His salary, benefits and pension are pro-rated to reflect the period from 1 July 2014 to 31 December 2014.
- 4 Michael Brown stepped down as CEO on 30 June 2014 and was appointed a Non-Executive Director from 1 July 2014. As a result, he has been included in the single figure of total remuneration table twice: as an Executive Director to 30 June 2014, and as a Non-Executive Director from 1 July 2014.
- 5 "Pension" includes payments in lieu of pension. For 2014, the Executive Directors received contributions of 15% of salary.
- 6 On listing, the Non-Executive Directors and Chairman agreed to acquire shares from their own funds. Foxtons agreed to partially match their investments by issuing additional shares to them at a subscription price of £0.01 per share. Accordingly 10,869 shares each were issued to Garry Watts, Annette Court, Andrew Adcock and Ian Barlow.

Base salary for 2014

Nic Budden was appointed CEO with effect from 1 July 2014 and his base salary was set at £450,000 p.a. to reflect the size and scope of his new role. In setting his salary the Committee took into account reference points including external data to ensure his salary is positioned appropriately.

As explained in last year's Annual Report on Remuneration, Gerard Nieslony's base salary for 2014 was £275,000 p.a.

Annual bonus outcomes for 2014 (unaudited)

For the 2014 financial year, the maximum bonus opportunity for Nic Budden and Gerard Nieslony was 125% of salary. Bonuses were based 80% on Foxtons Adjusted EBITDA and 20% on non-financial performance, which for 2014 was the opening of new branches on time and on budget. The table below provides the financial performance targets set and actual performance during the year.

Measure	Performance targets				Actual performance	Payout (% of maximum)
	Weighting	Threshold	On-Target	Maximum		
Adjusted EBITDA	80%	£49.9m	£52.5m	£55.1m	£46.2m	0%
Opening of new branches*	20%	–	7	–	7	100%
Total	100%	–	–	–	–	20%

* Single target for 2014.

Based on the above, and taking into account performance more broadly, the CEO and CFO were awarded bonuses of 20% of maximum, equivalent to 25% of salary. Annual bonuses will be paid in cash.

Scheme interests awarded in 2014 (audited)

On 23 September 2014, the Executive Directors were granted awards under the LTIP. Details are summarised in the table below.

Executive	Basis of award	Face value ¹	Number of shares awarded	Threshold vesting	Performance period
Nic Budden	200% of salary	£900,000	391,304	25%	1 January 2014 to 31 December 2016
Gerard Nieslony	150% of salary	£412,500	179,348		

¹ The share price for determining the number of shares is normally calculated using the average share price over the three trading days immediately preceding the date of grant of 228.6p. However, for the 2014 LTIP awards, the Committee used a reference share price of 230p, being the IPO price, which resulted in fewer shares being awarded.

Following the CEO transition and a broad review of long-term incentive arrangements for senior managers, 2014 LTIP awards were granted during the 42-day window following the announcement of the Company's Interim results for the period ended 30 June 2014. Future LTIP awards will normally be granted following the announcement of the Company's full year results.

The Committee granted an LTIP award of 200% of salary to the new CEO to help provide a motivational incentive from the outset of his taking on the CEO role and support alignment with Shareholders' interests. The LTIP award to the CFO was 150% of salary. It is intended that 2015 LTIP awards to Executive Directors will be 150% of salary.

Awards were granted in the form of nil-cost options, which will, subject to the rules of the LTIP, 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, 2014 LTIP awards may vest based 70% on three year EPS growth and 30% on three year relative Total Shareholder Return (TSR). The TSR comparator group is the FTSE 250 (excluding financial services and oil & gas companies). We believe EPS is an important measure of the Group's financial performance and helps reinforce sustainable long-term growth. TSR is aligned to Shareholder value creation and is transparent. 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)	19%	Median
Stretch (100% vesting)	44%	Upper quartile

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

Statement of Directors' shareholding and share interests (audited)

We strongly believe that Directors should have sizeable shareholdings in Foxtons to ensure that they are as closely aligned as possible with the Shareholder experience. As such, Executive Directors are required to hold Foxtons shares equal to two times their gross basic salary. The shareholdings of the Executive Directors remained unchanged versus prior year. The tables below show the Directors' share ownership as at 31 December 2014:

	Shares held		Shareholding guideline (% of basic salary)	Actual share ownership (% of basic salary)*
	Owned outright	Unvested shares subject to performance		
Nic Budden	1,304,660	391,304	200%	438%
Gerard Nieslony	666,512	179,348	200%	367%

* The shareholding as a percentage of basic salary has been calculated based on the share price on 31 December 2014 of 155p.

The table below shows the Non-Executive Directors' shareholdings as at 31 December 2014:

	Shares held as at 31 December 2014
Garry Watts	43,477
Ian Barlow	86,955
Annette Court	32,608
Andrew Adcock	43,477
Stefano Quadrio Curzio	Nil
Michael Brown (Former CEO)	22,730,022

No changes in Directors' interests have occurred between 31 December 2014 and 10 March 2015.

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

Michael Brown stepped down as CEO on 30 June 2014. He received his salary, pension contributions and benefits up to 30 June 2014. He did not participate in any incentive arrangements during the year, and holds no unvested shares. He will receive no further payments in respect of his former Executive role.

From 1 July 2014, Michael Brown receives fees for his role as a Non-Executive Director, in line with the Policy.

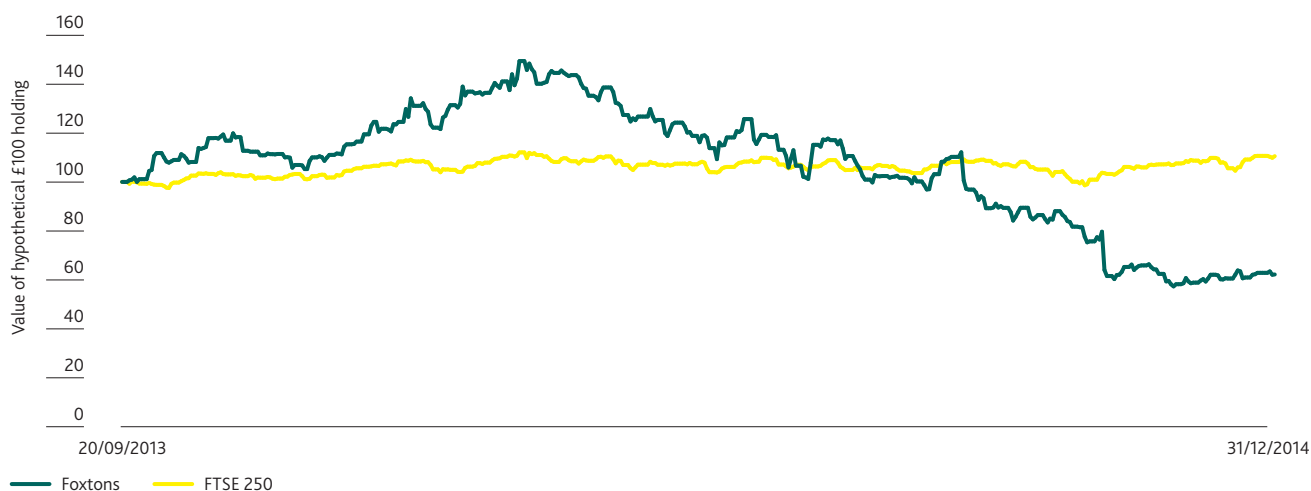
Performance graph and table (unaudited)

