2022

ANNUAL REPORT AND ACCOUNTS

FOXTONS GROUP PLC

GETTING THE RIGHT DEAL DONE FOR LONDON'S PROPERTY OWNERS

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2022 HIGHLIGHTS

Revenue
from continuing operations
+11%
£140.3 million
2021: £126.5 million

Adjusted operating profit[1]
from continuing operations
+56%
£13.9 million
2021: £8.9 million

Profit before tax
from continuing operations
+115%
£11.9 million
2021: £5.6 million

Net free cash flow[1]
from continuing and discontinued operations
+17%
£7.7 million
2021: £6.6 million

Non-cyclical recurring revenues[2]
from continuing operations
65%
of total revenue
2021: 61% of total revenue

Productivity[2]
year-on-year growth
+5%
average revenue per branch
+11%
average revenue per fee earner

Customer satisfaction[2]
Trustpilot
4.7 OUT OF 5
2021: 4.7 out of 5

1 Measures are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.
2 Refer to PAGE 23 for definitions of these key performance indicators.

/ ABOUT US

WHO WE ARE

Founded in 1981, Foxtons started as a two-person estate agency in Notting Hill and established itself as an iconic estate agency brand. Today the Group has a network of 60 interconnected branches providing a range of residential property services through our Lettings, Sales and Financial Services businesses. Lettings, which now contributes 62% of total revenue, is the largest part of the Group, delivering non-cyclical recurring revenues from a portfolio of around 26,500 properties.

WHAT WE WANT TO ACHIEVE

Our mission is to be London's go-to estate agent and to get the right deal done for London's property owners.

We want our colleagues to be proud of the role we play in facilitating important life moments such as letting and renting a property, selling and buying a property or arranging a mortgage.

2022 was a pivotal year for the Company with a new CEO, a refreshed purpose and refocused strategic priorities backed up by a rebuild plan set to drive significant revenue and profit growth.

HOW WE WILL DO THIS

As we rebuild our Foxtons' estate agency DNA we will be guided by our purpose:

To get the right deal done for London's property owners.

Our purpose has informed our strategic priorities and will guide the Group as we deliver against these priorities, rebuild our competitive advantages and reinvigorate our results-driven culture. We need to prove to landlords and sellers that no one in the marketplace has the same capabilities, quality of people and commitment as Foxtons.

Foxtons' new brand ethos, **'We Get it Done'**, captures the essence of the Company's estate agency DNA.

OUR PURPOSE

TO GET THE RIGHT DEAL DONE FOR LONDON'S PROPERTY OWNERS

Read more about our purpose on PAGES 7 AND 68.

OUR MISSION

TO BE LONDON'S GO-TO ESTATE AGENT

OUR STRATEGIC PRIORITIES

1. LETTINGS ORGANIC GROWTH
2. LETTINGS ACQUISITIVE GROWTH
3. SALES MARKET SHARE GROWTH
4. FINANCIAL SERVICES REVENUE GROWTH

Read more about our strategic priorities on PAGES 7 AND 15.

OUR VALUES

PROFESSIONAL | AMBITIOUS | RELENTLESS | INNOVATIVE | AUTHORITATIVE

Read more about our values on PAGES 14 AND 54.

/ TRANSFORMATION UNDERWAY

> "During his first six months, Guy has developed a set of priorities to put the business firmly on the front foot and drive profit growth, based upon rebuilding Foxtons' estate agency DNA.

Nigel Rich CBE Chairman

CHAIRMAN'S STATEMENT

2022 was an eventful year for Foxtons. Significant Senior Management changes took place, of which the most significant was the appointment of Guy Gittins as CEO. His appointment was announced in late May and after a period of garden leave required by his previous employer, he joined the Company on 5 September 2022.

Peter Rollings, a Non-Executive Director, who had previously spent 20 years at Foxtons, latterly as a Managing Director, took over as Interim CEO pending Guy's arrival. I am most grateful to Peter for taking on this responsibility, which he fulfilled with enthusiasm and commitment.

Guy, who began his career at Foxtons and was most recently CEO of Chestertons, has brought to Foxtons considerable experience and success as an estate agent, as well as knowledge of the London residential market.

During his first six months, Guy has reviewed the business and developed a set of priorities to put the business firmly on the front foot and drive revenue and profit growth based upon rebuilding Foxtons' estate agency DNA. Already he's making significant strides in strengthening Foxtons' competitive advantages, enhancing our ability to innovate and lead the industry with our data capabilities, as well as refreshing our purpose and values.

We are prioritising growth in the non-cyclical revenue streams within Lettings and Financial Services to drive resilience and recurring revenues. Growth will be achieved through organic and inorganic growth in Lettings, and by building up our Financial Services business to handle more of the referrals generated from the Sales business.

The Group has set out its medium-term ambitions which will return Foxtons to a leading agency position in London and deliver significantly improved returns to our shareholders. The management incentive schemes are closely aligned to the Group's medium-term ambitions.

Financials

Revenue from continuing operations increased by 11% to £140.3 million, driven largely by Lettings which contributed £86.9 million, an increase of 17%. Adjusted operating profit increased by 56% to £13.9 million with Lettings contributing £18.0 million, enhanced by a full year of contribution from the D&G Lettings portfolio and the additional acquisitions made in 2022. Profit before tax increased by 115% to £11.9 million.

Head office and other administration costs were reduced by streamlining Senior Management, resulting in annualised savings of around £3 million, of which around two thirds were reflected in the 2022 results. In order to grow market share across the business, these savings have been reinvested, by increasing the number of agents and advisers, to drive organic growth in Lettings and Financial Services and return Sales to profitability in the longer term.

Net cash at the year end was £12.0 million, after investing £8.5 million in lettings portfolios and buying back £4.9 million of shares.

In the final quarter, the Group wrote off its £3.4m investment in Boomin which went into liquidation due to the economic slowdown and a decline in funding availability in the technology sector. Investment will now be firmly focused on the core business.

Board

Reflecting a period of change and some tenures coming to an end, there were a number of Board changes during the year, including a full change of the Executive Directors with Nic Budden, Richard Harris and Patrick Franco stepping down and the appointment of Guy Gittins as CEO and Chris Hough as CFO.

Additionally, two of our Non-Executive Directors, Alan Giles and Sheena Mackay, have chosen not to stand for re-election at the 2023 AGM given the new Chairman, CEO and wider management team changes are now complete and in place. I would like to thank Alan and Sheena for their great support and contribution as Non-Executive Directors during my chairmanship and wish them well with their new endeavours. Rosie Shapland will take up the position of Senior Independent Director upon Alan Giles' resignation from the Board at the 2023 AGM.

I am pleased to welcome Annette Andrews as Non-Executive Director and Chair of the Remuneration and ESG Committees and Jack Callaway as a Non-Executive Director. Both Annette and Jack joined the Board on 1 February 2023, and Annette will take over as Chair of the Remuneration and ESG Committees at the 2023 AGM.

Dividends and share buybacks

The Board has declared a final dividend of 0.7p per share, making a total in respect of 2022 of 0.9p per share under our policy of returning 35% to 40% of profit after tax in ordinary dividends. In 2022 we bought back 14.8 million shares through our share buyback programme at a cost of £4.9 million. The Board will review the continuation of the programme, bearing in mind our other capital needs, once the current authority, of which £1.1 million was unspent at 31 December 2022, is fully utilised.

Medium-term outlook

The new leadership team, the strength of the brand, and an enhanced approach to data and better leveraging our IT system, coupled with increasing our salesforce capacity in Lettings and Sales, will enable Foxtons to build market share. We will continue to invest in high quality lettings portfolios that meet our investment criteria. The £7.4 million acquisition of Atkinson McLeod announced yesterday reflects further progress against this strategy. We will also continue to support and grow our Financial Services business.

We believe we are creating a much more competitive and resilient business that is well placed to deliver growth and shareholder value in the medium term.

Nigel Rich CBE
Chairman
6 March 2023

/ REBUILDING FOXTONS' ESTATE AGENCY DNA

> There is significant unfulfilled potential to unlock within the business and our growth ambitions demonstrate this.

Guy Gittins Chief Executive Officer

CHIEF EXECUTIVE'S REVIEW

On 5 September 2022 I was delighted to join as the CEO of the most iconic estate agency in London, and the place I started my career 20 years ago.

A lot has been achieved in the six months since I joined, having completed my operational review, a rebuilding programme has begun and we have refocused our strategic priorities to accelerate growth in non-cyclical and recurring areas of the business. A new purpose, **to get the right deal done for London's property owners**, was launched in December to better reflect our ambitions and underpins our refocused strategic priorities.

There is significant unfulfilled potential to unlock within the business and our growth ambitions demonstrate this. We want to deliver between £25 million and £30 million of operating profit, in the medium term, and improve operating margins to over 15% through maximising the operating leverage in the business.

It is my aim to make Foxtons London's go-to estate agent, and by doing so, create significant value for shareholders.

Results

I am pleased to report that despite a challenging economic backdrop, revenue from continuing operations was up 11% to £140.3 million (2021: £126.5 million), adjusted operating profit was up 56% to £13.9 million and profit before tax was up 115% to £11.9 million. Net cash at the period end was £12.0 million.

Lettings revenue grew 17% to £86.9 million, and the Lettings portfolio now stands at c.26,500 tenancies, an increase of 5% over the prior year. In February 2022 the business integrated the D&G Lettings portfolio onto our scalable operating platform and disposed of the loss-making D&G Sales business, delivering significant profit growth. In May 2022 we acquired another two lettings portfolios, as part of our strategy to deliver attractive total returns on invested capital and improve the resilience of our revenues. Both portfolios have been successfully integrated and are delivering a good level of return.

Sales revenue grew 1% to £43.2 million and market share growth is a key area of our focus over the medium term. Profitability of the Sales business was impacted in the year as we began the investment required to build capability and deliver market share growth over the medium term.

Financial Services revenue grew 8% to £10.2 million. Growth in this segment is especially pleasing given the significant upheaval in mortgage markets, reflecting the strength of our proposition, the expertise of our advisers and the recurring revenues from refinance activity.

Non-cyclical recurring revenues from Lettings and Financial Services, which enhance the Group's earnings resilience, now represent c.65% of Group revenue and reflects significant growth in Lettings.

Operational review

My first six months at Foxtons have been spent reviewing all aspects of the business and its operating model. Alongside this, I have been busy meeting colleagues and visiting each of our branches. I have been incredibly impressed by the shared vision of our people to deliver success and firmly believe their ambition, drive and professionalism remains a key differentiator.

Having completed my operational review, I am able to report that the foundations of the business are strong and the core operating model is sound. However, it is also clear that some of Foxtons' estate agency DNA that I knew so well has been lost; specifically, the innovation, brand prominence and single-minded focus on delivering the best results for customers that Foxtons was once famous for.

The key to rediscovering that DNA is through rebuilding areas of historic competitive advantage – namely our brand, people and culture, and data and technology – which have been eroded over time as a result of some investments made in the wrong areas, leading to an underinvested core business and limiting the ability to deliver any significant organic growth.

In addition, the Company's purpose was confused and our employee values misaligned with the business' focus and ambitions. I have refocused the whole business on what we need to deliver and launched a new purpose and values to reflect our strategic priorities and estate agency DNA.

Our purpose, **to get the right deal done for London's property owners**, was unveiled to the entire workforce in December 2022 and will act as a cornerstone to everything we do, including delivering the best result for all our stakeholders. It will inspire and focus our teams as we renew the culture and remind customers of why they should appoint Foxtons.

Refocused strategic priorities

We now have a refocused set of strategic priorities to deliver revenue and profit growth and meet our medium-term operating profit ambition.

In Lettings, a core focus will be to grow revenue and profits through organic growth, accelerated further by acquisitive growth. This will significantly enhance the resilience of the Group's earnings and mitigate our exposure to the cyclical sales market.

In Sales, the focus is to drive market share growth, ensuring the business captures the upside from any sales market recovery and delivering good levels of cross-sell into Lettings and Financial Services. We believe this is the right strategy to grow profitability and deliver strong shareholder returns.

Our four strategic priorities are as follows:

1. LETTINGS: ORGANIC GROWTH

Limited Lettings organic growth has been delivered in recent years. We will reverse this trend by:

- **Winning new property instructions** by better leveraging our database and embedding a culture of proactive lead generation both in our central hub and branches.
- **Being the fastest agent** to bring new instructions to market and improve our instruction to exchange success rate.
- **Improving landlord retention** through post-transaction service excellence in Property Management and back office operational processes.

Medium-term ambition: 3%-5% revenue CAGR

2. LETTINGS: ACQUISITIVE GROWTH

We will continue to pursue Lettings acquisitive growth and build on our successful acquisition track record by:

- **Identifying and acquiring high quality portfolios** that meet our investment criteria and expand our footprint in existing and untapped markets adjacent to our current footprint.
- **Integrating acquired portfolios into our scalable operating platform** to deliver revenue and cost synergies and drive significant margin growth.
- **Delivering recurring revenues and profits** through retention of acquired landlords by delivering ongoing excellent customer outcomes.

Medium-term ambition: 20%+ return on capital from lettings portfolio acquisitions

3. SALES: MARKET SHARE GROWTH

We have c.3.4% share of our addressable market, compared to c.4.5% in 2016. We aim to get back to those levels by:

- **Increasing market share of instructions** in our core markets by re-establishing Foxtons' premium brand positioning.
- **Improving rate of sell through from instruction to exchange** by maintaining sufficient workforce capacity across our branch network and delivering industry leading training.
- **Improving cross-sell** by deepening connectivity with the Financial Services business and in-house conveyancing panel to improve conversion of instructions.

Medium-term ambition: 4.5%+ market share in our addressable markets

4. FINANCIAL SERVICES: REVENUE GROWTH

We can better leverage our referral leads to Financial Services by:

- **Growing capacity** by increasing adviser headcount to take advantage of existing referral opportunities.
- **Improving adviser productivity** by reducing adviser data entry processes and improving customer contact times through the use of paraplanners and investment into technology solutions.
- **Improving cross-sell** through an increased emphasis on secondary products, such as protection products, to drive revenue and profit per customer.

Medium-term ambition: 7%-10% revenue CAGR

/ REBUILDING FOXTONS' ESTATE AGENCY DNA CONTINUED

> "I am confident our refocused strategy is the right one and we have the collective determination to put Foxtons back on top where it belongs.

Rebuilding our competitive advantages

Underpinning these strategic priorities is the work underway to rebuild our competitive advantages:

Reinvigorating our iconic brand

We've invested in a new marketing initiative to make clear what Foxtons stands for and why landlords, sellers and those who need finance should choose us. This is embodied in our new brand ethos, 'We Get it Done' which captures the essence of Foxtons' estate agency DNA. We have also reintroduced the iconic Foxtons Mini to re-energise brand visibility on the streets of London, alongside a programme to refurbish our highly visible branch network. There is more to do here, but I'm pleased with the direction of travel.

Investing in our people and culture

We started investing in our people in 2022, including increasing estate agency and adviser headcount. I am particularly pleased with changes we have made to turbocharge a high-performance sales culture, including rewarding success, focusing on training and career progression to support retention, and aligning incentives with our strategic priorities.

Enhancing our data and technology

We are overhauling our outdated data architecture to modern standards, with resulting data accessibility and utilisation across the Group supporting the transition towards becoming a data-led business. This will deliver a greater level of insight into the drivers of our own business performance and inform and support business decision making. Furthermore, this will allow us to better leverage our property and customer database to drive property instruction opportunities across Lettings and Sales.

Foxtons was the original property disruptor, but the focus of our in-house experts was being directed towards back office administrative enhancements too often, rather than innovating our core estate agency processes. The focus is now to modernise and revolutionise our core processes, particularly in Lettings where speed is of the essence, to provide a true competitive advantage against the market.

Outlook and current trading

The overall outlook for 2023 is expected to be more challenging than 2022, due to the highly uncertain macroeconomic backdrop, including significantly higher interest rates and inflation levels than in prior years impacting the sales market.

Lettings is expected to remain resilient in 2023, with demand for rental properties expected to continue to outstrip supply over the near term, with rental price growth likely to normalise over the course of 2023. Yesterday, we announced the acquisition of Atkinson McLeod, adding a further c.1,100 tenancies and annualised revenues of around £3 million, demonstrating ongoing progress with our acquisition strategy.

In Sales, we entered 2023 with a smaller under-offer pipeline than the prior year as a result of sales market volatility following the September mini-budget. With the typical property purchase taking over four months to complete, we expect Sales revenue to be adversely impacted through the majority of 2023. While it remains extremely difficult to forecast the sales market, recent reductions in mortgage rates are encouraging buyer enquiries, which may result in a more favourable sales market in the latter part of the year.

In Financial Services, refinance volumes are expected to remain resilient, due to their non-cyclical and recurring characteristics, whilst demand for new purchase mortgages will track the performance of the wider sales market.

Trading in the first two months of the year has been in line with our expectations, with recently implemented operational improvements starting to drive our market share of property instructions across Lettings and Sales.

In summary, the business has strong foundations and significant unfulfilled potential. I am confident our refocused strategy is the right one and we have the collective determination to put Foxtons on top where it belongs.

Guy Gittins
Chief Executive Officer
6 March 2023

Q&A WITH GUY GITTINS

What's it like to be back at Foxtons?

/ I'm delighted to be back where I started my career, at the most iconic estate agency in London. I've enjoyed reacquainting myself with the business, speaking to colleagues across the Group and reviewing operations. Whilst it is disappointing to see that Foxtons' estate agency DNA has been eroded, I have been truly inspired by the ideas, commitment, and energy from across the business to build this back. There is much to be done, but we have a clear plan and a shared understanding of how to move forward and return the business to its position as London's go-to estate agency.

What were the findings from your operational review of the business?

/ Although the fundamentals of the business remain strong, those areas that were once competitive advantages have been eroded, specifically: the power of the brand; the strength of our people and culture; and our ability to innovate using technology and data.

Over recent years the brand has lost visibility and the premium position it previously enjoyed. This has given competitors the opportunity to take a larger share of our market and reduce our competitiveness in key markets across London. The Foxtons culture of delivering results for our customers through sales intensity has been diluted, compounded by an under resourced branch network and unsustainable levels of staff turnover. When I first joined Foxtons in 2002, the Company's technology and data capabilities were second to none. However, over the years, the speed of innovation has slowed, the industry leading technology is no longer fully leveraged, and the business prioritised investments in external property technology products rather than a focus on core operational progress and innovation. By rebuilding our competitive advantages, I am confident we will be able to successfully deliver against our refocused strategic priorities and fulfil our growth ambitions.

What are the refocused strategic priorities?

/ We have four strategic priorities: Lettings organic growth; Lettings acquisitive growth; Sales market share growth; and Financial Services revenue growth.

Lettings growth is a key part of our strategy and will drive growth in our non-cyclical recurring revenue streams, significantly enhancing the quality of our earnings. Growing market share in Sales is key to returning the business to profitability and ensuring we are positioned to maximise the benefit from any recovery in the sales market. Finally, Financial Services provides a mix of transactional and recurring revenues and increases the profitability derived from sales transactions. With the right level of capacity in the Financial Services business we can make more of the immediate cross-sell opportunity from the estate agency business, with the added benefit of growing the portfolio of long-term refinance customers. We are targeting a medium-term timeframe through which to deliver these strategic priorities and I look forward to reporting progress against them in the years ahead.

What changes have you already made?

/ In December 2022, I launched our new brand ethos: 'We Get it Done'. This captures the essence of Foxtons' estate agency DNA and what the iconic brand stands for. Quite simply, we aim to work harder and smarter than our competition to get the right deal done for London's property owners. The relaunch of the iconic Foxtons Mini, now reflecting our 'We Get it Done' ethos, will increase our brand visibility across London.

Early on it became apparent Foxtons' purpose had become confused and disconnected from the core offering. I have reset the Group's purpose which is: **to get the right deal done for London's property owners**. This purpose, when combined with an investment in workforce capacity, improved training and a redesigned salesforce compensation package, will rebuild our competitive advantage.

The technology roadmap has been reset, which is now focused on innovating and modernising key processes that will drive organic growth. I have relaunched our contact management system to ensure new business leads are prioritised and have embedded a new business performance information system to enable the market, business and employee performance to be monitored on a real-time basis.

Whilst I am aware we still have a lot of work to do, I have been impressed with the positive response from across the business and the effort put into deliver these changes in such a short space of time. It clearly evidences my belief that the old Foxtons spirit is back and here to stay!

WE GET IT DONE

What is the Company's biggest strength?

/ It's the resilience provided by our Lettings and Financial Services businesses, which comprise over two thirds of total revenue, and provide us with non-cyclical recurring revenues. Within Lettings, our dedicated Property Management team provides landlords with a fully managed service that not only provides a recurring revenue stream, but also supports the retention of landlords through service excellence. This enables us to generate cash, reinvest in growth and deliver shareholder returns through lower volume sales markets. We are already the largest lettings agent brand in London, but we're not going to sit back and rely on that. Our refocused strategic priorities are focused particularly on driving recurring revenues, which will leave us less exposed to fluctuations in the inherently cyclical sales market.

/ THE LONDON PROPERTY MARKET

MARKET REVIEW

The London market is a disproportionately valuable residential property market, accounting for 9% of United Kingdom sales transactions by volume but 17% of total value, whilst London's private rental sector houses 27% of residents versus 18% in the rest of the UK.

Historically, the sales market has displayed cyclical characteristics, whilst the lettings market is more stable through the cycle. By operating across both markets, but with a greater weighting towards lettings, the Group is less exposed to fluctuations in the inherently cyclical sales market, whilst remaining well positioned to benefit from further growth. By driving growth in non-cyclical recurring revenue streams, the Group aims to deliver shareholder value through the property cycle.

Lettings revenue

year-on-year growth

+17%

£86.9 million

2021: £74.3million

Sales revenue

year-on-year growth

+1%

£43.2 million

2021: £42.7 million

Financial Services revenue

year-on-year growth

+8%

£10.2 million

2021: £9.5 million

LETTINGS MARKET

Lettings market dynamics

Demand is driven by a number of factors including that London continues to be a unique city attracting people from all over the world to stay, work and study, which drives structural demand for quality lets. Lower levels of house purchase affordability alongside the flexibility provided by renting drives high levels of demand.

Supply has been constrained as investment by private landlords has decreased since 2016, driven by tax changes and increasingly complex regulatory requirements. Furthermore, private landlords exited the market over the course of 2021 to take advantage of the buoyant sales market and recent increases in financing costs will also impact more highly leveraged landlords, all reducing supply further. Offsetting this, the number of purpose-built Build to Rent schemes, which are backed by significant institutional investment and government support, is increasing.

Rental pricing has been historically resilient due to healthy supply and demand dynamics with rental prices typically increasing in line with inflationary trends. Over the last 18 months, a contraction of supply and strong tenant demand has meant rental prices have increased at a rate above historic trends.

Lettings market performance in 2022

Levels of tenant demand were extremely strong in London throughout 2022 as we continued to see high levels of London based tenant mobility alongside significant growth in demand from UK and international students. In addition, the resumption of international travel drove growth in corporate relocations and the summer short-let markets.

2022 saw a significant decrease in supply as landlords either took advantage of more buoyant property sales markets or switched properties to become short lets as international travel and tourism resumed. Research from Rightmove, the property aggregator website, noted that nationally the number of new properties becoming available to rent was down by 38% on the prior year.

Taken together, the supply and demand imbalance of fewer properties to let and increased tenant demand drove significant price growth in the year. Foxtons research suggests average rental prices in 2022 were 20% higher than the prior year and 15% higher than pre Covid-19 levels.

SALES MARKET

Sales market dynamics

Key drivers of the sales market, which is cyclical in nature, include property prices, mortgage availability, affordability and consumer confidence. London transaction volumes have been constrained since 2016 as a result of affordability constraints, political and economic uncertainty, stamp duty regime changes and a variety of disincentives to new buy-to-let investments.

Sales market performance in 2022

The relatively buoyant sales market seen in 2021 carried forward in 2022 with high levels of buyer activity keeping exchange volumes at their highest levels since 2017. Pricing also remained strong with the average house price in London standing at £543,000 at the end of the year, a 7% increase on the prior year.

However, Q4 2022 saw a reduction in new buyer activity which is expected to impact transaction volumes in 2023. Increasing interest rates, particularly after the September mini-budget, have significantly increased the mortgage rates available to prospective buyers and impacted their affordability. In addition, cost of living pressures and the closure of the Help to Buy scheme to new purchasers from October 2022 has removed a substantial support programme for first time buyers, with no new significant government or developer-led scheme unveiled to take its place.

Taken together with a generally worsening economic backdrop, the sales market in 2023 is more likely to resemble that seen in 2018/2019 as buyer and seller pricing expectations find a new equilibrium to reflect changed buyer affordability. In addition, whilst mortgage rates were particularly elevated following the September mini-budget, in recent months we have seen rates come down to more normalised levels and we note market expectations that rates will cool further towards the latter half of the year.

FINANCIAL SERVICES MARKET

Financial Services market dynamics

The mortgage broking market is primarily driven by the availability of mortgage products, interest rates offered and the level of demand for either refinance mortgages or new mortgages for property purchases. Whilst the provision of new mortgages is closely linked to volumes in the residential sales market, the refinance business is non-cyclical in nature and not dependent on sales market transactions.

Financial Services market performance in 2022

In the first three quarters of the year, mortgage lending activity was above levels seen in 2021 reflecting a stable sales market and an increase in refinance activity, driven by increasing mortgage rates. The Bank of England base rate rose from 0.25% at the beginning of the year to 3.5% in December as The Bank's Monetary Policy Committee sought to reduce UK inflation.

Following the government's mini-budget in September and the subsequent financial market turmoil, mortgage rates rose by unprecedented levels and many lenders withdrew products. Coupled with tightened mortgage affordability, driven by underlying base rate rises and increased costs of living, this has driven a fall in both purchase and refinance activity over Q4. A change in government leadership settled markets somewhat, though activity remained low versus 2021 as consumers waited for rates of borrowing to reduce further.

As mentioned earlier, in the past couple of months we have seen mortgage rates decrease from their high point immediately following the September mini-budget. The best buy rate on a two-year fixed rate mortgage at 75% LTV has reduced from c.5.6% in October, to 4.4% at the end of February. At the beginning of 2022 this rate stood at 1.2%.

/ RESILIENT BUSINESS MODEL

OUR BUSINESS MODEL IS UNDERPINNED BY NON-CYCLICAL RECURRING REVENUE STREAMS

Our business model is underpinned by non-cyclical recurring revenue streams, generated by Lettings and refinance activity within Financial Services. In 2022, 65% of total revenue was generated from non-cyclical recurring revenue streams.

OUR REVENUE STREAMS

LETTINGS

London's largest lettings agent brand operating across the private rental sector

We are the largest lettings agent brand in London, with a portfolio of around 26,500 tenancies. We provide tenant find, rent collection, tenancy renewal and property management services. We are a market leading agent in the growing Build to Rent sector, supporting developers and operators to let large-scale developments at speed.

Lettings delivers non-cyclical recurring revenue and profit

SALES

One of London's largest sales agents with the highest brand prominence

We provide residential property sales agency for private sellers and new homes developers. Our success-based pricing model means we are focussed on getting the best result for sellers.

Sales is highly correlated to residential sales property market cycles and offers significant medium-term upside potential

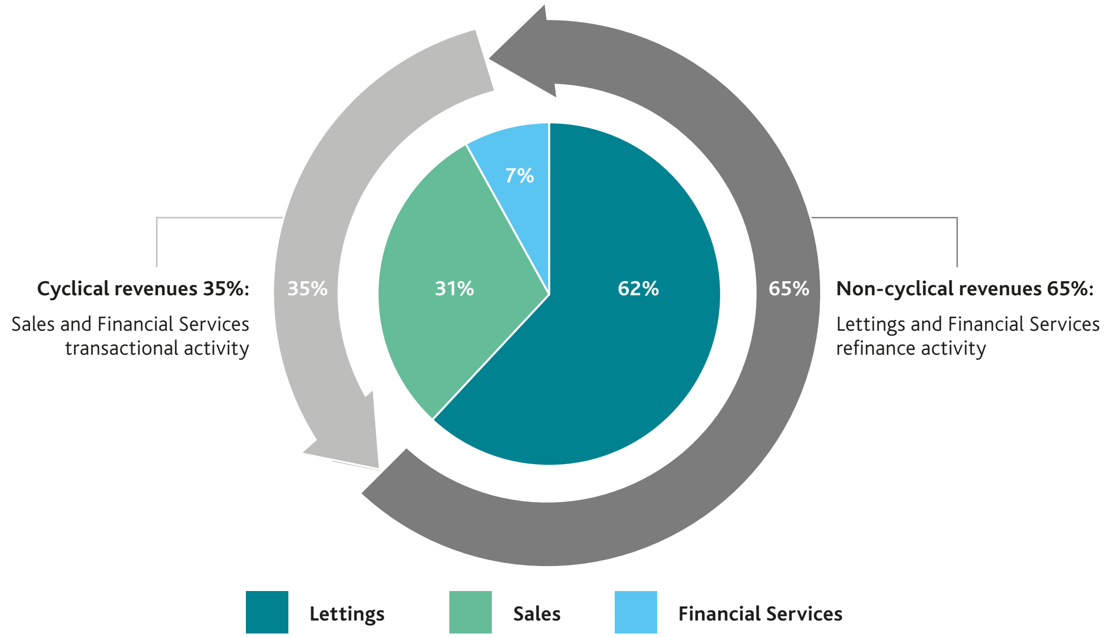
FINANCIAL SERVICES

Award winning independent mortgage broker and financial products provider

Under our Alexander Hall brand we provide mortgage broking and ancillary financial services products. Alexander Hall is an award-winning business with four awards in 2022 including, What Mortgage Awards for 'Best Mortgage Broker (up to 39 advisers)' and 'Best Broker Customer Service'.

Financial Services delivers high levels of non-cyclical recurring revenue through its refinancing business

2022 Revenue[1]



1 Revenue from continuing operations.

OUR COMPETITIVE ADVANTAGES

Our competitive advantages historically underpinned our business model. By strengthening these areas of differentiation we will be able to deliver against our strategic priorities and fulfil our growth ambitions.

BRAND

Built over 40 years the iconic Foxtons brand is instantly recognisable and synonymous with residential property in London. It has high levels of unprompted awareness providing an ideal platform for us to engage new landlords and sellers. With our new brand ethos – **'We Get It Done'** – and renewed focus on innovation we will go to market with a more confident and clear articulation of what Foxtons is and why we should be London's go-to estate agent.

Refer to PAGE 16 for more information on how we are reinvigorating the iconic Foxtons brand.