The chart below illustrates Foxtons TSR performance against the FTSE 250 since listing in September 2013. The FTSE 250 has been chosen as Foxtons was a constituent of this index during the majority 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 in 2014 and 2013:

	2013 £'000	2014 £'000
Nic Budden (from 1 July 2014)		
Single figure of remuneration	n/a	327
Annual bonus payout (% of maximum)	n/a	20%
LTIP vesting (% of maximum)	n/a	n/a
Michael Brown (to 30 June 2014)		
Single figure of remuneration	624	257
Annual bonus payout (% of maximum)	n/a	n/a
LTIP vesting (% of maximum)	n/a	n/a

Total shareholder return



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

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

	% change in basic salary (2014/2013)	% change in benefits (2014/2013)	% change in annual bonus (2014/2013)
CEO	(25.2%)	+13.0%	n/a
All other employees (at Head office ¹)	+7.4%	(1.5%)	n/a

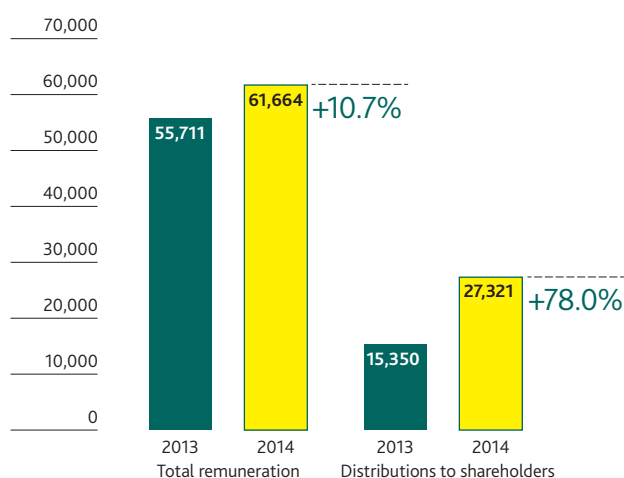
The % changes for the CEO have been determined with reference to aggregate numbers for Nic Budden and Michael Brown in 2014 when undertaking CEO responsibilities.

2014 was the first year of operation of the annual bonus plan, therefore it is not possible to calculate a percentage change between 2013 and 2014.

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

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)**Implementation for 2015 (unaudited)****Base salary**

Following this review, Executive Director salaries are as follows:

	Base salary at	
	1 January 2014*	1 January 2015
Nic Budden	£450,000	£461,250
Gerard Nieslony	£275,000	£281,875

* From 1 July 2014 for Nic Budden.

Benefits

For 2015, 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

For 2015, there will be no change to the operation of Executive Director annual bonuses. 2015 bonuses are up to 125% of salary for Executive Directors and are based 80% on Foxtons annual Adjusted EBITDA and 20% on non-financial measures aligned to the key strategic priorities of Foxtons for the year.

Adjusted EBITDA continues to be an important measure 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. Foxtons annual Adjusted EBITDA is compared to our internal plan.

For 2015 the opening of new branches on time and within budget is key to the successful delivery of our ambitious growth plan and so continues to be included as an important component of the annual bonus with a 20% weighting. We have a proven track record of expansion and opening new branches continues to create significant opportunities for the Group.

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

LTIP

The LTIP framework is unchanged for 2015. It is anticipated that awards will be up to 150% of salary and will be based 70% on Earnings Per Share (EPS) performance and 30% on relative TSR measured over a three-year performance period. We believe EPS is an important measure of the Group's financial performance which helps reinforce sustainable long-term growth. TSR is aligned to Shareholder value creation and is transparent. Relative TSR performance will continue to be assessed against the FTSE 250 (excluding financial services and oil & gas companies).

The Committee reviewed the LTIP targets for awards to be made in 2015 and decided to widen the range by 4% at both ends in view of the increased uncertainty around the London housing market due to the General Election to be held in May 2015. The Committee intends to set 2015 LTIP targets as follows:

	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
Maximum (100% vesting)	48%	Upper quartile

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

Pension

For 2015 pension contributions are unchanged. Contributions of 15% of salary will be made to the Executive Directors' personal pension schemes. Alternatively, a cash allowance equal to this value may be paid.

Non-Executive Director fees

For 2015, the fees for the Chairman and Non-Executive Directors will be as follows:

Chairman of Company	£179,375
Basic fee for other Non-Executive Directors	£61,500

Andrew Adcock

Andrew Adcock

Chairman of the Remuneration Committee

10 March 2015

Directors' report

Corporate structure

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

The Board

The Directors who served during the year, were:

Garry Watts

Andrew Adcock

Ian Barlow

Michael Brown

Nic Budden (appointed 1 July 2014)

Annette Court

Stefano Quadrio Curzio (resigned on 1 October 2014)

Gerard Nieslony

The roles and biographical details of the Directors of the Company at the date of this report are given on pages 26 and 27.

Powers of Directors

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

Appointment and replacement of Directors

The rules regarding the appointment and replacement of Directors are contained in the Company's Articles. These state that any person willing to act as a Director may be appointed by ordinary resolution of the Company's Shareholders. In addition, the Board may appoint any person willing to act as a Director, but they may hold office only until the next Annual General Meeting ("AGM") and then shall be eligible for election. The Company must have not less than two, nor more than 12 Directors.

Each Director is required under the Articles to retire from office at the third AGM after the AGM at which he or she was last elected or re-elected although he or she may be re-elected by ordinary resolution if eligible and willing. However, to comply with the provisions of the UK Corporate Governance Code, each Director will submit himself or herself for re-election at the AGM on an annual basis.

The Company may by special resolution remove any Director before the expiration of his or her period of office or may, by ordinary resolution, remove a Director where special notice has been given and the necessary statutory procedures are complied with.

There are a number of other grounds on which a Director's office may cease, namely voluntary resignation, where all the other Directors (being at least three in number) request his or her resignation, where he or she suffers physical or mental incapacity, where he or she is absent from meetings of the Board without permission of the Board for six consecutive months, becomes bankrupt or compounds with his or her creditors, or is prohibited by law from being a Director.

Amendment to the Company's Articles of Association

The Company may alter its Articles of Association by special resolution passed at a general meeting of Shareholders.

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' & Officers' liability insurance.

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on page 40.

Dividends

The Board recommends a final dividend of 3.17p per share in respect of the 2014 financial year and a special dividend of 1.99p per share representing a total return to Shareholders of approximately £14.5 million. Shareholders will be asked to approve the dividend at the AGM on 20 May 2015, for payment on 29 May 2015 to ordinary Shareholders whose names are on the register on 1 May 2015.