PEOPLE AND CULTURE

With values that are rooted in Foxtons' estate agency DNA and a new purpose, we are rediscovering our high-performance culture and investing in existing and new people to create the best, most innovative team in the industry. Landlords and sellers will choose an agent they trust to get the right deal done for them. And we will earn this trust by exhibiting the Foxtons values day in, day out.

Refer to PAGE 17 for more information on how we are advancing our people programmes and rebuilding our high-performance culture.

TECHNOLOGY AND DATA

Technology and data underpin every aspect of the Group. Our in-house, bespoke customer relationship management system powers every customer interaction and property transaction we complete. Our technology provides our people with the tools to deliver the best results and experience for our customers. Our rich database, the largest of its type in London, and longstanding customer relationships enable us to successfully connect landlords and sellers with the best tenants and buyers.

Refer to PAGE 17 for more information on how we are advancing our technology and data capability.

VALUE FOR OUR STAKEHOLDERS

OUR SHAREHOLDERS

Delivering shareholder returns

£6.4 MILLION

of shareholder returns through dividends paid and share buyback programmes in 2022

OUR CUSTOMERS AND SUPPLIERS

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

4.7 OUT OF 5

on Trustpilot

OUR PEOPLE

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

85%

2022 employee engagement survey score[1]

OUR COMMUNITIES

Engaging with and contributing to communities through our Career Ready partnership

220

talented young people supported through internships, virtual masterclasses and panel discussions

1 Results from the 2022 employee engagement survey independently administered by WTW.

/ REFOCUSED STRATEGY

NEW PURPOSE, VALUES AND REFOCUSED STRATEGIC PRIORITIES SET TO DRIVE GROWTH

With an operational review of the business now complete, we have a refocused operational strategy to rebuild Foxtons' estate agency DNA, return the business to its position as London's go-to estate agency and deliver stakeholder value.

The framework below sets out the key components, including our purpose, mission and refocused strategic priorities.

OUR PURPOSE

TO GET THE RIGHT DEAL DONE FOR LONDON'S PROPERTY OWNERS

OUR MISSION

TO BE LONDON'S GO-TO ESTATE AGENT

REFOCUSED STRATEGIC PRIORITIES

1. LETTINGS ORGANIC GROWTH
2. LETTINGS ACQUISITIVE GROWTH
3. SALES MARKET SHARE GROWTH
4. FINANCIAL SERVICES REVENUE GROWTH

Refer to PAGE 15 for further information about our refocused strategic priorities.

REBUILDING OUR COMPETITIVE ADVANTAGES

To successfully deliver against our strategic priorities, we need to rebuild our competitive advantages.

BRAND
Reinvigorate our iconic brand

PEOPLE AND CULTURE
Invest in our people and rediscover our high-performance culture

TECHNOLOGY AND DATA
Fully harness the power of our technology and data

Refer to PAGES 16 AND 17 for further information about how we are rebuilding our competitive advantages.

OUR VALUES

Our values are rooted in Foxtons' estate agency DNA. They reflect how we should strive together to deliver the best results and the behaviours that are integral to our success.

PROFESSIONAL	AMBITIOUS	RELENTLESS	INNOVATIVE	AUTHORITATIVE
Providing the most efficient, reliable and dedicated customer journey, whilst maintaining the highest standards of business ethics	Striving to get the best results for our customers	Maintaining consistently high standards day in and day out	Constantly looking for new and market leading ways to get the right deal done for our customers	Being the most knowledgeable agents and financial advisers in the market

Refer to PAGE 54 for further information about how our values shape our culture.

REFOCUSED STRATEGIC PRIORITIES

Following an operational review of the business, a refocused set of strategic priorities have been determined that will unlock the significant potential of the business and deliver stakeholder value.

1. LETTINGS ORGANIC GROWTH

Lettings organic growth enables us to grow non-cyclical recurring revenue streams, which will significantly enhance the quality of our earnings.

How we will deliver

- **Winning new property instructions** by better leveraging our database and embedding a culture of proactive lead generation both in our central hub and branches.
- **Being the fastest agent** to bring new instructions to market and improve our instruction to exchange success rate.
- **Improving landlord retention** through post-transaction service excellence in Property Management and back office operational processes.

2. LETTINGS ACQUISITIVE GROWTH

Our scalable operating platform enables us to be a consolidator in the fragmented lettings market. Acquired portfolios can be rapidly integrated unlocking revenue and cost synergies.

How we will deliver

- **Identifying and acquiring high quality portfolios** that meet our investment criteria and expand our footprint in existing and untapped markets adjacent to our current footprint.
- **Integrating acquired portfolios into our scalable operating platform** to deliver revenue and cost synergies and drive significant margin growth.
- **Delivering recurring revenues and profits** through retention of acquired landlords by delivering ongoing excellent customer outcomes.

3. SALES MARKET SHARE GROWTH

Sales provides high levels of profitability in more buoyant markets, and through cross-sell, is a driver of growth for our non-cyclical recurring Lettings and less cyclical Financial Services businesses. There is significant upside potential in the medium term by increasing market share, combined with a return to more normalised markets.

How we will deliver

- **Increasing market share of instructions** in our core markets by re-establishing Foxtons' premium brand positioning.
- **Improving rate of sell through from instruction to exchange** by maintaining sufficient workforce capacity across our branch network and delivering industry leading training.
- **Improving cross-sell** by deepening connectivity with the Financial Services business and in-house conveyancing panel to improve conversion of instructions.

4. FINANCIAL SERVICES REVENUE GROWTH

The Financial Services business has historically been under-invested and unable to fulfil its full potential. The business presents a compelling proposition: high levels of recurring revenues from refinance activity and new purchase transactional revenues from Sales cross-sell.

How we will deliver

- **Growing capacity** by increasing adviser headcount to take advantage of existing referral opportunities.
- **Improving adviser productivity** by reducing adviser data entry processes and improving customer contact times through the use of paraplanners and investment into technology solutions.
- **Improving cross-sell** through an increased emphasis on secondary products, such as protection products, to drive revenue and profits per customer.

/ REFOCUSED STRATEGY CONTINUED

REBUILDING OUR COMPETITIVE ADVANTAGES

To successfully deliver against our strategic priorities we need to rebuild our competitive advantages. With the operational review now complete, we know what we need to do, and have already made good progress in a short space of time to address the issues.

BRAND Reinvigorating our iconic brand

What the operational review found

- Over the years Foxtons' brand visibility has diminished which has given competitors an advantage we previously enjoyed.
- The brand is no longer seen as premium, which has eroded our share of higher value property markets.
- The brand identity was unclear. There was no clear articulation of our purpose, what the brand stands for and why we should be the agent of choice.

What we need to do

- Make the brand more visible, refresh its look and feel and recover Foxtons' premium positioning.
- Be clearer about what Foxtons stands for and why landlords, sellers and those who need finance should choose us.
- Clear brand messaging to drive customer engagement by showcasing the excitement surrounding the infrequent yet highly consequential life moment where a property is sold or let.

What we have done so far

- New and clear brand ethos, **'We Get it Done'**, closely aligned to refreshed purpose and values.
- Increased visibility on London's streets through the relaunch of the iconic Foxtons Mini.
- Renewed customer engagement through our 'Moments' marketing campaign.
- Branch refurbishment programme to reinforce premium positioning of the Foxtons brand.

Foxtons' new **'We get it done'** campaign demonstrates the Company's focus on delivering results for customers.

PEOPLE AND CULTURE Investing in our people and rediscovering our high-performance culture

What the operational review found

- Headcount across the business has been under resourced which resulted in missed market share opportunities and has constrained growth.
- Foxtons previously had a culture of sales intensity with a workforce motivated to deliver for clients and go the extra mile. This eroded away, which has impacted growth and allowed competitors to take market share.
- Staff turnover has been too high for too long, particularly at junior levels. Too often we failed to retain colleagues before they reached their peak revenue generation potential.

What we need to do

- Invest in, and maintain, salesforce capacity and capability to maximise lead conversion and deliver the best service to customers.
- Improve staff retention and tenure to create an experienced workforce.
- Return to a culture of sales intensity by celebrating outstanding performance and rewarding through highly incentivised remuneration structures.
- Use purpose and values to focus the organisation on delivering results for customers.

What we have done so far

- Invested in estate agency and adviser headcount, whilst being mindful of market conditions.
- Refreshed training programme focussed on salesmanship and domain expertise.
- CEO led staff engagement programme to rebuild a culture of sales intensity once core to the Foxtons' estate agency DNA.
- Refreshed salesforce compensation scheme and staff incentives that reward exceptional performance.
- New purpose launched: **To get the right deal done for London's property owners**. New values also embedded across the business.

TECHNOLOGY AND DATA Fully harnessing the power of our technology and data

What the operational review found

- The business made speculative investments in prop tech rather than focussing on internal technology to innovate core estate agency processes.
- Underinvestment in data capabilities restricted our ability to maximise the revenue opportunities held within our rich customer database.
- The business lacked real-time management information to monitor market, business and employee performance on a real-time basis.

What we need to do

- Refocus our technology development on technology solutions that directly support the delivery of our strategic priorities.
- Invest in our data capabilities and better leverage our residential property database to drive revenue opportunities.
- Build improved internal real-time management information systems to improve staff productivity across the network and enable a quicker response to changes in market dynamics.

What we have done so far

- Technology roadmap reset, focusing time and resources on those areas underpinning our strategic priorities. Immediate focus on updating estate agency processes to deliver on organic growth priorities in Lettings and Sales.
- Relaunch of our contact management system to ensure new business leads are prioritised.
- Overhaul of our data architecture to more modern standards is underway, which will increase data accessibility and open additional revenue opportunities.
- Built and embedded a new business performance information system to enable business performance to be actively managed through data analysis.

/ STAKEHOLDER ENGAGEMENT

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

HOW WE PROMOTE THE SUCCESS OF FOXTONS FOR THE BENEFIT OF ALL

The Board recognises the importance of effective stakeholder engagement and that stakeholders' views should be considered in its decision making. Read more about the Board's approach to stakeholder engagement in the context of the UK Corporate Governance Code on PAGE 69.

In line with Section 172(1) of the Companies Act 2006, the Directors believe that, individually and together as a Board, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out below in the decisions taken during the year ended 31 December 2022.

Section 172 factor		
The likely consequences of any decision in the long term	Resilient business model New purpose, values and refocused strategic priorities Refocused strategic priorities Rebuilding our competitive advantages Stakeholder engagement Financial review Risk management, principal risks and uncertainties Prospects and viability Board leadership and purpose Board activity in 2022 Directors' Remuneration Report	PAGES 12 AND 13 PAGE 14 PAGE 15 PAGES 16 AND 17 PAGES 18 TO 21 PAGES 24 TO 29 PAGES 30 TO 35 PAGE 36 PAGES 68 AND 69 PAGE 73 PAGES 90 TO 129
The interests of the Group's employees	New purpose, values and refocused strategic priorities Stakeholder engagement Responsible business – People, culture, skills & knowledge Board leadership and purpose Board activity in 2022 Directors' Remuneration Report	PAGE 14 PAGES 18 TO 21 PAGES 50 TO 56 PAGES 68 AND 69 PAGE 73 PAGES 90 TO 129
The need to foster the Group's business relationships with suppliers, customers and others	Stakeholder engagement Key performance indicators Responsible business – Other responsibilities Board activity in 2022	PAGES 18 TO 21 PAGES 22 AND 23 PAGES 59 AND 60 PAGE 73
The impact of the Group's operations on the community and the environment	Risk management, principal risks and uncertainties Responsible business – Environment Responsible business – Community Board activity in 2022 Environmental, Social and Governance Committee report	PAGES 30 TO 35 PAGES 40 TO 49 PAGES 57 AND 58 PAGE 73 PAGES 82 AND 83
The desirability of the Group maintaining a reputation for high standards of business conduct	New purpose, values and refocused strategic priorities Risk management, principal risks and uncertainties Responsible business – Community Responsible business – Other responsibilities Board leadership and purpose	PAGE 14 PAGES 30 TO 35 PAGES 57 AND 58 PAGES 59 AND 60 PAGES 68 AND 69
The need to act fairly between stakeholders of the Group	Stakeholder engagement Board leadership and purpose Board activity in 2022	PAGES 18 TO 21 PAGES 68 AND 69 PAGE 73

OUR STAKEHOLDERS

Effective engagement with our four stakeholder groups plays an important role throughout our business and helps us to gain a better understanding of the impact of our decisions on stakeholder interests.

MATTERS CONSIDERED DURING THE 2022 OPERATIONAL REVIEW

Following the appointment of Guy Gittins, an operational review of the Group was undertaken, resulting in a new purpose and a refocused set of strategic priorities, along with a clear plan to rebuild our competitive advantages. Refer to PAGES 14 TO 17 for further details.

When considering the operational review's findings and recommendations, the Board focused on developing a plan that will deliver profitable growth and create significant stakeholder value, with consideration of relevant Section 172 factors. The Board considered each of our stakeholder groups focusing on the following priorities:

OUR SHAREHOLDERS

Setting strategic priorities that will drive profitable growth and create substantial shareholder value is the key focus. Specifically, accelerating growth in Lettings will make the Group more resilient to fluctuations in the sales market and protect future profitability.

OUR CUSTOMERS AND SUPPLIERS

Our new purpose, **to get the right deal done for London's property owners**, reflects our commitment to deliver outstanding results for customers, supported by our trusted suppliers. Rebuilding our competitive advantages will be a key enabler in strengthening our ability to deliver results for customers.

OUR PEOPLE

Investing in our people and rediscovering our high-performance culture is essential in the delivery of our strategic priorities and will ensure Foxtons is a rewarding workplace for employees to develop and grow.

OUR COMMUNITIES

Making a positive contribution to the communities we work in continues to be an important part of our plan and culture. Our community programmes will evolve alongside the delivery of our strategic priorities.

Refer to PAGES 20 AND 21 for further details of other stakeholder engagement in the year.

/ STAKEHOLDER ENGAGEMENT CONTINUED

OUR SHAREHOLDERS

Why we engage

Shareholders provide funds that support investment in the business and generate long-term and sustainable returns. Engagement enables the Board to make well informed decisions that take into account shareholder views.

How we engage

The Board regularly interacts with shareholders to facilitate effective dialogue, both through recurring scheduled events, such as investor roadshows and trading updates, and through one-to-one shareholder meetings led by the Chairman, CEO or Committee Chairs. Shareholder communications are also supported by regular coverage from external analysts who cover the financial performance of the Group.

Key interests

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

Key outcomes from engagement

Operational review: Refer to PAGE 19 for stakeholder matters considered during the Group's 2022 operational review.

Capital allocation: Maintaining the dividend and continuing the share buyback programme. Refer to PAGE 28 for details of our dividend policy and share buyback programme.

Board changes: Appointment of Guy Gittins as CEO and other changes to the Board were informed by engagement with major shareholders and through the Group's Annual General Meeting. Refer to PAGE 76 of the Nomination Committee Report for details of Board changes in the year.

Directors' Remuneration Policy: The Remuneration Committee engaged with shareholders when reviewing the Directors' Remuneration Policy. Refer to PAGES 103 TO 113 of the Directors' Remuneration Report for details of the proposed remuneration policy.

OUR CUSTOMERS AND SUPPLIERS

Why we engage

Engaging with customers helps us to satisfy changing needs, innovate and deliver better results. Our suppliers support us in maintaining the highest levels of customer service and business conduct.

How we engage

We engage with our customers throughout a property transaction, as well as through other channels such as consumer review platforms, customer surveys, social media and our marketing channels. Service levels are reviewed regularly, as well as monitoring the integrity of the way we do business. We engage with our supplier partners through regular service reviews and supplier payment practices are reviewed on a regular basis by the Audit Committee.

Key interests

- Quality of customer service and results
- Effectiveness of our technology
- Navigating legislation and compliance changes
- Supplier engagement and payment practices

Key outcomes from engagement

Operational review: Refer to PAGE 19 for stakeholder matters considered during the Group's 2022 operational review.

Customer service improvements: Continuous review of customer feedback resulting in people, process and system improvements. Refer to PAGES 16 AND 17 for details of how we are driving better results for our customers by rebuilding our competitive advantages.

Supplier interactions: Improving supplier relationships within our Property Management function with an increased focus on our suppliers' approach to the environment, social and governance. Refer to PAGE 60 for details of our supplier relationships and responsibilities.

OUR PEOPLE

Why we engage

Our people are key to our future success. The Board engages with our people to better understand their views, enable them to influence matters that affect them and encourage workforce participation in shaping strategic initiatives.

How we engage

We engage with our people through a number of mechanisms, including the Employee Engagement Committee (EEC), branch visits, staff meetings, diversity networks and reviewing the annual employee engagement survey.

Key interests

- Business performance and operating procedures
- Employee communication, working practices and health and safety
- Workforce remuneration
- Workforce diversity, culture and training

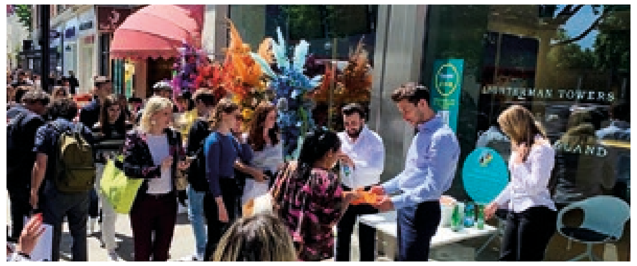
Key outcomes from engagement

Operational review: Refer to PAGE 19 for stakeholder matters considered during the Group's 2022 operational review.

Training: Enhanced employee training to improve skills and knowledge across the salesforce. Refer to PAGE 56 for further details.

Responsible business practices: Informing our diversity network programmes and other ESG programmes through feedback at the EEC and through informal employee engagement. Refer to PAGES 40 TO 60 for details of our responsible business practices, including details of our approach to health and safety, the environment and diversity programmes.

Remuneration: Workforce and Director remuneration strategy discussed with the EEC by the Remuneration Committee Chairman. Refer to PAGE 114 of the Directors' Remuneration Report for details of our approach to workforce remuneration.



OUR COMMUNITIES

Why we engage

Foxtons is very visible in our communities and our people want to play an active, local role. A current key focus is advancing social mobility and helping create stronger communities.

How we engage

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

Key interests

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

Key outcomes from engagement

Further developed our partnership with Career Ready, a social mobility charity. Through ongoing engagement with Career Ready in 2022, 14 mentor partnerships formed between our employees and local students, over 200 students attended masterclasses and nine completed internships with Foxtons. Refer to PAGES 57 AND 58 for more details of our community programmes and Career Ready partnership.

/ KEY PERFORMANCE INDICATORS

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

Refer to PAGE 15 for details of the Group's strategic priorities.

FINANCIAL PERFORMANCE

Revenue (£ million)	2022	2021
Lettings	86.9	74.3
Sales	43.2	42.7
Financial Services	10.2	9.5
Group	140.3	126.5

Description
Total revenue generated in line with the Group's accounting policies from continuing operations.

Performance for 2022
Revenue increased by 11% to £140.3 million, with Lettings revenue up 17%, Sales revenue up 1%, and Financial Services revenue up 8%, compared to 2021.

Volumes (units transacted)	2022	2021
Lettings	20,640	22,091
Sales	3,215	3,122
Financial Services	5,003	4,991

Description
Total number of Lettings transactions (including renewals), Sales transactions and Financial Services products arranged from continuing operations.

Performance for 2022
Lettings volumes were down in 2022 compared to 2021 reflecting the constrained stock levels in the market which prevailed throughout the year, with rental price increases more than offsetting the reduction in volumes. Transaction volumes in Sales were robust and Financial Services volumes were broadly in line with 2021.

Adjusted operating profit (£ million)	2022	2021
Lettings	18.0	9.7
Sales	(3.2)	0.6
Financial Services	1.8	1.5
Corporate costs	(2.6)	(2.9)
Group	13.9	8.9

Description
Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains/losses and adjusted items (defined in Note 1 of the financial statements) from continuing operations.

Performance for 2022
Group adjusted operating profit was £13.9 million, compared to £8.9 million in 2021, reflecting significant growth in Lettings, offset by a loss in Sales reflecting investments made in the year in people capacity and capability required to drive future profitability.

Net free cash flow (£ million)	2022	2021
Group	7.7	6.6

Description
Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired) and purchase of investments. Metric is from continuing and discontinuing operations.

Performance for 2022
Net free cash flow of £7.7 million, driven by increased profitability. Refer to Note 27 of the financial statements for a reconciliation to net cash from operating activities.

BALANCE OF BUSINESS

Non-cyclical/cyclical revenue split (%)	2022	2021
Non-cyclical revenues	65%	61%
Cyclical revenues	35%	39%

Description
Non-cyclical revenue consists of Lettings revenue and Financial Services refinance revenue, both of which are non-cyclical in nature. Cyclical revenue consists of Sales revenue and Financial Services new purchase revenue, which is transactional in nature. Non-cyclical recurring revenue brings resilience to our business model and protects profitability in lower volume sales markets.

Performance for 2022
In line with our Lettings growth strategy, which includes acquiring high quality lettings portfolios, the proportion of non-cyclical recurring revenue has continued to increase, now representing approximately two thirds of Group revenue.

Segmental revenue contribution (%)	2022	2021
Lettings	62%	59%
Sales	31%	34%
Financial Services	7%	7%

Description
The measure indicates the revenue contribution from each operating segment (continuing operations). With a higher proportion of revenue coming from Lettings, the Group is able to withstand fluctuations in the cyclical sales market.

Performance for 2022
In line with our Lettings growth strategy, an increasing proportion of revenue is generated from the Lettings business.

PRODUCTIVITY

(£'000)	2022	2021
Average revenue per branch	2,332	2,219
Average revenue per fee earner	188	170

Description
Average revenue per branch is Group revenue (from continuing operations) divided by the average number of branches (from continuing operations). Average revenue per fee earner is Group revenue (from continuing operations) divided by the average number of fee earning employees (from continuing operations).

Performance for 2022
Average revenue per branch and per fee earner has increased by 5% and 11% respectively, which is reflective of our leveraged operating model and progress with branch and employee productivity.

EMPLOYEE ENGAGEMENT

	2022	2021
Employee engagement score	85%	87%

Description
Employee engagement score from the Group's annual employee engagement survey (independently administered by WTW).

Performance for 2022
The employee engagement score has continued to be robust despite a change in leadership. This reflects continued focus on our people strategy and culture. Refer to PAGE 55 for further details of the 2022 employee engagement survey.

CUSTOMER SATISFACTION

	2022	2021
Trustpilot score (out of 5)	4.7	4.7

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

Performance for 2022
We continue to maintain an excellent Trustpilot rating which is reflective of our continued investment in customer service, employee training and technology.

/ FINANCIAL REVIEW

> Non-cyclical recurring Lettings revenues have underpinned and driven significant profit growth in 2022.

Chris Hough Chief Financial Officer

Revenue	Adjusted operating profit[1]
year-on-year growth	year-on-year growth
+ 11%	**+ 56%**
£140.3 million	**£13.9 million**
(2021: £126.5 million)	(2021: £8.9 million)

Profit before tax	Net free cash flow[1,2]
year-on-year growth	year-on-year growth
+ 115%	**+ 17%**
£11.9 million	**£7.7 million**
(2021: £5.6 million)	(2021: £6.6 million)

1 APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.
2 Net free cash flow is from continuing and discontinued operations.

Notes:

- All results and measures within the financial review are presented on a continuing operations basis unless otherwise stated.
- Values in tables may have been rounded and totals may therefore not be the sum of presented values in all instances.

FINANCIAL OVERVIEW – HIGHLIGHTS

	2022 £m	2021 £m	Change
Revenue	**140.3**	126.5	11%
Contribution[1]	**91.3**	78.5	16%
Contribution margin[1]	***65.1%***	*62.1%*	*295 bps*
Operating profit	**13.8**	7.6	82%
Adjusted operating profit[1]	**13.9**	8.9	56%
Adjusted operating profit margin[1]	***9.9%***	*7.1%*	*286 bps*
Profit before tax	**11.9**	5.6	115%
Profit/(loss) after tax	**9.6**	(1.3)	-
Adjusted earnings per share (basic)	**3.1p**	1.9p	63%
Earnings/(loss) per share (basic)	**3.0p**	(0.4p)	-
Net free cash flow and net cash			
Net free cash flow[1,2]	**7.7**	6.6	18%
Net cash as at 31 December[1,3]	**12.0**	19.4	(38%)
Dividends			
Interim dividend per share	**0.20p**	0.18p	0.02p
Final dividend per share	**0.70p**	0.27p	0.43p

1 APMs are defined, purpose explained and reconciled to statutory measures within Note 27 of the financial statements.
2 Net free cash flow is from continuing and discontinued operations.
3 Net cash excludes cash held for sale (only applicable as at 31 December 2021).

Revenue increased by 11% to £140.3 million (2021: £126.5 million), with Lettings revenue up 17%, Sales revenue up 1% and Financial Services revenue up 8%. Adjusted operating profit increased by £5.0 million to £13.9 million (2021: £8.9 million), driven by strong profit growth in Lettings. Profit before tax from continuing operations was £11.9 million (2021: £5.6 million) and profit after tax was £9.6 million (2021: £1.3 million loss).

£7.7 million (2021: £6.6 million) of net free cash flow was generated (from continuing and discontinued operations). Net cash at the end of the period was £12.0 million (2021: £19.4 million, excluding cash classified as held for sale). The Group continues to have access to a £5.0 million revolving credit facility (RCF) which expires in June 2024 and remained undrawn throughout 2022.

An interim dividend of 0.2p per share was paid in September 2022. In line with our dividend policy of returning 35% to 40% of profit after tax (excluding one-off non-cash items), the Board has proposed a final dividend of 0.7p per share bringing the total ordinary dividend for the year to 0.9p per share (2021: 0.45p per share).

Revenue

	2022 £m	2021 £m	Change
Lettings	**86.9**	74.3	17%
Sales	**43.2**	42.7	1%
Financial Services	**10.2**	9.5	8%
Total	**140.3**	126.5	11%

The Group consists of three operating segments: Lettings, Sales and Financial Services. Lettings represents 62% of total revenue (2021: 59%), Sales 31% of total revenue (2021: 34%) and Financial Services 7% of total revenue (2021: 7%).

Lettings revenue

Lettings revenue increased by 17% to £86.9 million (2021: £74.3 million), reflecting a 25% increase in average revenue per transaction (2022: £4,211; 2021: £3,365), partially offset by a 7% reduction in transaction volumes (2022: 20,640; 2021: 22,091). The key drivers of revenue growth are:

- £7.6 million of organic revenue growth, which excludes incremental revenues from D&G Lettings and the May 2022 acquisitions. This organic revenue growth reflects a 20% increase in average rental prices and longer tenancies being agreed, partially offset by a decrease in transaction volumes reflecting ongoing constraints in the supply of rental properties.
- £2.0 million of incremental revenue growth from the D&G Lettings portfolio reflecting two additional months of trading in 2022. The D&G Lettings portfolio was fully integrated into the Foxtons infrastructure in February 2022.
- £3.0 million of incremental revenue from the May 2022 acquisitions.

Sales revenue

Sales revenue increased by 1% to £43.2 million (2021: £42.7 million), reflecting a 2% decrease in average revenue per transaction (2022: £13,431; 2021: £13,668), offset by a 3% increase in transaction volumes (2022: 3,215; 2021: 3,122). The average price of properties sold increased to £590,000 (2021: £577,000). The May 2022 acquisitions contributed £0.5 million of revenue.

Financial Services revenue

Financial Services revenue increased by 8% to £10.2 million (2021: £9.5 million), the increase primarily reflects a 6% increase from mortgage activity from higher average fees and increased loan size, and a 2% increase from protection volumes. In 2022, £4.5 million of Financial Services revenue relates to non-cyclical refinance activity and £5.7 million relates to purchase activity which is more cyclical in nature.

/ FINANCIAL REVIEW CONTINUED

Contribution and contribution margin

	2022		2021[1]	
	£m	margin	£m	margin
Lettings	64.8	74.5%	51.7	69.5%
Sales	22.0	51.0%	22.8	53.4%
Financial Services	4.5	43.9%	4.1	42.9%
Total	91.3	65.1%	78.5	62.1%

1 Certain changes have been made to the presentation of the segmental disclosures, with the 2021 presentation restated accordingly. Refer to Note 2 of the financial statements for further details.

Group contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £91.3 million (2021: £78.5 million). The increase is attributable to incremental revenue converting to contribution at an improved margin of 65.1% (2021: 62.1%).

Adjusted operating profit and adjusted operating profit margin

	2022		2021[1]	
	£m	margin	£m	margin
Lettings	18.0	20.7%	9.8	13.2%
Sales	(3.2)	(7.5%)	0.5	1.3%
Financial Services	1.8	17.3%	1.5	16.3%
Corporate costs	(2.6)	n/a	(2.9)	n/a
Total	13.9	9.9%	8.9	7.1%

1 Certain changes have been made to the presentation of the segmental disclosures, with the 2021 presentation restated accordingly. Refer to Note 2 of the financial statements for further details.

Adjusted operating profit for the period was £13.9 million (2021: £8.9 million). Non-cyclical Lettings revenues have underpinned and driven significant profit growth in 2022, with Lettings revenue increasing by £12.6 million and Lettings adjusted operating margin improving by 750 bps, reflecting the inherent operating leverage of the business.

D&G Lettings contributed £5.3 million of adjusted operating profit (2021: £3.7 million) on £11.2 million of revenue (2021: £10.0 million), reflecting an adjusted operating margin of 47% (2021: 37%).

For the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between Lettings and Sales with reference to relevant cost drivers, such as front office headcount in the respective businesses. Corporate costs, which relate to Non-Executive Director and other listed entity costs, are not allocated to the operating segments and are presented separately.

Adjusted operating profit of £13.9 million (2021: £8.9 million) is after charging £126.4 million (2021: £117.5 million) of costs, including the following:

- Direct operating costs of £49.0 million (2021: £47.9 million) relating to direct salary costs of front office staff and bad debt charges.
- Other operating costs, excluding adjusted items, of £77.4 million (2021: £69.6 million), which includes the following charges:
  - Depreciation of £12.2 million (2021: £12.2 million).
  - Amortisation of £1.6 million (2021: £1.4 million), including £1.0 million (2021: £0.9 million) relating to acquired intangibles.
  - Share-based payment charges of £0.3 million (2021: £1.6 million).