At the 2015 AGM the Company will be seeking Shareholder ratification for the payment of the interim and special interim dividends paid in September 2014. Whilst the Company had sufficient distributable reserves to pay these dividends, the Companies Act 2006 (the "Act") requires that interim accounts evidencing the requisite level of distributable profits should be filed at Companies House prior to payment. Due to an oversight, interim accounts were not filed as required and consequently the dividends were paid in technical infringement of the Act. The Directors consider it in the best interests of the Company to regularise the position since sufficient distributable reserves were available to make the payment and it was intended that Shareholders should receive the dividends. A special resolution is proposed, numbered 20 on the AGM Notice, to take the necessary steps to ratify the dividend payment. Further information on this may be found in the Explanatory Notes to the Notice of AGM.

Post balance sheet events

There are no material post balance sheet events to report.

Future developments in the business of the Company

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on pages 1 to 23.

Corporate Governance

A report on Corporate Governance and the Company's compliance with the Code is set out on pages 28 to 49 and forms part of this report by reference.

Health and safety

An overview of health and safety is provided in the Strategic Report on page 22.

Greenhouse gas emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility statement on pages 22 and 23 and forms part of this report by reference.

Political donations

No political donations were made in 2014 (2013: nil).

Employee involvement and policy regarding disabled persons

Foxtons operates an equal opportunities policy that aims to treat individuals fairly and not to discriminate on the basis of sex, race, ethnic origin, disability or on any other basis. 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.

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 its employees, which is reflected in the principles of Foxtons Corporate Practice and its related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment.

Directors' interests

The beneficial interests of the Directors of the Company at 31 December 2014, and their connected persons, in the issued ordinary shares of the Company are provided on page 47, within the Directors' Remuneration Report. Details of any changes in those interests between 31 December 2014 and 10 March 2015 are also shown on page 47.

Major interests in shares

Information provided to the Company under the Disclosure and Transparency Rules ("DTR") of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website www.foxtongroup.co.uk.

As at 31 December 2014, the Company was aware of the following interests representing 3% or more of the issued ordinary share capital of the Company. 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	Number of shares	%
Caledonia (Private) Investments Pty Ltd	39,092,807	13.18
BlackRock Inc.	27,343,537	9.69
Michael Brown	22,730,022	8.06
CIE Management II Limited	19,743,610	6.99
Capital Research and Management Company	17,830,590	6.33
Fidelity Worldwide Investment	14,666,782	5.19
Select Equity Group, L.P.	14,465,687	5.13
Cantillon Capital Management LLC	14,301,450	5.08

Between 31 December 2014 and 10 March 2015 the Company received notification under DTR 5 that:

- On 22 January 2015 Caledonia (Private) Investments Pty Ltd increased its holding to 41,735,111 ordinary shares (being 14.82% of the issued share capital); and
- On 23 January 2015 BlackRock Inc. reduced its holding to below 5% of the issued share capital.

Share capital

Details of the Company's issued share capital at 31 December 2014 can be found in Note 23 to the financial statements on page 84. The Company's share capital comprises ordinary shares and the rights attaching to those shares, are set out in the Articles which can be found on the Company's website at www.foxtongroup.co.uk. None of the ordinary shares carry any special rights with regard to control of the Company and there are no restrictions on voting rights.

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.

Rights and obligations attaching to shares

Holders of ordinary shares are entitled to receive dividends (when declared). On liquidation, holders of ordinary shares may share in the assets of the Company. At any general meeting, on a show of hands, every member who is present shall have one vote and on a poll every member present, in person or by proxy, shall have one vote for every share of which they are the holder. Holders of ordinary shares are also entitled to receive a copy of the Company's Annual Report and, subject to certain thresholds being met, may requisition the Board to convene a general meeting or propose resolutions at AGMs.

Restrictions on transfers of securities

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

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

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

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

Authority for the Company to purchase its own shares

The Company was granted authority by its Shareholders at the 2014 AGM to purchase up to 28,217,646 of its ordinary shares. As at the date of this report, no ordinary shares have been purchased under this authority and, therefore, the Company may purchase up to 28,217,646 ordinary shares under its existing authority. This authority will expire at the conclusion of the 2015 AGM unless revoked, varied or renewed prior to that meeting. A resolution will be proposed at the 2015 AGM that the Company be authorised to purchase up to approximately 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority and will lapse at the conclusion of the 2016 AGM.

Authority to allot shares

The Company was granted a general authority by its Shareholders at the 2014 Annual General Meeting to allot shares up to an aggregate nominal amount of £940,588.22. The Company also received authority to allot shares for cash on a non pre-emptive basis up to a maximum nominal amount of £141,088.23. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2015 AGM unless revoked, varied or renewed prior to that meeting. Resolutions will be proposed at the 2015 AGM to renew these authorities.

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.

Financial Risk Management

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in note 28 to the Group's consolidated financial statements on pages 87 to 89.

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
4	Details of long-term incentive schemes	Directors' remuneration report page 39
12	Shareholder waivers of dividends	Directors' Report (page 51) and Note 24 (page 84)
13	Shareholder waivers of future dividends	Directors' Report (page 51) and Note 24 (page 84)

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the Financial Statements section. Furthermore, note 28, page 87 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 Going Concern and Liquidity Risk: Guidance for Directors of UK Companies 2009 published by the UK Financial Reporting Council.

Auditor

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

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

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

AGM

The Company's AGM will take place on 20 May 2015 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.foxtonsgroup.co.uk.

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

On behalf of the Board



Nic Budden
Chief Executive Officer



Gerard Nieslony
Chief Financial Officer

10 March 2015

Directors' responsibilities statement

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

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

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

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

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

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

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

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

Responsibility statement

Each of the Directors, whose names and functions are listed on pages 26 and 27, confirms that:

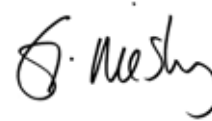
- To the best of their knowledge, the financial statements, which have been prepared in accordance with IFRS, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation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

By order of the Board



Nic Budden
Chief Executive Officer

10 March 2015



Gerard Nieslony
Chief Financial Officer





Financial statements

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Opinion on financial statements of Foxtons Group plc

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

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

Going concern

As required by the Listing Rules, we have reviewed the Directors' statement contained within the Directors' Report on page 52, that the Group is a going concern. We confirm that:

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

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

Our assessment of risks of material misstatement

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

Risk	How the scope of our audit responded to the risk
Impairment of goodwill and other intangible assets The Group's value of intangible assets as at 31 December 2014 totalled £118 million. Assessment of impairment of goodwill and other intangible assets is a judgemental process which requires estimates of future cash flows and associated discount rates and growth rates. Further information in this area is discussed in the significant accounting policies in Note 3.	We have used internal valuation specialists to assess the appropriateness of the discount calculation model. We have challenged management's key assumptions relating to the estimated future cash flows, growth rates and the discount rate applied to the separate cash-generating units through benchmarking against comparator businesses, our understanding of the future prospects of the business, with particular focus on assessment of forecasts against historical forecast accuracy. We have agreed source data for the discount rate to third party analysis and assessed these assumptions against the prevailing Group cost of capital. We have considered the sensitivities performed by management and recalculated the headroom available under the sensitised positions.
Revenue recognition in respect of lettings commission A significant volume of lettings contracts include break clauses. The Group recognises revenue from lettings commission based on its estimate of the period of the tenant's occupation of the lease. This requires management judgement in respect of the likelihood of a break clause being exercised and resulted in a deferred income balance of £4.4 million as at 31 December 2014. Further information in this area is discussed in the significant accounting policies in Note 3.	We have tested the controls in relation to the lettings business cycle and reporting systems used. We have challenged management's judgement of the likelihood of a break clause being exercised by reference to historic average lease lengths, including reviewing a sample of lettings contracts, to assess whether the overall level of revenue recognised at the year end was within a tolerable threshold.
Valuation of share options The Group issued their first share awards totalling 1,609,652 under three different schemes in September 2014. External specialists were used to value the share options. A significant level of judgement is used to calculate the fair values of the options, particularly share price volatility. Further information in this area is discussed in the significant accounting policies in Note 3.	We have audited the accounting charge, terms included in the deed and presentation in the financial statements to assess the treatment in line with accounting standards. We have challenged management's assumptions of the number of options expected to vest at the balance sheet date. Our internal specialists have reviewed the assumptions used to calculate the fair value of the award to assess the external valuation obtained. Their procedures included assessing volatility assumptions through benchmarking to comparator companies, and benchmarking dividend yield against industry trends.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 36.

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

Our application of materiality

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

We determined materiality for the Group to be £2.1 million (2013: £1.8 million), which is below 5% of profit before tax, and below 2% of equity. This has been determined with a consistent approach to that used in 2013.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £42,000 (2013: £36,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit scope covers 100% (2013: 100%) of the Group companies, all of which are UK legal entities. The full scope audit procedures performed were entirely by the central audit team using a statutory materiality appropriate for each entity, which was lower than group materiality, ranged from £0.1 million to £2.0 million. At the parent entity level, we also tested the consolidation process.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

Corporate Governance Statement

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

Our duty to read other information in the Annual Report

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

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

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

Respective responsibilities of Directors and Auditor

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

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

Scope of the audit of the financial statements

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



Richard Muschamp (Senior Statutory Auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2014


	Notes	2014 £'000	2013 £'000
Continuing operations			
Revenue			
Sales		69,833	67,416
Lettings		67,387	66,360
Mortgage broking		6,260	4,938
Other		428	467
Total revenue		143,908	139,181
Administrative expenses		(101,889)	(93,054)
Operating profit before exceptional items		42,019	46,127
Exceptional items	11	–	(3,155)
Operating profit		42,019	42,972
Finance income	9	129	104
Finance costs	10	–	(4,128)
Profit before tax		42,148	38,948
Tax	12	(8,706)	(6,800)
Profit and total comprehensive income for the year	6	33,442	32,148
Earnings per share			
Basic and diluted (pence per share)	14	11.9	12.2
Adjusted basic and diluted (pence per share)	14	11.9	13.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Goodwill	15	19,168	19,168
Other intangible assets	15	99,000	99,000
Property, plant and equipment	16	24,067	21,337
Deferred tax assets	20	876	666
		143,111	140,171
Current assets			
Trade and other receivables	18	10,767	12,731
Prepayments		6,336	6,768
Cash and cash equivalents	26	22,533	23,352
		39,636	42,851
Total assets		182,747	183,022
Current liabilities			
Trade and other payables	21	(8,009)	(10,388)
Current tax liabilities		(4,157)	(5,558)
Provisions	22	(129)	(157)
Deferred revenue		(4,362)	(4,671)
		(16,657)	(20,774)
Net current assets		22,978	22,077
Non-current liabilities			
Deferred tax liabilities	20	(19,800)	(19,800)
		(19,800)	(19,800)
Total liabilities		(36,457)	(40,574)
Net assets		146,290	142,448
Equity			
Share capital	23	2,822	2,822
Other capital reserve		2,582	2,582
Own shares held	24	(1,540)	–
Share premium	25	52,727	52,727
Retained earnings		89,699	84,317
Total equity		146,290	142,448

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 10 March 2015.

Signed on behalf of the Board of Directors



Gerard Nieslony
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Notes	Share capital £'000	Own shares held £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2013		2,822	–	2,582	52,727	84,317	142,448
Total comprehensive income for the year		–	–	–	–	33,442	33,442
Dividends		–	–	–	–	(28,139)	(28,139)
Capital contribution (group relief)	12	–	–	–	–	(5)	(5)
Own shares acquired in the period	24	–	(1,540)	–	–	–	(1,540)
Credit to equity for share based payments	31	–	–	–	–	84	84
Balance at 31 December 2014		2,822	(1,540)	2,582	52,727	89,699	146,290

	Notes	Share capital £'000	Other capital reserve £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013		–	–	–	55,252	55,252
Total comprehensive income for the year		–	–	–	32,148	32,148
Bonus issue of shares		5,164	–	–	(5,164)	–
Operation of ratchet		(2,582)	2,582	–	–	–
Issue of share capital – IPO		240	–	54,761	–	55,001
IPO costs charged directly to equity		–	–	(2,034)	–	(2,034)
Capital contribution (group relief)	12	–	–	–	2,081	2,081
Balance at 31 December 2013		2,822	2,582	52,727	84,317	142,448

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2014

	Note	2014 £'000	2013 £'000
Net cash from operating activities	26	35,547	37,090
Investing activities			
Interest received		129	104
Proceeds on disposal of property, plant and equipment		324	457
Purchases of property, plant and equipment		(7,140)	(7,390)
Net cash used in investing activities		(6,687)	(6,829)
Financing activities			
Dividends paid		(28,139)	–
Purchase of own shares	24	(1,540)	–
Interest paid		–	(2,611)
Repayments of borrowings		–	(68,683)
Repayments of obligations under finance leases		–	(390)
Proceeds on issue of shares		–	55,001
Net cash used in financing activities		(29,679)	(16,683)
Net (decrease)/increase in cash and cash equivalents		(819)	13,578
Cash and cash equivalents at beginning of year		23,352	9,774
Cash and cash equivalents at end of year		22,533	23,352

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:

IFRS 1 (amended)	<i>Government Loans</i>
IFRS 7 (amended)	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
Annual Improvements to IFRSs	<i>(2009 – 2011) Cycle</i>
IFRS 10	<i>Consolidated Financial Statements</i>
IFRS 11	<i>Joint Arrangements</i>
IFRS 12	<i>Disclosure of Interests in Other Entities</i>
IAS 27 (revised)	<i>Separate Financial Statements</i>
IAS 28 (revised)	<i>Investments in Associates and Joint Ventures</i>
IAS 32 (amended)	<i>Offsetting Financial Assets and Financial Liabilities</i>
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</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 15	<i>Revenue from Contracts with Customers</i>
IFRS 11 (amended)	<i>Accounting for Acquisitions of Interest in Joint Operations</i>
IFRS 16 and IAS 38 (amended)	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>

The Directors of the Company (the "Directors") expect that the adoption of the standards listed above will not have a material impact on the financial statements of the Group in future periods, except that IFRS 9 and IFRS 15 will impact both the measurement and disclosures of Financial Instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

3. Significant accounting policies

Compliance with International Financial Reporting Standards

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

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2013 and 2014, 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.