Profit before tax

	2022 £m	2021 £m
Adjusted operating profit	13.9	8.9
Less: adjusted items	(0.1)	(1.4)
Operating profit	13.8	7.6
Less: Net finance costs and other losses	(1.9)	(2.0)
Profit before tax	11.9	5.6

Profit before tax has increased by 115% to £11.9 million (2021: £5.6 million). Profit before tax includes £0.1 million of adjusted items charges (2021: £1.4 million) which comprises:

- £0.4 million property related credits (2021: £0.9 million).
- £0.3 million reversal of branch asset impairment (2021: £0.5 million charge).
- £0.2 million transaction related costs (2021: £0.6 million).
- £0.6 million reorganisation costs (2021: £0.5 million).
- Nil impairment of interests in associate (2021: £0.7 million).

Net finance costs and other losses of £1.9 million (2021: £2.0 million) were incurred, primarily relating to IFRS 16 lease finance costs.

Profit/(loss) after tax

	2022 £m	2021 £m
Profit before tax	11.9	5.6
Less: current tax (charge)/credit	(2.2)	(0.5)
Less: deferred tax charge (due to UK corporation tax rate change)	-	(6.1)
Less: deferred tax charge (other movements)	(0.2)	0.3
Profit/(loss) after tax	9.6	(1.3)

The profit after tax of £9.6 million (2021: £1.3 million loss) is after a total tax charge of £2.4 million (2021: £6.9 million), of which £0.2 million (2021: £6.4 million) relates to non-cash deferred tax accounting charges and £2.2 million (2021: £0.5 million) relates to current tax.

The effective tax rate for the period was 19.9% (2021: 124.1%), which compares to the statutory corporation tax rate of 19.0% (2021: 19.0%). The 2022 effective tax rate is higher than the statutory corporation tax rate due to non-deductible expenses, including share-based payment charges, offset by a reduction due to the recognition of previously unrecognised deferred tax. In 2021, the effective tax rate was impacted by a £6.1 million non-cash accounting re-measurement charge as a result of the UK corporation tax rate increasing from 19% to 25% (effective from 1 April 2023).

The Group's net deferred tax liability at 31 December 2022 totalled £25.7 million (2021: £24.8 million), which includes £27.0 million (2021: £26.5 million) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.4 million (2021: £1.7 million). The deferred tax assets relate to tax losses brought forward which are expected to be recovered through future taxable profits.

The Group has a low-risk approach to its tax affairs and all business activities are within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received no tax refunds during the year (2021: none).

Earnings/(loss) per share

	2022 £m	2021 £m
Profit/(loss) after tax	9.6	(1.3)
Add back: adjusted items (net of tax)	-	1.5
Add back: deferred tax (due to UK corporation tax rate change)	-	6.1
Adjusted earnings for the purposes of adjusted earnings per share	9.6	6.2
Earnings/(loss) per share (basic)	3.0p	(0.4p)
Earnings/(loss) per share (diluted)	3.0p	(0.4p)
Adjusted earnings per share (basic)	3.1p	1.9p
Adjusted earnings per share (diluted)	3.0p	1.9p

Earnings per share (basic) was 3.0p (2021: 0.4p loss) and earnings per share (diluted) was 3.0p (2021: 0.4p loss). On an adjusted basis, earnings per share (basic) was 3.1p (2021: 1.9p) and earnings per share (diluted) was 3.0p (2021: 1.9p). In 2021, the adjusted basis excluded an adjusted items charge of £1.5 million and a £6.1 million deferred tax remeasurement charge, no such adjustments were required in 2022.

Net free cash flow and net cash

From continuing and discontinued operations	2022 £m	2021 £m
Operating cash flow before movements in working capital	27.8	22.0
Working capital (outflow)/inflow	(1.2)	1.7
Income taxes paid	(2.7)	(0.2)
Net cash from operating activities	23.9	23.5
Repayment of IFRS 16 lease liabilities	(12.7)	(15.2)
Net cash used in investing activities[1]	(3.5)	(1.6)
Net free cash flow	7.7	6.6

1 Excludes £8.5 million (2021: £11.5 million) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £3.7 million (2021: £nil) relating to the disposal of discontinued operations (net of cash disposed) and £0.4 million related to the purchase of investments (2021: £3.0 million).

The £1.2 million working capital outflow in the year is reflective of the billing cycles on longer tenancies. Net free cash flow, from continuing and discontinued operations, of £7.7 million (2021: £6.6 million), was driven by increased profitability.

Net cash at the year end was £12.0 million (2021: £19.4 million, excluding cash classified as held for sale) with no external borrowing (2021: nil).

/ FINANCIAL REVIEW CONTINUED

Acquisitions

Gordon & Co and Stones Residential

On 25 May 2022, the Group acquired the entire issued share capital of two estate agents, Gordon & Co, and Stones Residential. The acquisitions have strong lettings businesses that together generate over 80% of their total combined revenues from lettings across c.2,500 tenancies.

Gross purchase consideration was £9.8 million, with £8.2 million paid in May 2022. Consideration paid in the period, net of cash acquired, was £8.0 million. £1.5 million of contingent cash consideration remains to be paid, deferred for up to a period of 12 months post completion.

Acquired net assets were fair valued at the date of acquisition and include £2.9 million of customer contracts and relationships and £8.3 million of acquired goodwill. The two acquisitions contributed a total of £3.6 million of revenue and £0.4 million of adjusted operating profit during the first seven months of ownership. Refer to Note 13 of the financial statements for further details.

D&G

£0.5 million of deferred consideration, relating to the 1 March 2021 acquisition of D&G, was paid in the period.

Discontinued operations

	2022 £m	2021 £m
Revenue	0.6	6.8
Adjusted operating loss	(0.6)	(1.8)
Less: adjusted items	*0.2*	*(3.2)*
Operating loss	(0.4)	(5.1)
Loss after tax	(0.4)	(4.8)

Discontinued operations relates to D&G Sales, which was acquired alongside D&G Lettings and disposed of on 11 February 2022 to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, having been approved by shareholders at the General Meeting held on 10 February 2022. 2022 results from discontinued operations reflects trading up to the date of disposal (11 February 2022) and 2021 results from discontinued operations includes 10 months of trading from the date of acquisition (1 March 2021).

On a total Group basis, which includes both continuing and discontinued operations, revenue was £140.9 million (2021: £133.3 million) and adjusted operating profit was £13.3 million (2021: £7.1 million).

Other balance sheet positions

At 31 December 2022 the significant balance sheet positions were:

- Goodwill of £26.0 million (2021: £17.7 million) and other intangible assets of £109.3 million (2021: £107.3 million), with the increase in goodwill due to the acquisition of Gordon & Co and Stones Residential which contributed £8.3 million of goodwill.
- Interest in associate and investments of nil (2021: £3.3 million). The nil balance reflects a full write down of the investments in PD Innovations Limited (trading as Boomin) and Global Property Ventures Limited. The write down resulted in a £3.7 million non-cash fair value loss recognised in other comprehensive income, of which £3.4 million relates to Boomin which entered liquidation having not been able to secure sufficient funding in a challenging economic climate.
- Trade and other receivables of £16.0 million (2021: £16.0 million) and trade and other payables of £16.7 million (2021: £14.5 million).
- Total contract assets of £7.4 million (2021: £4.6 million) and total contract liabilities of £10.0 million (2021: £9.4 million), with the increase in the contract assets reflecting an increase in average rental prices and longer tenancies.
- Lease liabilities of £46.5 million (2021: £48.1 million) and right-of-use assets of £42.6 million (2021: £43.8 million).
- No assets or liabilities were held for sale at 31 December 2022, compared to £7.4 million of assets held for sale and £7.4 million of liabilities held for sale liabilities at 31 December 2021 relating to the D&G Sales business (disposed of on 11 February 2022).

Capital allocation and dividends

Our approach to capital allocation supports long-term growth and shareholder returns. Our capital allocation priorities are as follows:

- Maintain balance sheet strength to enable the Group to meet its operational cash requirements and manage through cyclical sales markets.
- Invest in areas that drive organic growth and rebuild our competitive advantages.
- Return 35% to 40% of profit after tax (excluding one-off non-cash items) as an ordinary dividend.
- Deploy capital to acquire high quality lettings books to drive inorganic lettings growth.
- Return excess capital, not used for profitable growth, to shareholders.

As shown below, total Group (continuing and discontinued operations) profit after tax was £7.7 million (2021: £3.6 million), after excluding £1.5 million of one-off non-cash credits (net of tax) (2021: £3.7 million of one-off non-cash expenses (net of tax)) and nil non-cash deferred tax charges (2021: £6.1 million).

From continuing and discontinued operations	2022 £m	2021 £m
Profit/(loss) after tax (continuing operations)	9.6	(1.3)
Loss after tax (discontinued operations)	(0.4)	(4.8)
Profit/(loss) after tax (total Group)	9.2	(6.2)
Add back: non-cash adjusted items (net of tax)	(1.5)	3.7
Add back: non-cash deferred tax charges (due to UK corporation tax rate change)	-	6.1
Profit after tax for dividend policy (total Group)	7.7	3.6
Interim dividend per share	0.20p	0.18p
Final dividend per share	0.70p	0.27p

An interim dividend of 0.2p per share was paid in September 2022. The Board has proposed a final dividend of 0.7p per share bringing the total ordinary dividend for the year to 0.9p per share (2021: 0.45p per share).

The proposed dividend will be paid on 31 May 2023 to shareholders on the register at 14 April 2023, subject to shareholder approval at the AGM due to be held on 9 May 2023. The shares will be quoted ex-dividend on 13 April 2023.

Capital returns

A total of £4.9 million (2021: £5.7 million) of shares have been bought back to return excess capital to shareholders. £3.0 million of shares were bought back through the programme announced in March 2022 and £1.9 million through the programme announced in November 2022. The Board will review the continuation of the programme, bearing in mind our other capital needs, once the current authority, which stood at £1.1 million at 31 December 2022, is fully utilised. Since 2020, a total of £10.9 million of shares have been bought back.

Post balance sheet events

On 3 March 2023, the Group acquired the entire issued share capital of Atkinson McLeod Limited, a London lettings agent, for a consideration of £7.4 million, adjusted for current assets less total liabilities at completion. The consideration was fully satisfied in cash, with £0.7 million of the consideration deferred for 12 months.

Unaudited revenue and operating profit for the 12 months ended 31 March 2022 was £3.1 million and £0.9 million respectively. Gross assets as at 31 March 2022 were £2.5m. The acquisition adds a further c.1,100 tenancies and demonstrates further progress against the Group's acquisition strategy.

Related party transactions

Related party transactions are disclosed in Note 24 of the financial statements. On 11 February 2022, the D&G Sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO and Lochlan Holdings Limited constituting related parties.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as the Group is in a net cash position, is entirely UK based with no foreign currency risks and surplus cash balances are held with major UK based banks. As a consequence, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5.0 million RCF which expires in June 2024 and remained undrawn throughout 2022. The Group expects to renew the facility, or access a similar facility, following expiry.

Pensions

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

Risk management

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to PAGES 30 TO 35 for details of the Group's risk management framework and principal risks and uncertainties.

Going concern, prospects and viability

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. Furthermore, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over a five-year viability period.

Refer to Note 1 of the financial statements for details of the Group's going concern assessment and the going concern statement. The prospects and viability statement is set out on PAGES 36 AND 37.

Chris Hough
Chief Financial Officer
6 March 2023

/ RISK MANAGEMENT

The Board is responsible for establishing and maintaining the Group's system of risk management and internal control, with the aim of protecting its employees and customers and safeguarding the interests of the Group and its shareholders in the constantly changing environment in which it operates.

RISK MANAGEMENT

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

The identification of risks is undertaken by specific executive risk committees that analyse the risk universe by risk type across four key risk types: strategic risks, financial risks, operational risks and compliance risks. A common risk register is used across the Group to monitor gross and residual risk, with the results assessed by the Audit Committee and Board. The Audit Committee monitors the effectiveness of the risk management system through management updates, output from the various executive risk committees and reports from internal audit.

Our principal risks

Principal risks are those risks within the Group's risk register that we consider could have a potentially material impact on our operations and/or achievement of our strategic priorities.

Our principal risks

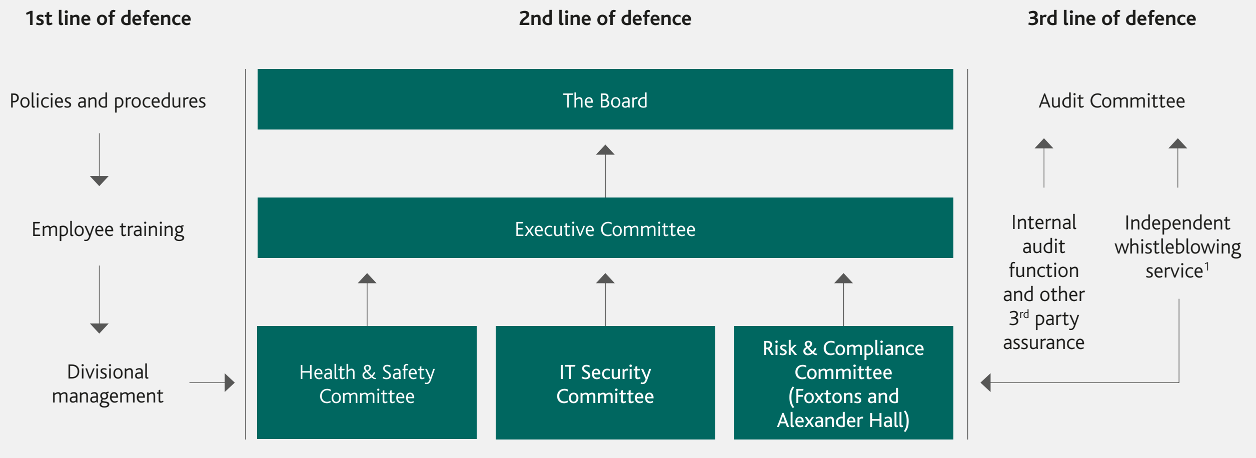
- Market risk
- Competitor challenge
- Compliance with the legal and regulatory environment
- IT systems and cyber risk
- People
- Reputation and brand

Details of each principal risk is provided on PAGES 33 AND 34, including an overall risk rating and whether the risk has changed over the course of the year. The principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group.

Further information on the Group's risk management procedures can be found in the Audit Committee Report on PAGE 87.

Risk framework overview

The broad structure of our risk management framework, which comprises three lines of defence, is presented in the chart below.



[1] Should whistleblowing matters relating to Senior Management be raised, these matters are reported directly to the Audit Committee Chair.

RISK APPETITE

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

Risk appetite statement

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

Risk appetite varies depending on the risk type

The Board's appetite for risk varies depending on the risk type as set out in the table below. The Group measures risk by estimating the potential for loss of profit, customer service issues, staff turnover and brand or reputational damage. The Board has a low tolerance for compliance-related risk. Conversely, it has a higher tolerance for strategic risk. The Board will adjust the short-term appetite for risk to reflect prevailing conditions as necessary.