3. Significant accounting policies (continued)

Basis of consolidation

The financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power 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.

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

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, having considered the Company forecasts and projections, taking account of reasonably possible changes in trading performance and the current economic uncertainty. Accordingly, they have adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors' Report on page 52.

Business combinations

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

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

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition-date fair value of the identifiable assets acquired and the liabilities assumed.

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

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

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group, representing the acquired Foxtons brand name, are stated at cost less accumulated impairment losses. The brand name is considered to have an indefinite economic life because of the institutional nature of the brand name, its proven ability to maintain market leadership and profitable operations over long periods of time, and the Group's commitment to develop and enhance its value. The carrying value of the brand is subject to an annual impairment review, and adjusted to its recoverable amount if required.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts (if any) and VAT. Revenue is generated from the Group's operations which are wholly based in the UK.

3. Significant accounting policies (continued)

Rendering of services

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

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

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

Commissions earned on the above services are recognised as follows:

- (1) Commissions on securing the letting are recognised immediately subject to a deferral of revenue in recognition of the following:
 - (a) a percentage of contracts have break clauses and may require a refund if the tenant breaks early for which the Group recognise an estimated refund liability based upon the historical experience of commission repayments over the last 12 months; and
 - (b) 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.

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 30.

Leases

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

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.

Exceptional items

As permitted by IAS 1: Presentation and Disclosure, certain items are presented separately in the consolidated statement of comprehensive income as exceptional where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. IPO costs are an example of an item which may give rise to disclosure as an exceptional item. See note 11. No exceptional items were present in the year ended 31 December 2014.

3. Significant accounting policies (continued)

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 2014 is a blended rate of 21.5% (2013: 23.25%).

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 £5,042k (2013: £6,980k) and is reflected in leasehold improvements £4,341k (2013: £5,600k) and fixtures, fittings and equipment £701k (2013: £1,380k). 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.

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.

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. 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.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

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 31.

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.

Impairment of goodwill and intangible assets

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

5. Business and geographical segments

Products and services from which reportable segments derive their revenues

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

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

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

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

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

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

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

5. Business and geographical segments (continued)

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 2014:

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Consolidated £'000
Revenue	69,833	67,387	6,260	143,480	428	143,908
Adjusted EBITDA	23,226	21,813	736	45,775	425	46,200
Adjusted EBITDA margin	33.3%	32.4%	11.8%	31.9%	99.5%	32.1%
Depreciation						(4,125)
Profit on disposal of property, plant and equipment						39
Finance income						129
Share based payment charge						(96)
Profit before tax						42,148

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

	Sales £'000	Lettings £'000	Mortgage Broking £'000	Total reportable segments £'000	Other £'000	Combined £'000
Revenue	67,416	66,360	4,938	138,714	467	139,181
Adjusted EBITDA	26,376	22,983	270	49,629	3	49,632
Adjusted EBITDA margin	39.1%	34.6%	5.5%	35.8%		35.7%
Depreciation						(3,687)
Loss on disposal of property, plant and equipment						(41)
Exceptional items						(3,155)
Debt repayment incentive scheme ¹						223
Finance income						104
Finance costs						(4,128)
Profit before tax						38,948

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

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

6. Profit and total comprehensive income for the period

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

	2014 £'000	2013 £'000
Operating leases	11,492	10,801
Depreciation of property, plant and equipment	4,125	3,495
Depreciation – finance leases	–	192
(Gain)/loss on disposal of property, plant and equipment	(39)	40
Impairment loss on trade receivables	465	521
Staff costs (see note 8)	61,664	55,711

7. Auditor's remuneration

	2014 £'000	2013 £'000
The audit of the Company	88	49
The audit of the Company's subsidiaries	88	86
Total audit fees	176	135
Taxation compliance services	23	46
Other taxation advisory services	56	159
Other assurance services	3	3
Interim review	20	–
Corporate finance services	–	878
Other services	55	48
Total non-audit fees	157	1,134

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 36. No services were provided pursuant to contingent fee arrangements. The 2013 corporate finance services figure relates to a one-off expense for services in relation to the IPO.

8. Staff costs

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

	2014 Number	2013 Number
Sales	806	722
Administration	464	423
	1,270	1,145

Their aggregate remuneration comprised:

	2014 £'000	2013 £'000
Wages and salaries	55,257	50,124
Social security costs	6,168	5,587
Pension costs	239	–
	61,664	55,711

9. Finance income

	2014 £'000	2013 £'000
Interest income on bank deposits	129	104
Total	129	104

10. Finance costs

	2014 £'000	2013 £'000
Interest on loans	–	4,111
Interest on obligations under finance leases	–	7
Commitment fee	–	10
Total	–	4,128

11. Exceptional items

The following table provides a breakdown of exceptional items:

	2014 £'000	2013 £'000
Exceptional expense		
IPO costs	–	3,155
Total exceptional items	–	3,155

The substantial majority of the above costs are not deductible for tax so there is no significant tax impact of exceptional items in 2013.

One-off IPO costs

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

12. Tax

	2014 £'000	2013 £'000
Current tax		
Current period UK corporation tax	8,967	10,767
Adjustments in respect of prior periods	(51)	(138)
Total current tax	8,916	10,629
Deferred tax		
Origination and reversal of temporary differences	(519)	(1,127)
Impact of change in tax rate	–	(2,869)
Adjustment in respect of prior periods	309	167
Total deferred tax	(210)	(3,829)
Tax on profit on ordinary activities	8,706	6,800

Corporation tax for the year ended 31 December 2014 is calculated at 21.5% (year ended 31 December 2013: 23.25%) of the estimated taxable profit for the period.

On 1 April 2013, the UK corporate tax rate was reduced from 24% to 23%. From 1 April 2014, the UK corporate tax rate fell to 21%.

The Finance Act 2013 provides for a reduction in the UK corporation tax rate to 20% from 1 April 2015. The opening deferred tax balances for the year ending 31 December 2013 were calculated using the corporation tax rate of 20% as most temporary differences were expected to reverse after 1 April 2015.

The deferred tax adjustment in respect of prior periods relates to capital allowances for the year ended 31 December 2013.