Risk type	Risk assertion	Risk parameter	Risk appetite
Strategic	We will not pursue growth at all costs and expect high margins and strong returns on capital.	We will pursue growth strategies to deliver against our strategic priorities. We aim for industry leading operating margins and returns on capital while protecting the long-term viability of the Group.	**High**
Financial	We will manage/avoid situations or actions that might adversely impact the integrity of financial reporting.	Delivering the highest standards of financial reporting integrity through financial reporting processes and controls is critical to the Group.	**Low**
Operational	We will manage/avoid situations or actions that could adversely impact the Group's ability to provide a premium service level to our customers and to protect the assets of the Group.	The costs of control systems must be commensurate with the benefits achieved.	**Moderate**
Compliance	We will ensure we comply with all legal requirements and manage/avoid situations or actions that could have a negative impact on our reputation or brand.	Breaches of: • Legislative/statutory requirements • Delegated authority levels • Group and divisional policies • Health and safety regulations	**Low**

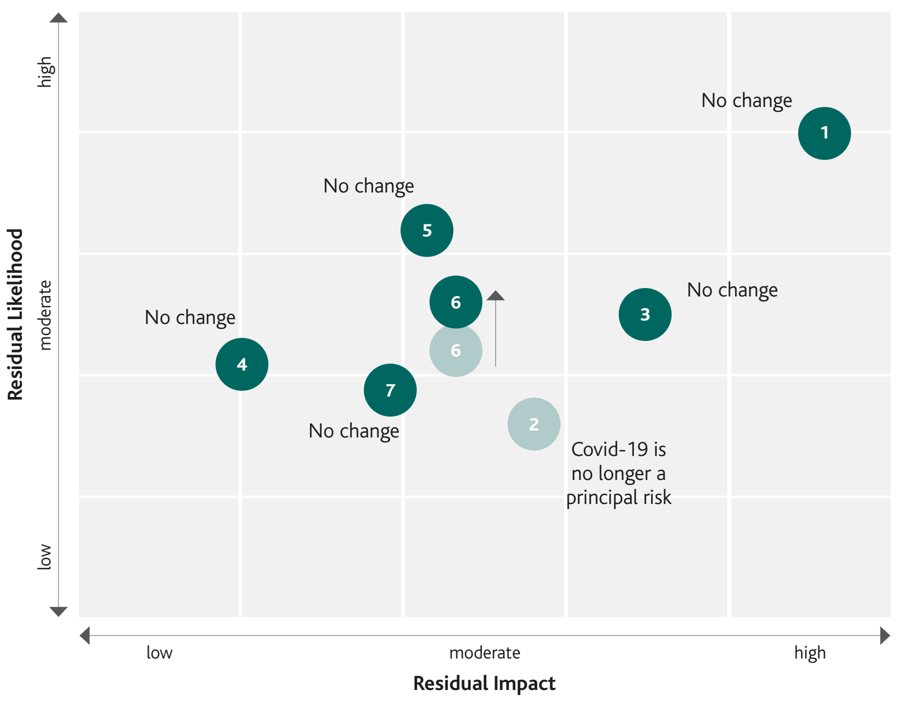
Assessment of risk versus Board's appetite for risk

The Board has assessed the risks of the Group and considers all risks to be within the Board's appetite for risk. The Board recognises the Group's Sales business operates in a market which is cyclical and subject to volatility, and as such, the Board's risk appetite for market risk is high. Although there continues to be heightened market risk due to the external macro environment, the Board considers appropriate actions have been taken to mitigate the impact on the Group, in particular prioritising organic growth in Lettings and investing in high quality lettings portfolios to further increase our resilience to sales market volatility.

/ PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS HEAT MAP

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



External risks

1 Market risk
2 Covid-19
3 Competitor challenge
4 Compliance with the legal and regulatory environment

Internal risks

5 IT systems and cyber risk
6 People
7 Reputation and brand

2021 risk positioning (if year-on-year movement)
2022 risk positioning

There have been the following movements in residual likelihood or residual impact of the principal risks.

	2022 movements in residual likelihood/residual impact
(2) Covid-19	Covid-19 is no longer considered a principal risk as the likelihood of further lockdowns being put in place and a shutdown of the housing market is considered to be remote.
(6) People	The residual likelihood is higher due to increased levels of market competition for quality staff. This increases the risk to the Group of being unable to recruit or retain quality staff.

The assessment of residual likelihood, residual impact and overall residual risk is based on the following definitions:

Residual likelihood	Residual impact	Overall residual risk rating
Low potential of the risk crystallising	Very limited or isolated impact to the Group and/or its broader customer base	Low
Moderate potential of the risk crystallising	Moderate impact to the Group and/or our broader customer base	Moderate
High potential of the risk crystallising	Potentially significant impact to the Group and/or our broader customer base	High

Our strategic priorities

1. **Lettings:** Organic growth
2. **Lettings:** Acquisitive growth
3. **Sales:** Market share growth
4. **Financial Services:** Revenue growth

Refer to PAGE 15 for details of our strategic priorities.

Principal risks

Impact	Mitigation of risk	Assessment of change in risk year-on-year
Market risk		**Risk Type: Strategic**
The key factors driving market risk are: • Affordability including the current cost of living increases, which in turn may reduce transaction levels. • Arguably a reduction in London's standing as a major financial city caused by the macroeconomic and political environment. • The market being reliant on the availability of mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely affect the Group. Interest rates globally increased across 2022 with the UK particularly impacted after the September mini-budget, which is likely to adversely affect affordability in the sales market. • The market being impacted by changes in government policy such as future changes in stamp duty taxes or increased regulation in the lettings market. • Ongoing geopolitical risk which may increase market uncertainty and customer confidence.	The Group targets an appropriate balance between the Sales and Lettings businesses through residential property market cycles, with the Lettings business providing valuable protection against the cyclical sales market. The Group's strategic priorities include Lettings organic growth and investing in high quality lettings portfolios, both of which mitigate the sales market risk. In a significant downturn of the residential sales market, the Board will make appropriate cost decisions bearing in mind the long-term prospects of the Sales business.	No change in overall residual risk rating Residual likelihood Residual impact Overall residual risk rating **Linked strategic priorities** 1. **Lettings:** Organic growth 2. **Lettings:** Acquisitive growth 3. **Sales:** Market share growth 4. **Financial Services:** Revenue growth
Competitor challenge		**Risk Type: Strategic**
The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, service models or methods of working which could give them a competitive advantage.	We continually assess competitor activity and utilise our centralised structure to review competitor intelligence, monitor market share and respond accordingly. Targeted pricing enables the Group to respond to competitor challenge and tailor our offering for certain segments of the market. Furthermore, the Board regularly reviews our business model and strategic investments are made to protect and develop our competitive advantages.	No change in overall residual risk rating Residual likelihood Residual impact Overall residual risk rating **Linked strategic priorities** 1. **Lettings:** Organic growth 3. **Sales:** Market share growth

/ PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Impact | **Mitigation of risk** | **Assessment of change in risk year-on-year**

Compliance with the legal and regulatory environment

Risk Type: Compliance

Impact

Breaches of laws or regulations could lead to financial penalties and reputational damage.

Our estate agency business operates under a range of legal and regulatory requirements, such as complying with certain money laundering regulations and protecting tenant deposits in line with the relevant regulations. Our Financial Services business is authorised and regulated by the Financial Conduct Authority (FCA) and could be subject to sanctions for non-compliance.

Mitigation of risk

The Group's centralised systems enable management to monitor ongoing compliance with the legal and regulatory environment.

Our Financial Services business has a specific Risk and Compliance Committee, which monitors compliance with FCA regulations.

The Group's compliance and legal team regularly monitors regulatory reform proposals and participate in industry forums to enable the Group to respond to regulatory change in an efficient and coherent manner.

Assessment of change in risk year-on-year

No change in overall residual risk rating

- ! Residual likelihood
- ! Residual impact
- ! Overall residual risk rating

Linked strategic priorities

1. Lettings: Organic growth
3. Sales: Market share growth
4. Financial Services: Revenue growth

IT systems and cyber risk

Risk Type: Strategic, Operational

Impact

Our business operations are dependent on sophisticated and bespoke IT systems which could fail or be deliberately targeted by cyber attacks leading to interruption of service, corruption of data or theft of personal data.

Such a failure or loss could also result in reputational damage, fines or other adverse consequences.

Mitigation of risk

Our IT function, supported by external specialists, maintains both preventative and detective processes and controls to mitigate the identified risks including:

- Enterprise grade data loss prevention, network monitoring, traffic shaping and predictive countermeasures.
- Real-time automated monitoring by an independent security operations centre.
- Regular independent penetration testing.
- Data risk assessments and safeguards established with oversight from the Data Protection Officer.
- Disaster recovery operations and plans maintained.
- In the event of a cyber incident, a full investigation is undertaken and remediation activity completed to provide protection against the latest threats.

Assessment of change in risk year-on-year

No change in overall residual risk rating

- ! Residual likelihood
- ! Residual impact
- ! Overall residual risk rating

Linked strategic priorities

1. Lettings: Organic growth
3. Sales: Market share growth
4. Financial Services: Revenue growth

People

Risk Type: Strategic, Operational

Impact

There is a risk the Group may not be able to recruit or retain quality staff to achieve its operational objectives or mitigate succession risk. As experienced in the current labour market, increased competition for talent leads to a reduction in the available talent pool and an increased cost of labour. Additional risk could arise in the event there are changes in our industry or markets that result in less attractive career opportunities.

Mitigation of risk

The Group maintains a structured approach to recruitment using internal specialist teams, enabling us to increase the recruitment of high quality people quickly, should it become necessary to do so.

The Group continues to invest in training, development and succession planning so that future leaders can be identified and nurtured. Additionally, our track record of promoting from within generates significant staff loyalty within senior and mid-management employees.

Employee turnover rates are reviewed by management on a regular basis and action taken to understand and address higher than expected leaver rates.

Assessment of change in risk year-on-year

Increased likelihood of risk but no change in overall residual risk rating which remains at moderate

- ! Residual likelihood
- ! Residual impact
- ! Overall residual risk rating

Linked strategic priorities

1. Lettings: Organic growth
2. Lettings: Acquisitive growth
3. Sales: Market share growth
4. Financial Services: Revenue growth

Reputation and brand

Risk Type: Strategic, Operational

Impact

Foxtons is an iconic estate agency brand with high levels of brand recognition. Maintaining a positive reputation and the prominence of the brand is critical to protecting the future prospects of the business.

There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations or because our actions are considered to be inappropriate.

We recognise the need to maintain our reputation and protect our brand by delivering consistently high levels of service and maintaining a culture which encourages our employees to act with the highest ethical standards.

Mitigation of risk

A brand management programme is in place to ensure Foxtons' brand positioning and identity is clear, appropriately protected and reflects the way we do business. Our social media presence and press engagement is managed centrally within an established framework to ensure press statements reflect the Group's purpose, values and strategy.

Maintaining the right culture, underpinned by the right values, is key to protecting our reputation and brand. The Board monitors culture on an ongoing basis (refer to PAGE 69 for further details) and the ESG Committee provides oversight of the governance framework relating to ESG matters including training programmes.

Through established policies, controls and processes we monitor the quality of our customer service. We continue to invest in our customer proposition in order to strengthen our service offering and reputation for delivering results.

Assessment of change in risk year-on-year

No change in overall residual risk rating

- ! Residual likelihood
- ! Residual impact
- ! Overall residual risk rating

Linked strategic priorities

1. Lettings: Organic growth
3. Sales: Market share growth

Emerging risks

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

Description	Risk management
Changes in government housing policies Future changes in government housing policies may lead to structural changes in the lettings and sales market. Although future government policy cannot be reliably predicted, potential risks could include general market disruption, the introduction of pricing control mechanisms, private landlords exiting the private rental sector due to punitive legislation or tax changes that adversely affect the residential property markets.	The Board monitors government housing policy and engages with key external stakeholders as necessary, including Propertymark, a major industry body. Planned and potential changes in housing policy are considered when making risk management and strategic decisions.
Climate-related risk Climate change is an emerging risk that may have medium to long-term implications for the Group. Further details of the potential climate-related risks, as well as potential climate-related opportunities, are set out on PAGE 45 as part of the Group's application of TCFD.	In December 2021, the Board established the ESG Committee which has the core responsibility of reviewing and providing oversight of the implementation of the Group's ESG strategy. The ESG Committee provides recommendations to the Audit Committee on climate-related risks as applicable, following which the Audit Committee considers such risks as part of its wider risk management responsibilities. Refer to PAGES 82 AND 83 for the ESG Committee's report. The Executive Committee monitors the delivery of the Group's environmental programmes and also monitors and manages climate-related risk as part of the Group's overall risk management framework. The Group utilises the TCFD framework to identify, assess and manage emerging climate-related risks.

/ PROSPECTS AND VIABILITY

Foxtons has an increasingly resilient business model underpinned by non-cyclical recurring revenues from Lettings and Financial Services. Long-term prospects and viability is a key consideration when determining and assessing the Group's business model and strategic priorities, and also a key area of focus when managing principal risks.

Long-term prospects

Market risk continues to present the highest risk to the Group. The Group's resilience to market risk continues to improve as non-cyclical recurring Lettings and Financial Services revenues grow, which when combined now represent c.65% of Group revenues.

Despite improved resilience, the Group continues to be exposed to the cyclical London residential sales market which is subject to volatility. Following a period of recovery in 2021, in the second half of 2022 the UK economy was impacted by higher interest rates, inflationary pressures and general economic uncertainty resulting in a more subdued sales market outlook for 2023 and potentially the medium term.

Growing market share within Sales is a strategic priority and will help mitigate any reductions in sales market volumes due to the macro environment. Additionally, the continued focus to grow Lettings organically and by acquisition helps reduce volatility in the Group's results and protects earnings and net free cash flow.

Notwithstanding the market risk, the Group is well positioned to withstand a variety of market conditions with cost action taken in 2022 and ongoing cost discipline supporting the necessary reinvestment to deliver against the strategic priorities, whilst partly mitigating inflationary pressures.

Viability approach

The Group's viability is assessed through the strategic planning process which includes financial projections for the next five years and take into account the Group's principal risks. Key assumptions within the strategic plan include market volumes, market pricing, market share and cost base assumptions, including inflationary pressures, required investment and cost savings.

Other factors taken into consideration when assessing viability include use of cash resources and liquidity. At 31 December 2022 the Group held net cash of £12.0 million (2021: £19.4 million). The Group has no external borrowings and the availability of a £5 million RCF which expires in June 2024 and remained undrawn throughout 2022.

Assessment of viability

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

The Directors have determined that five years is the most appropriate timeframe over which the Board should assess long-term viability, with this being the longest period over which the Board considered an appropriate assessment of the principal risks could be made. This is consistent with the period over which the Group's strategic review is assessed by the Board and the minimum vesting and holding period for Executive Director share schemes.

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

Severe but plausible scenario

For the purpose of testing viability, a severe but plausible scenario has been determined under which the Group is significantly impacted by market risk, which has been assessed to have the highest residual likelihood and impact on the performance of the Group from a range of scenarios considered (refer to the principal risks heat map on PAGE 32 for further details).

The severe but plausible scenario assumes a sustained downturn in the sales and mortgage markets with an adverse impact on transaction volumes and pricing while lettings market rental prices reduce and supply remains restricted. The scenario captures the risk of ongoing adverse macroeconomic and political events.

As well as capturing market risk, the scenario incorporates the associated reduction in costs due to reduced revenue and the availability and effectiveness of controllable mitigating actions, including reducing capital expenditure and reducing costs primarily by reducing the salesforce to reflect market conditions. Each of these actions would be available to limit the impact of the identified risks. The key assumptions assumed in the severe but plausible downside scenario are summarised below.