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

	2014 £'000	2013 £'000
Profit before tax	42,148	38,948
Tax at the UK corporation tax rate (see above)	9,062	9,047
Tax effect of expenses that are not deductible in determining taxable profit	135	1,836
Capital allowances in excess of depreciation	10	(16)
Offset of losses brought forward	(308)	(44)
Other short-term timing differences	68	(56)
Adjustment in respect of previous periods – current tax	(51)	(138)
Adjustment in respect of previous periods – deferred tax	309	167
Impact on deferred tax of change in tax rate	–	(2,869)
Origination and reversal of timing differences	(519)	(1,127)
Tax on profit on ordinary activities	8,706	6,800

Group relief is claimed and surrendered between Group companies for consideration equal to the tax benefit with the exception of group relief claimed by Foxtons Limited from Adnams BBPM Holdings Limited (Foxtons Group plc's immediate parent prior to completion of the IPO). In the year ended 31 December 2013, the Group received tax losses from Adnams BBPM Holdings Limited which generated Group relief of £2.1 million reducing the corporation tax liability for the year. In the year ended 31 December 2014, a nominal payment of £5k (2013: £57k) was made for this prior year relief and the net benefit was treated as a capital contribution (see consolidated statement of changes in equity).

13. Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity holders in the period:		
Final and special dividends year ended 31 December 2013: 5.44p per ordinary share	15,351	–
Interim and special dividends year ended 31 December 2014: 4.54p per ordinary share	12,788	–
	28,139	–

For 2014, the Board recommends a final dividend of 3.17p per ordinary share (£8.9 million) and a special dividend of 1.99p per ordinary share (£5.6 million) to be paid in May 2015. These financial statements do not reflect these dividends payable.

14. Earnings per share

	2014 £'000	2013 £'000
Earnings for the purposes of basic and diluted earnings per share being profit for the year	33,442	32,148
Adjusted for:		
Exceptional items (see note 11)	–	3,155
Share based payments charge	96	–
Adjusted earnings	33,538	35,303
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	281,890,167	264,586,475
Effect of dilutive potential ordinary shares	102,964	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	281,993,131	264,586,475
Basic earnings per share (in pence per share)	11.9	12.2
Diluted earnings per share (in pence per share)	11.9	12.2
Adjusted basic earnings per share (in pence per share)	11.9	13.3
Adjusted diluted earnings per share (in pence per share)	11.9	13.3

15. Intangible assets

(a) Goodwill

	£'000
Cost and carrying amount	
At 1 January 2013, 31 December 2013 and 2014	19,168

Goodwill for the years ended 31 December 2013 and 2014 has been allocated to segments as follows: Sales £9,819k, Lettings £9,349k and Mortgage Broking (£nil).

(b) Other intangible assets

	Brand £'000
Cost and carrying amount	
At 1 January 2013, 31 December 2013 and 2014	99,000

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

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

To evaluate the recoverable amount of each CGU or group of CGUs, a terminal value has been assumed after the second year and includes a growth rate in the cash flows of 2% for the year ended 31 December 2014 (year ended 31 December 2013: 2%) into perpetuity. The discount rates used reflect the risks specific to the CGUs.

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

The calculated value in use for Sales is £201 million (2013: £340 million), for Lettings £322 million (2013: £296 million) and for the aggregation of Sales and Lettings is £523 million (2013: £636 million). The rate used to discount cash flows from Sales is 10.67% (2013: 10.45%), from Lettings is 10.17% (2013: 9.95%) and from the aggregation of Sales and Lettings is 10.42% (2013: 10.2%).

The headroom taken from the calculation was significant, with Sales at £175 million (2013: £286 million), for Lettings £295 million (2013: £335 million) and for the aggregation of Sales and Lettings, £379 million (2013: £522 million). The calculations were flexed for reasonable changes in the underlying assumptions which did not indicate the assets should be impaired. There have been no indicators of impairment for either goodwill or the brand asset during the periods presented.

16. Property, plant and equipment

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2014	21,214	8,931	1,862	720	32,727
Additions	28	935	515	5,662	7,140
Disposals	–	(10)	(844)	–	(854)
Reclassification/transfer	4,341	701	–	(5,042)	–
At 31 December 2014	25,583	10,557	1,533	1,340	39,013

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Accumulated depreciation					
At 1 January 2014	5,804	4,915	671	–	11,390
Charge for the period	2,177	1,495	453	–	4,125
Disposals	–	(10)	(559)	–	(569)
At 31 December 2014	7,981	6,400	565	–	14,946

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount					
At 31 December 2014	17,602	4,157	968	1,340	24,067
At 1 January 2014	15,410	4,016	1,191	720	21,337

16. Property, plant and equipment (continued)

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

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

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

The Group has finance leases with the following carrying values:

	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Carrying amount of finance leases					
At 31 December 2013	–	–	–	–	–
At 1 January 2013	–	–	387	–	387

17. Subsidiaries

A list of the investments in subsidiaries is included below:

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

18. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	12,131	13,997
Allowance for doubtful debts	(1,812)	(1,749)
Net trade receivables	10,319	12,248
Other debtors	448	483
	10,767	12,731

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 26 days (2013: 31 days).

18. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	Allowance for doubtful debts £'000
Foxtons Group plc	
At 1 January 2013	(2,131)
Amounts provided for during the period	(521)
Amounts utilised during the period	903
At 31 December 2013	(1,749)
Amounts provided for during the period	(465)
Amounts utilised during the period	402
At 31 December 2014	(1,812)

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.

	2014			2013		
	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000	Gross trade receivables £'000	Impairment £'000	Net trade receivables £'000
Ageing of receivables						
0 – 30 days	7,445	–	7,445	8,439	–	8,439
30 – 60 days	1,228	–	1,228	2,578	–	2,578
61 – 90 days	592	–	592	705	–	705
91+ days	2,866	(1,812)	1,054	2,275	(1,749)	526
	12,131	(1,812)	10,319	13,997	(1,749)	12,248

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.

19. Borrowings

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

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

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

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

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

	2014 %	2013 %
Senior debt	–	5.5
Subordinated debt	–	10.5
Finance lease liabilities	–	2.9

20. Deferred tax

Deferred tax assets and liabilities are only offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2014 £'000	2013 £'000
Deferred tax assets	876	666
Deferred tax liabilities	(19,800)	(19,800)
	(18,924)	(19,134)

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, in which case the liability would be released to profit and loss, or sold by the Group, which would result in a cash outflow.

20. Deferred tax (continued)

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

	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
Foxtons Group plc					
At 1 January 2013	349	(636)	94	(22,770)	(22,963)
(Charge)/credit to profit or loss	(29)	982	(94)	2,970	3,829
At 31 December 2013	320	346	–	(19,800)	(19,134)
(Charge)/credit to profit or loss	(281)	44	447	–	210
At 31 December 2014	39	390	447	(19,800)	(18,924)

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.