Lettings volumes and pricing	Lettings volumes remain flat in 2022 which are already suppressed compared to 2021 volumes. Average rental prices reduce in 2023 to 2021 levels and remain suppressed at this level over the five-year forecast period.
Sales volumes and pricing	2023 market sales volumes reduce c.30% to 2009 levels, reflecting the same volume of transactions seen following the global financial crisis, before recovering to 2021 levels by the end of 2027. House prices are assumed to decline by 10% in 2023 before recovering to current levels by 2027.
Financial Services volumes	New purchase mortgage transactions reduce in line with the sales volume reduction noted above. Refinance business is unaffected due to the resilient nature of the revenue.
Direct operating costs and mitigating actions	Mitigating actions to reduce discretionary expenditure and reduce salesforce to reflect market conditions. Capital expenditure and acquisition spend is minimised and no dividend payments are forecast.
Revolving Credit Facility (RCF)	The £5m RCF facility which expires in June 2024 is assumed to be renewed.

Under the severe but plausible scenario, the Group would be able to withstand the adverse conditions and would have sufficient cash resources throughout the period. Based upon the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the five-year viability period.

/ RESPONSIBLE BUSINESS

Our commitment to being a responsible business focuses on the areas that are most important to our stakeholders and to our long-term success.

OVERVIEW

Our purpose is to **get the right deal done for London's property owners**. In doing this we want to deliver value for our customers, provide opportunities and progression for our staff and ensure we are valued members of the communities in which we operate. Our responsible business report is split into four sections which reflects those areas that are most important to our stakeholders and to our long-term success:

1. ENVIRONMENT

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

Refer to PAGES 40 TO 49.

2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

We have a unique culture that is fundamental to our responsible commercial progress. We are proud to have a diverse and inclusive workforce that has organically developed through our focus on hiring the right people from the communities in which we operate. We recognise the importance of delivering industry leading opportunities for all employees through our training and development programmes.

Refer to PAGES 50 TO 56.

3. COMMUNITY

We contribute to the wellbeing and development of the communities in which we operate.

Refer to PAGES 57 AND 58.

4. OTHER RESPONSIBILITIES

We recognise the importance of maintaining the highest standards of business ethics, protecting human rights and maintaining health and safety standards.

Refer to PAGES 59 AND 60.

ESG COMMITTEE

In December 2021, the Board established the ESG Committee to review and oversee the implementation of our ESG strategy. Our ESG strategy is driven by the Executive Leadership Team, and indeed everyone at Foxtons, as we believe that every single employee has a role to play in having a more positive impact on the environment, communities and people that we interact with. The Board's ESG Committee regularly monitors the delivery of the ESG strategy and reports any risks and opportunities to the Board.

Refer to PAGES 82 AND 83 for the ESG Committee's report.

FTSE4Good

The Group has been independently assessed according to the FTSE4Good criteria and satisfies the requirements to be a constituent of the FTSE4Good Index Series, which measures the performance of companies demonstrating specific ESG practices.

FTSE4Good

OUR ENVIRONMENTAL AND SOCIAL COMMITMENTS

We have established environmental and social commitments that provide ambitious, but achievable, goals on which we can focus our sustainability efforts. In 2022, we have added an interim emissions reduction target to reduce our Scope 1 and Scope 2 greenhouse gas emissions by 30% by 2030, measured against the 2021 baseline. This target will act as a milestone to our longer-term target of reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050.

Thanks to the collective efforts of everyone at Foxtons we have made good progress towards these commitments in 2022 and have plans to make further improvements in the year ahead.

Environment

- Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment.
- 30% reduction in Scope 1 and Scope 2 emissions by 2030 against the 2021 baseline.
- Reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050.

Social

- Continuing to drive diversity initiatives so that our workforce more closely reflects the society we serve.
- Helping people within the communities we serve move up in the world through our Career Ready partnership and by working more closely with our local communities.

/ RESPONSIBLE BUSINESS CONTINUED – 1. ENVIRONMENT

1. ENVIRONMENT

Despite Foxtons having a relatively simple infrastructure and supply chain, with a smaller impact on the environment than some other listed businesses, we are committed to reducing our environmental impact and carbon footprint.

OUR APPROACH – ENVIRONMENT

We are committed to reducing our environmental impact and continue to take steps to support the government's long-term environmental pledges, as well as our own long-term ESG commitments. We use the TCFD framework to identify and assess emerging climate-related risks, use natural resources as efficiently as possible and take steps to change our business practices and operations where relevant to ensure that we minimise our impact on the environment.

The Board has ultimate oversight of our approach to climate change, with the Board's ESG Committee monitoring progress against its ESG commitments and the Audit Committee monitoring climate-related risk management. The Board also receives updates from the Executive Leadership Team, which is responsible for day-to-day management of the business and ensuring that the ESG commitments are delivered upon. Progress is discussed and reviewed by the ESG Committee on a regular basis (refer to PAGE 83 for the ESG Committee's key activities during the year).

2022 HIGHLIGHTS

Electric vehicle rollout

26%

Increase in the number of green vehicles in our fleet in 2022 and launched the Foxtons Electric Mini

Annual energy saving

c.7%

Annualised branch energy saving as a result of energy saving measures made in 2022

Reduction in GHG emissions

20%

Reduction in GHG emissions (combined Scope 1 and Scope 2, market based methodology) in 2022

KEY INITIATIVES AND PROGRESS MADE IN 2022

Vehicle fleet electrification

Our vehicle fleet is used in the day-to-day operations of our business, including transporting customers to property viewings and carrying out property inspections. Through the electrification of our fleet we can reduce our emissions and help cut pollution in the communities we operate. As a member of EV100, the global climate initiative from The Climate Group, we have set a target to switch all of our vehicles to electric by 2030. Despite global constraints on the supply of electric vehicles, during 2022 we made progress towards this target, with fully electric or hybrid vehicles representing 16% of the vehicle fleet (2021: 14%).

2022 saw the arrival of our greenest Mini ever

Since its launch in 2001, the Foxtons Mini has become iconic in London's culture, with the designs over the years catching the spirit of Foxtons and London's residential property market. 2022 was a milestone year for the Foxtons Mini, with the first fully electric version being launched. The Foxtons Electric Mini, which emits zero emissions, is a perfect car for the city and reflects our commitment to fully electrify our fleet by 2030.

Energy sourcing and reduction initiatives

Renewable energy sources

We continue to reduce the environmental footprint of our leased head office and branch network, working closely with our energy supplier to monitor our usage and use a REGO backed electricity product (REGO – Renewable Energy Guarantees of Origin) across our branches. Through REGO, our branch electricity is backed by renewable sources, which helps reduce our carbon footprint and is another step towards carbon neutrality and becoming net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050.

Branch network efficiency

In 2022 we undertook an extensive review of our energy usage across our branch network and have taken steps to significantly improve our efficiency. Within our branches we replaced lamps with modern LEDs and installed timers for lighting, air conditioning and fresh air systems to reduce the period of usage. This investment will result in approximately a 7% reduction in energy consumption per year across our branches.

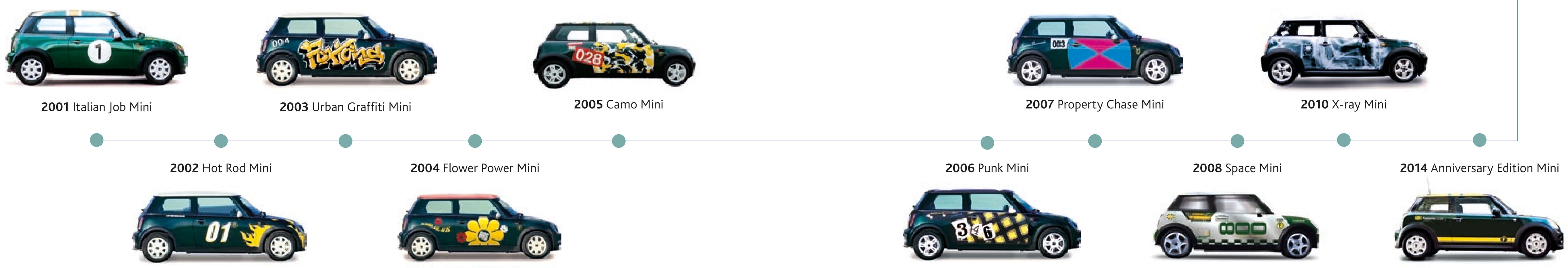
Energy efficient data centres and technology

The Group has two modern eco efficient data centres, with one designed to BREEAM excellent standard. Both data centres use highly efficient cooling technologies to reduce energy consumption and reuse waste heat in communal areas. In the year we have also completed a series of infrastructure refresh programmes to enhance our technology capabilities and improve our energy efficiency.

CLIMATE GROUP EV100

2022 The Foxtons Electric Mini – our greenest Mini ever!

The Foxtons Mini over the years



/ RESPONSIBLE BUSINESS CONTINUED – 1. ENVIRONMENT

Emissions

We have a long-term target to reduce our total value chain to net zero, across Scope 1, Scope 2 and Scope 3 by 2050. This year the ESG Committee set an interim target to reduce our combined Scope 1 and Scope 2 emissions by 30% by 2030 against the 2021 baseline. We will primarily achieve this through electrification of the vehicle fleet, as well as identifying ways to reduce the size of our fleet through vehicle sharing technology and further efficiency measures across our property estate.

Scope 1 and Scope 2 reporting

Our Streamlined Energy and Carbon Reporting (SECR) reports emissions from fuel consumption and the operation of our facilities (Scope 1) and from purchased electricity (Scope 2), both of which are mandatory. Our Scope 1 and Scope 2 footprint, measured in line with mandatory reporting requirements on a location basis, is 1,942 tonnes CO2e in 2022 (2021: 2,248 tonnes CO2e). All emissions and energy usage are incurred within the UK.

GHG emissions		2022	2021 (restated[1])
Scope 1 emissions			
Combustion of fuel (tonnes CO_2e)		1,191	1,224
Other – gas, diesel and LPG (tonnes CO_2e)		45	114
Scope 2 emissions			
Purchased electricity (tonnes CO_2e)	Location based	706	910
Purchased electricity (tonnes CO_2e)[2]	Market based	79	–
Total: Scope 1 & Scope 2 emissions			
Total: Scope 1 & 2 emissions (tonnes CO_2e)	Location based	1,942	2,248
Total: Scope 1 & 2 emissions (tonnes CO_2e)[2]	Market based	1,315	1,338
Intensity ratio			
Tonnes of CO_2e per full-time employee	Location based	1.62	1.94
Tonnes of CO_2e per full-time employee[2]	Market based	1.09	1.15
Energy consumption			
Aggregate energy consumption (kWh)		8,874,847	9,186,775
Total CO_2e by emission type			
Electricity: lighting, heating and cooling		706	910
Combustion of fuel		1,191	1,224
Other: gas, diesel and LPG		45	114

Methodology
Base line: 2021
Emission factor data source: UK Government GHG Conversion Factors for Company Reporting
Assessment methodology: The Greenhouse Gas Protocol
Intensity ratio: Emissions per full-time employee

1 2021 disclosures have been restated using the 2022 calculation basis to enable year-on-year comparability.

2 Market based measurement of Scope 2 purchased electricity reflects procured renewable energy (REGO certified) reducing scope 2 emissions by 627 tonnes CO2e (2021: 910 tonnes CO2e).

Scope 1 and Scope 2 reporting

Scope 1 emissions have fallen year-on-year as a result of the continued electrification of the vehicle fleet, with total Scope 1 emissions down 8% to 1,236 tonnes CO2e (2021: 1,338 tonnes CO2e). Scope 2 emissions (location based methodology) have fallen by 22% to 706 tonnes CO2e (2021: 910 tonnes CO2e) reflecting ongoing energy saving initiatives and the disposal of 15 branches relating to the D&G Sales business in February 2022 (resulting in a 7% year-on-year reduction in emissions).

Scope 3 reporting

In 2022, we have undertaken an initial assessment of the Group's Scope 3 emissions, and like other companies, are adopting a staged approach to the assessment. Through a desktop exercise, the Scope 3 categories have been considered for relevance, and where relevant, an initial quantification exercise completed to assess whether the associated emissions are material to the Group (refer to PAGE 44 for materiality considerations).

The Scope 3 categories with the highest associated emissions are purchased goods and services and the element of employee commuting not already captured in Scope 1. The desktop exercise has concluded Scope 3 emissions are not material, however, a more detailed assessment will be undertaken to validate this assertion in due course, with further disclosure as necessary.

Recycling and water

Recycling

We have a recycling policy and our offices are equipped with designated bins for the recycling of widely used materials in order to reduce our consumptive waste. We actively encourage a paperless environment and try to limit any written correspondence to email. The use of the 'My Foxtons' customer portal continues to increase meaning customers can transact without paper and use digital signing technology. Additionally, within our branches, we use recyclable glass bottles for customer drinking water, rather than plastic bottles.

Water consumption

Our water consumption relates to water consumed in our offices, primarily for drinking and staff facilities, and water consumed to clean our vehicle fleet. Although our water consumption is not considered to be significant, we regularly review our operations with a view to reducing water usage noting it is a resource that is under increasing pressure.

/ RESPONSIBLE BUSINESS CONTINUED – 1. ENVIRONMENT

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2022 is the second year the Group has applied the TCFD framework to support our understanding and management of climate-related risks and opportunities. In this year's disclosures we have sought to provide more detailed definitions, more evidence and in-depth explanations of future plans.

Assessing materiality of climate-related risks

The Board has assessed the materiality of climate-related matters taking into consideration the extent to which climate change poses a material risk to the business and after considering the following points:

Materiality consideration points	Assessment outcome
Size of environmental footprint.	Foxtons is a service based business with relatively low levels of Scope 1 and 2 emissions.
Whether there are any business segments, elements of the business model or locations that could be more significantly impacted by climate risks.	No particular business segment or element of the business model has a heightened exposure to climate change risk. Since Foxtons operates in Greater London no special location considerations are required.
The complexity of the Group's supply chain and exposure to climate-related factors.	Foxtons operates in a service industry with a relatively asset light business with a non-complex supply chain.
The possible impact of climate risks.	Within the scenario analysis presented on PAGES 46 AND 47 the climate risk impacts have been assessed as being low to medium.
Whether the likelihood of risks and the associated financial impacts could significantly evolve over time.	The assessment has considered risks over the short, medium and long term. Management will continue to evaluate the long-term impact and evolve the risk assessment accordingly.

Following the assessment, the Board has concluded that climate-related risks are not material to the Group and has taken this into account when applying the TCFD framework to ensure the level of disclosure is commensurate to the level of risk.

Climate-related risks and opportunities

The TCFD divides climate-related risks into two major categories: (1) Risks related to the transition to a lower carbon economy ("Transition risks"); and (2) Risks related to the physical impacts of climate change ("Physical risks"). The risks are presented below, having considered the TCFD all sector guidance points, alongside climate-related opportunities.

Transition risks

Short term (to 2030)	Medium term (2030 to 2040)	Long term (beyond 2040)
Market risk: Climate-related regulation could reduce the supply of stock and impact growth plans. For example, property energy performance regulation may increase landlord operating costs, discouraging landlords from operating in the private rental sector.	**Operational risk:** There will be additional costs of becoming net zero across Scope 1, Scope 2 and Scope 3 emissions due to the cost of renewable energy, electric vehicles, environmental levies and carbon offsets. The cost of investment is likely to be partially offset by lower energy costs. **Market risk:** Changes in customer behaviour could result in changes in supply and demand for residential property and cause volatility in property and rental prices. **Market risk:** Vulnerable social groups and lower income households may be disproportionately affected by climate change which may impact local property markets and balance of business. **Reputational risk:** If we do not transition our business model quickly enough there may be increased reputational risk.	