Tax losses carried forward

A deferred tax asset totalling £0.4 million has been recognised in relation to tax losses carried forward. This relates to £0.4 million of unused tax losses in Alexander Hall Associates Limited and £1.9 million of unused tax losses in Foxtons Intermediate Holdings Limited at 31 December 2014, both of which were previously unrecognised in the prior year (31 December 2013: unused tax losses of £1.2 million and £43.7 million respectively). During 2014, the Group has offset losses of £0.8 million in relation to Alexander Hall Associates Limited and £0.8 million of losses in relation to Foxtons Intermediate Holdings Limited against profits recognised in the current year. Foxtons Intermediate Holding Limited has a further £41.0 million of unused tax losses 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.

21. Trade and other payables

	2014 £'000	2013 £'000
Trade creditors	1,091	2,162
Social security and other taxes	2,737	2,672
VAT	889	1,892
Accruals	3,082	3,502
Other creditors	210	160
	8,009	10,388

The Directors consider that the carrying amount of trade payables approximates their fair value. The average trade creditor days as at 31 December 2014 were 13 days (31 December 2013: 18 days).

22. Provisions

	Sales provision £'000	Other provisions £'000	Total £'000
Foxtons Group plc			
At 1 January 2014	63	94	157
Increase in provision	99	21	120
Utilisation of provision	(58)	(90)	(148)
At 31 December 2014	104	25	129

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

Sales provision

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

Other provisions

These are incurred in the ordinary course of business and primarily includes the complaints provision. This provision relates to unresolved client complaints which may result in compensation.

23. Share capital

	2014 £'000	2013 £'000
Authorised, allotted, issued and fully paid:		
282,176,468 ordinary shares of £0.01 each	2,822	2,822
	2,822	2,822

24. Own shares held

	Own shares held £'000
Balance at 1 January 2014	–
Acquired in the period	1,540
Balance at 31 December 2014	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 31). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2014 was 500,000 (2013: nil).

25. Share premium account

	Share premium £'000
Balance at 1 January 2013	–
Premium arising on issue of equity shares	54,761
One-off IPO costs charged directly to equity	(2,034)
Balance at 31 December 2013 and 31 December 2014	52,727

26. Notes to the cash flow statement

	2014 £'000	2013 £'000
Operating profit	42,019	42,972
Adjustments for:		
Depreciation of property, plant and equipment	4,125	3,687
(Gain)/loss on disposal of property, plant and equipment	(39)	40
(Decrease)/increase in provisions	(28)	30
Share based payment cost	96	–
IPO costs incurred	–	3,155
Operating cash flows before movements in working capital	46,173	49,884
Decrease/(increase) in receivables	2,398	(2,153)
(Decrease)/increase in payables	(2,700)	709
Cash generated by operations	45,871	48,440
Expensed IPO costs paid	–	(3,155)
IPO costs paid taken directly to equity	–	(2,034)
Income taxes paid	(10,324)	(6,161)
Net cash from operating activities	35,547	37,090
Cash and cash equivalents		
	2014 £'000	2013 £'000
Cash and cash equivalents	22,533	23,352

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value. Cash and cash equivalents excludes client monies. See note 30.

27. Operating lease arrangements**The Group as lessee**

	2014	2013
	£'000	£'000
Lease payments under operating leases recognised as an expense in the period	11,492	10,801

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:

	2014	2013
	£'000	£'000
Within one year	9,856	9,810
In the second to fifth years inclusive	29,651	27,359
After five years	31,280	29,155
	70,787	66,324

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

The Group as lessor

	2014	2013
	£'000	£'000
Lease receipts under operating leases recognised in the period	317	317

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

	2014	2013
	£'000	£'000
Within one year	300	317
In the second to fifth years inclusive	1,030	1,091
After five years	419	660
	1,749	2,068

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

28. Financial instruments

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to Shareholders.

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

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

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2014, the threshold was £153,000, which is immaterial to the Group.

Gearing ratio

The gearing ratio at each period end is as follows:

	2014 £'000	2013 £'000
Cash and cash equivalents	22,533	23,352
Net funds/(debt)	22,533	23,352
Equity	146,290	142,448
Net cash to equity ratio	(15)%	(16)%

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

Categories of financial instruments

	2014 £'000	2013 £'000
Financial assets		
Cash and bank balances	22,533	23,352
Loans and receivables	10,767	12,731
Financial liabilities		
Financial liabilities recorded at amortised cost	(5,271)	(7,717)

Financial risk management objectives

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

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see note 30). Prior to IPO, this exposure was partially offset by borrowings based on LIBOR, as the Group did not have any financial instruments in place to hedge against interest rate movements.

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

28. Financial instruments (continued)

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 2014 would increase/decrease by £0.8 million (year ended 31 December 2013: decrease/increase by £0.2 million). This increase in variability is due to the Company now being debt free so that there is no natural hedge against client deposits. This contrasts to the prior year where the Group's exposure to interest rates on its client funds was offset partially by interest paid on variable rate borrowings.

Credit risk management

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

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

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

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

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

Client funds (see note 30) are held with three reputable financial institutions. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the government guarantees amounts up to £85k each. This guarantee applies to each individual client's deposit monies, not the sum total on deposit.

Liquidity risk management

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

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

28. Financial instruments (continued)

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

	Less than 1 month £'000
31 December 2014	
Cash and cash equivalents	22,533
Trade and other receivables	10,767
	33,300
31 December 2013	
Cash and cash equivalents	23,352
Trade and other receivables	12,731
	36,083

The Group only holds Level 2 financial instruments as detailed by IFRS 13 and therefore does not hold any financial instruments categorised as either Level 1 or Level 3 financial instruments. There have also been no transfers of assets or liabilities between levels of the fair value hierarchy.

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:

	2014 £'000	2013 £'000
Cash and cash equivalents	22,533	23,352
Trade and other receivables	10,767	12,731
Trade and other payables	(8,009)	(10,388)

29. Related party transactions

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

Trading transactions

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

	2014 £'000	2013 £'000
Interest on loan		
FSFV Limited	–	3,185
Mizuho Corporate Bank Ltd	–	428
Agency fee		
Mizuho Corporate Bank Ltd	–	42
Commitment fee		
Mizuho Corporate Bank Ltd	–	10

The following amounts were outstanding at the balance sheet date:

	Amounts owed to related parties	
	2014 £'000	2013 £'000
FSFV Limited	–	–
Mizuho Corporate Bank Ltd	–	–

From October 2010 until repayment in 2013, FSFV Limited (“**FSFV**”) held 100% of the subordinated debt. FSFV is wholly-owned by funds advised by BC Partners. Funds advised by BC Partners also ultimately hold 7.0% of the equity in the Company via CIE Management II Limited. During the year ended 31 December 2013 principal repayments of £42.2 million were made on the subordinated debt.

Mizuho held part of the senior debt from October 2010 until repayment in 2013, during the year ended 31 December 2013 the outstanding debt was fully repaid, with payments totalling £13.7 million. Mizuho owned 25% of the share capital of the Company until 14 March 2012, at which point it realised its interest.

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. We have redefined our definition of key management personnel in the year, which is now defined as the Executive Directors and Non-Executive Directors of Foxtons Group PLC and the Chief Operating Officer of Foxtons Limited. Prior year comparatives have been restated accordingly.

	2014 £'000	Restated 2013 £'000
Directors' remuneration – short-term employee benefits	1,648	1,383

30. Client monies

At 31 December 2014, client monies (all held by Foxtons Limited) in approved bank and building society accounts amounted to £82.8 million (31 December 2013: £81.1 million). Neither this amount nor the matching liabilities to the clients concerned is included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that interest income on these deposits accrues to the Company.

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

31. Share based payments

Equity-settled share option scheme

The Company has a share option scheme for employees of the Group. The award has 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 detailed in the plan rules as set out in the table on page 43.

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 £11,582 (2013: £nil).

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

	2014	
	Number of share options	Weighted average exercise price (in £)
Outstanding at beginning of period	–	–
Granted during the period	1,609,652	£nil
Outstanding at the end of the period	1,609,652	£nil
Exercisable at the end of the period	–	–

The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 10 years. In 2014, options were granted on 23 September 2014. The aggregate of the estimated fair values of the options granted is £2.5 million. The inputs into the Black-Scholes and Monte Carlo models are as follows:

	2014
Weighted average share price	221p
Weighted average exercise price	Nil
Expected volatility	27%
Expected life	2.44 years
Risk-free rate	0.5%
Expected dividend yield	5.9%

Expected volatility was determined by calculating the historical volatility of the share price of comparable listed companies over the previous 2.44 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.

31. Share based payments (continued)

The Group recognised total expenses of £95,513 (£83,931 net of NI) in the year ended 31 December 2014 (2013: £nil) related to equity-settled share-based payment transactions.

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

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.

32. Net free cash flow

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 exclusive of exceptional items.

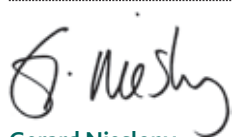
	Notes	2014 £'000	2013 £'000
Net cash from operating activities	26	35,547	37,090
Investing activities			
Interest received		129	104
Proceeds on disposal of property, plant and equipment		324	457
Purchases of property, plant and equipment		(7,140)	(7,390)
Net cash used in investing activities		(6,687)	(6,829)
Excluding exceptional costs paid			
Expensed IPO costs paid		–	(3,155)
IPO costs paid directly taken to equity		–	(2,034)
Net cash used in exceptional activities		–	(5,189)
Other adjusting items: purchase of own shares	24	(1,540)	–
Net free cash flow		27,320	35,450

PARENT COMPANY BALANCE SHEET

	Notes	2014 £'000	Restated (note 38) 2013 £'000
Fixed assets			
Investments	35	31,284	31,200
		31,284	31,200
Current assets			
Debtors	36	29,949	48,437
Cash and cash equivalents		17,517	–
Prepayments and accrued income		115	114
		47,581	48,551
Creditors			
Amounts falling due within one year	37	(337)	(119)
Net current assets		47,244	48,432
Total assets less current liabilities		78,528	79,632
Capital and reserves			
Called up share capital	38	2,822	2,822
Other capital reserve	38	2,582	2,582
Own shares reserve	24	(1,540)	–
Share premium		52,727	52,727
Profit and loss account		21,937	21,501
Shareholders' funds	38	78,528	79,632

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 10 March 2015.

Signed on behalf of the Board of Directors



Gerard Nieslony
Chief Financial Officer

33. Significant accounting policies

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2013 and 2014.

Basis of preparation

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

Investments in subsidiary companies

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

Going concern

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

Related party transactions

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

34. Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the financial year. The Company's profit for the year was £28.5 million (2013: £26.6 million).

The Company has five employees at 31 December 2014 (2013: five). These are the Non-Executive Directors of Foxtons Group plc; their remuneration is paid by Foxtons Limited. The Executive Directors of Foxtons Group plc are employed and paid by Foxtons Limited. Details of Directors' remuneration are disclosed in the Directors' Remuneration Report and in note 29 to the accounts.

35. Investment in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	£'000
At 1 January 2013	–
Capital contribution	31,200
At 31 December 2013	31,200
Capital contribution arising from share based payments	84
At 31 December 2014	31,284

Investments in subsidiaries are stated at cost, less any provision for impairment. The capital contribution was made in 2013 to Foxtons Intermediate Holdings Limited, a wholly owned subsidiary of Foxtons Group plc.

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

36. Debtors

	2014 £'000	2013 £'000
Amounts owed by subsidiary undertakings	29,949	48,418
Deferred tax asset	–	19
	29,949	48,437

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

37. Creditors

	2014 £'000	2013 £'000
Accruals	(337)	(119)
	(337)	(119)

38. Reconciliation of movements in Shareholders' funds

	Share capital £'000	Own shares reserve £'000	Other capital reserve £'000	Share premium £'000	Profit and loss £'000	Total Shareholders' funds £'000
Balance at 31 December 2013	2,822	–	2,582	52,727	21,501	79,632
Profit for the year	–	–	–	–	28,491	28,491
Dividends	–	–	–	–	(28,139)	(28,139)
Own shares acquired in the period	–	(1,540)	–	–	–	(1,540)
Capital contribution given relating to share based payments	–	–	–	–	84	84
Balance at 31 December 2014	2,822	(1,540)	2,582	52,727	21,937	78,528

	Restated Share capital £'000	Restated Other capital reserve £'000	Share premium £'000	Profit and loss £'000	Total Shareholders' funds £'000
Balance at 1 January 2013	–	–	–	90	90
Profit for the year	–	–	–	26,575	26,575
Bonus issue of shares	5,164	–	–	(5,164)	–
Issue of share capital – IPO	240	–	54,761	–	55,001
IPO issue costs	–	–	(2,034)	–	(2,034)
Previously reported 31 December 2013	5,404	–	52,727	21,501	79,632
Operation of ratchet – shares cancelled	(2,582)	2,582	–	–	–
Restated balance at 31 December 2013	2,822	2,582	52,727	21,501	79,632

The share capital of the parent company has been restated to take into consideration the share reduction which was reflected in the prior year's consolidated financial statements but was omitted from the prior year's company financial statements.

At 31 December 2014 the profit and loss reserve is fully distributable.

2014 Financial Year

Year end	31 December 2014
Announcement of preliminary results for 2014	11 March 2015
Publish Annual Report and Accounts	April 2015
Ex-final dividend date	30 April 2015
Final record date	1 May 2015
Annual General Meeting	20 May 2015
Final/Special dividend payment date	29 May 2015

2015 Financial Year

1st quarter trading update	April 2015
Interim period end	30 June 2015
Announcement of interim results	30 July 2015
Interim ex-dividend date	3 September 2015
Interim record date	4 September 2015
Interim dividend payment date	25 September 2015
3rd quarter trading update	October 2015
2015 financial year end	31 December 2015
Preliminary announcement	March 2016
Publish Annual Report and Accounts	April 2016
Ex-final dividend date	April 2016
Final record date	May 2016
AGM	May 2016
Final dividend payment date	May 2016



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