Physical risks

Short term (to 2030)	Medium term (2030 to 2040)	Long term (beyond 2040)
Business disruption as a result of extreme weather events.	As temperature rises and extreme weather events become more regular, climate change predictions suggest that by the 2050s London could be some 2 degrees hotter with wetter winters and drier summers, leading to changes in customer behaviour and wider social impacts. Business disruption as a result of extreme weather events.	It is likely that a significant proportion of London's critical infrastructure will be at increased risk from flooding and there are likely to be more people living on a floodplain which may impact customer behaviour and potentially reduce available housing stock.

Climate-related opportunities

Short term (to 2030)	Medium term (2030 to 2040)	Long term (beyond 2040)
In the short term there are investments that we can make to improve our energy efficiency across our business operations which will reduce operating costs.	Over the medium to long term there will need to be significant investment by property owners to ensure existing homes are low carbon and resilient to the changing climate. This is a major UK infrastructure priority and is expected to be supported by the Treasury. There could be an opportunity for the Group to increase its property management revenues by supporting property owners make the required changes.	

The Board will continue to assess climate-related risks under review as an emerging risk as noted within the risk management disclosures on PAGE 35.

/ RESPONSIBLE BUSINESS CONTINUED – 1. ENVIRONMENT

Climate scenario analysis

To evaluate the resilience of the Group's approach to climate-related risks and opportunities, analysis under two possible climate scenarios has been completed:

i) The rise in global temperature is limited to less than 2°C.

ii) The global temperature rises by more than 2°C.

The risks and opportunities under each scenario are presented against short, medium, and long-term time horizons. Further work will be undertaken to define the resilience of the business model in the longer term as market practice and market intelligence develops.

i) The rise in global temperature is limited to less than 2°C.

Under the less than 2°C scenario, transition risks, as a result of transitioning to a low-carbon economy pose a greater risk to our business model, whilst physical risks, pose a lower risk. Overall, we expect the Group's business model to be resilient under this scenario as summarised in the table below.

Key: ● Low impact ● Medium impact ● High impact

	Short term (to 2030)	Medium term (2030 to 2040)	Long term (beyond 2040)
Risks:	**Higher transition risks associated with moving to a low carbon economy** • Climate-related regulation could reduce the supply of stock and impact revenue growth plans. • Transition costs to meet emission targets and/or imposed climate levies. • Reputation risk due to a slow transition to a low carbon economy.	**Continued transition risks** • Transition costs to meet emission targets and/or imposed climate levies. • Potential market volatility impacting local markets and balance of business. • Reputation risk due to a slow transition to a low carbon economy.	**Less significant increase in physical risks** • Isolated extreme weather events expected causing manageable business disruption to operations.
	Impact assessment: ● Low impact	**Impact assessment:** ● Low impact	**Impact assessment:** ● Low impact
Opportunities:	• There is an opportunity for the Group to benefit from increased demand for property management services as landlords seek to make properties more energy efficient. • Opportunity to reduce running costs by adopting lower energy technologies and electric vehicles. **Impact assessment:** ● Medium impact		

ii) The global temperature rises by more than 2°C.

Under the greater than 2°C scenario, global climate policy is less effective and cause climate change above that envisaged by the Paris Agreement. Under this scenario, physical risks pose a greater risk as a result of more extreme weather events, whilst transitional risks pose a lower risk. Overall, we expect the Group's business model to be resilient under this scenario as summarised in the table below.

Key: ● Low impact ● Medium impact ● High impact

	Short term (to 2030)	Medium term (2030 to 2040)	Long term (beyond 2040)
Risks:	**Slight increase in transition and physical risks** • More regular extreme weather events expected to cause manageable business disruption to operations. • Insurance cost rises due to increase in physical damage to properties and vehicles.	**Increasing physical risks due to a failure to adequately transition to a low-carbon economy** • More regular extreme weather events expected causing more significant business disruption to operations. • Market volatility impacting local markets and balance of business. • Reputation risk due to a slow transition to a low-carbon economy. • Increase in energy costs as energy sources become constrained or compromised.	
	Impact assessment: ● Low impact / ● Medium impact	**Impact assessment:** ● Low impact / ● Medium impact	
Opportunities:	• There is an opportunity for the Group to benefit from increased demand for property management services as landlords seek to make properties more energy efficient or make a greater use of our property management services to manage climate-related issues. • Opportunity to reduce running costs by adopting lower energy technologies and electric vehicles. **Impact assessment:** ● Medium impact		

/ RESPONSIBLE BUSINESS CONTINUED – 1. ENVIRONMENT

Alignment with the recommendations of the TCFD

Our TCFD compliance statement is set out below. In line with the requirements of LR 9.8.6(8)R, we are reporting on a 'comply or explain' basis against the eleven recommended TCFD disclosures. The table below sets out our compliance status in relation to each of the recommendations and, where relevant, the actions we are taking to achieve compliance.

For 2022, our disclosures were either compliant or partially compliant with all of the TCFD recommendations. We will continue to develop our disclosure in future years as market practice develops or in the event our materiality assessment evolves.

Key: ● Compliant ● Partially compliant

TCFD recommended disclosure and compliance	Activities to date and actions to achieve compliance
● (Compliant) **Governance** (a) Describe the Board's oversight of climate-related risks and opportunities	The Board has overall accountability for ESG and is responsible for maintaining the Group's system of risk management and internal control, including climate-related risks. This is informed by the work of the ESG Committee and the Audit Committee. The ESG Committee regularly reviews environmental and social related risks to the Group and makes recommendations to the Audit Committee regarding inclusion in the Group's risk management practices. Climate-related opportunities will also be reported directly to the Board by the ESG Committee. Where relevant and material, the Board will consider climate-related matters when making strategic decisions, such as deciding the speed at which the vehicle fleet is electrified. **Planned actions** – The Board will continue to receive updates from the ESG Committee and Audit Committee to inform strategic decisions.
● (Compliant) **Governance** (b) Describe management's role in assessing and managing climate related risks and opportunities	The Executive Leadership Team is responsible for day-to-day management of the business and ensuring that the ESG strategy is actioned appropriately within the business. The Executive Leadership Team monitors the delivery of the Group's environmental programmes and also monitors climate-related risk as part of the Group's overall risk management framework. The Executive Leadership Team receives progress reports on environmental and social initiatives from relevant departmental heads. The ESG Committee, which meets three times a year and otherwise as required, receives reports from the Executive Leadership Team or relevant department heads. The ESG Committee Chair reports key matters to the Board following each Committee meeting. **Planned actions** – As our environmental programmes progress, we will assign specific responsibilities to Senior Managers to ensure that climate-related risks and opportunities are assessed and managed effectively throughout the business.
● (Compliant) **Strategy** (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	On PAGE 45 we describe the possible climate-related risks and opportunities that may impact our business over the short, medium and long term. **Planned actions** – The Board will continue to monitor risks on a short, medium and long-term basis and monitor the emerging climate-related risk.
● (Compliant) **Strategy** (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	The Board has not identified any material climate-related risks that impact the Group's business model, strategy, financial planning or viability of the Group. This conclusion is supported by the risk assessment set out on PAGE 35. No material cost investment is required to meet our medium-term environmental commitments, with the relevant costs incorporated into financial projections for the next five years. **Planned actions** – The Board will continue to monitor the risks and opportunities presented by climate change and will make changes to the Group's operations, strategy and financial planning where appropriate.
● (Compliant) **Strategy** (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	On PAGES 46 AND 47 the impact on the Group's strategy under two climate-related scenarios has been assessed: i) a 2°C or lower scenario; and ii) a more than more than 2°C scenario. **Planned actions** – The Board will continue to monitor the resilience of the Group's strategy, and in particular the longer-term impacts which are inherently more difficult to assess.

TCFD recommended disclosure and compliance	Activities to date and actions to achieve compliance
● (Compliant) **Risk Management** (a) Describe the processes for identifying and assessing climate-related risks	Climate-related risks are identified through the Group's risk management processes. The Group utilises the TCFD framework to identify climate risks and horizon scans to change in the risk environment. **Planned actions** – We will continue to review our risk register to ensure effective identification of our climate-related risks. **Further information** – Refer to PAGE 30 for details of the Group's risk identification process.
● (Compliant) **Risk Management** (b) Describe the processes for managing climate-related risks	Climate-related risks are managed through the Group's risk management processes. The Executive Leadership Team regularly reports progress to the ESG Committee, including actions to manage the impact of emerging climate-related risks. **Planned actions** – Continue to monitor climate-related risks and respond through operational or strategic changes where relevant. **Further information** – Refer to PAGE 30 for details of the Group's risk management process.
● (Compliant) **Risk Management** (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management	The Group's risk management framework includes the key process for identifying, assessing and managing climate-related risks alongside non-climate-related risks. **Planned actions** – The Board and Audit Committee will continue to regularly review the Group's principal and emerging risks. **Further information** – Refer to PAGE 30 for details of the Group's risk management process.
● (Compliant) **Metrics and Targets** (a) Describe the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	The metrics used by the Group to assess the climate-related risks and opportunities include: • GHG emissions (Scope 1 and Scope 2) • Intensity ratio • Energy consumption **Planned actions** – Continue to monitor our total GHG emissions, intensity ratio and energy consumption. We will also keep these metrics under review and consider whether to add further metrics in the future. **Further information** – Refer to PAGES 42 AND 43 for more detail on our environmental impacts and climate-related targets.
● (Partially compliant) **Metrics and Targets** (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks	GHG Scope 1 and 2 emissions reported in line with the Streamlined Energy and Carbon Reporting (SECR) regulations. Scope 3 GHG emissions are not considered to be material for the Group and are therefore not currently disclosed. **Planned actions** • We will continue to report on GHG Scope 1 and 2 emissions. • A desktop exercise has concluded Scope 3 emissions are not material, however, a more detailed assessment will be undertaken to validate this assertion in due course, with further disclosure as necessary. **Further information** – Refer to PAGE 42 for the Group's Streamlined Energy and Carbon Reporting and PAGE 43 for details of the Group's Scope 3 emission assessment.
● (Compliant) **Metrics and Targets** (c) Describe the targets used to manage climate-related risks and opportunities and performance against targets	The Group has a number of targets to manage climate-related risks as set out on PAGES 39 AND 42. In summary these are: • Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment. • 30% reduction in Scope 1 and Scope 2 emissions by 2030 against the 2021 baseline. • Reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050. **Planned actions** – To keep our targets under review and continue to monitor progress against them.

/ RESPONSIBLE BUSINESS CONTINUED – 2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

Having the right people, culture, skills & knowledge are critical to our success. Guided by our new purpose and values we are revitalising the Foxtons culture such that it becomes more customer-centric and results-based, and ultimately a rewarding workplace for employees to develop and grow.

2022 HIGHLIGHTS

Diverse and inclusive workplace

92%

of employees believe the Company supports a diverse and inclusive workplace[1]

Employee engagement

85%

Employee overall engagement score[1]

Rebuilding culture

5

New values embedded within the business to rebuild our high-performance culture

Training and development

257

Negotiators completed the new five-day induction programme at Chiswick Park in 2022

[1] Results from the 2022 employee engagement survey independently administered by WTW.

OUR APPROACH – PEOPLE, CULTURE, SKILLS & KNOWLEDGE

Working at Foxtons is exciting, sociable and rewarding. We reward hard work, delivering for customers and those who demonstrate our values. We provide the opportunity for talented and enthusiastic individuals to thrive in their careers and our highly incentivised remuneration structures reward exceptional performance and customer delivery.

In the year, we refreshed our purpose and values to reflect Foxtons' estate agency DNA. This gives our people a clear focus and underpins our high-performance culture that recognises and celebrates the role we play in facilitating that often highly emotional and consequential transaction of letting or selling a house.

PEOPLE

We are committed to recruiting and retaining a highly motivated, skilled and experienced workforce that mirrors the diversity of London, the city we predominantly serve. This approach enables us to access a diverse mix of people and skills, with different ideas and creates a culture where each employee can feel motivated to deliver the best results for customers and are able to be their best selves.

Refer to PAGES 52 AND 53 for details of our initiatives and progress made in 2022.

CULTURE

We are committed to investing in and maintaining a high-performance culture that attracts and retains talented people who deliver outstanding results for our customers. This culture will enable us to rebuild our competitive advantages, deliver our strategic priorities and ultimately enhance the success of the Group.

Refer to PAGES 54 AND 55 for details of our initiatives and progress made in 2022.

SKILLS & KNOWLEDGE

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 industry leading training consists of formal and informal training, mentor programmes and networking events, giving everyone the support and the resources they need to enhance their development.

Refer to PAGE 56 for details of our initiatives and progress made in 2022.

/ RESPONSIBLE BUSINESS CONTINUED – 2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

KEY INITIATIVES AND PROGRESS MADE IN 2022

PEOPLE

Our people strategy is focused on having the right people, with the right skills and values, to deliver the very best results for our customers and diversity is a key element of this. Our recruitment policy, action taken to improve staff retention and our diversity networks all play a key role in maintaining an engaged, productive and diverse workforce.

Recruitment

We are always challenging ourselves to do more and ensure we are using all the tools at our disposal to attract candidates from diverse backgrounds. This includes consistent, objective and effective people practices for both hiring and managing people.

Recruiting the best talent, whilst supporting a diverse workforce, is a key part of restoring competitive advantage and will be a priority going forward.

Our employer brand attracts a high calibre of candidates, backed by our recruitment practices which use a range of selection and assessment methods to match the right talent to our vacancies.

Our progressive policies ensure fairness and diversity in our hiring processes. We judge the merits of candidates' abilities and achievements in the context of their background, not simply the absolutes of any achievements. Our equal opportunities policy locks in this approach and ensures we are not discriminating in any way. We have backed this with a programme of unconscious bias training across all our hiring managers and recruitment team.

In 2022, to ensure we continue to attract the best diverse talent, we:

- Reviewed and upgraded our external recruitment partners to support candidate attraction.
- Continued to welcome and develop new hiring managers and enhanced our interview and assessment methods to ensure we are selecting the right talent.
- Invested in growing and developing our internal recruitment team.
- Joined the Good + Fair Employers Club, which involves recruitment leaders from some of the biggest UK companies coming together once a month to discuss how we can best attract and assess candidates whilst always treating everyone fairly. This has proven a beneficial network to join, enabling our recruitment team to share insights, discuss challenges and opportunities with other professionals in the industry.

Workforce retention

This year there has been a renewed focus on improving our workforce retention to ensure that we see the most value from our investment in training and development. In 2022 we enhanced our analysis of leaver data to get a better understanding of why employees leave the business and the steps we can take to minimise attrition. Employee retention will be a key focus throughout 2023 and is key to rebuilding our competitive advantage.

Our diversity networks

Across the business, our diversity networks, Women@Foxtons, Afro Foxtons and Foxtons LGBTQ+, continue to be active and engaged.

Women@Foxtons brings together female team members at various levels of their careers to provide personal and professional career development support and to help increase the number of women in management and senior roles.

Having celebrated International Women's Day and provided an active voice in trade press during the year, we began a process of review towards the end of 2022 to make sure the network continues to provide relevant support to all members moving forward. This included lunch and learn sessions at head office and reinvigorating our mentor groups for our branch network.

WOMEN AT
Foxtons

Afro Foxtons is an inclusive network which allows employees to share their stories, support each other's ambitions and promote career development. The network plays a vital role in supporting the Group's aims of increasing the level of black leadership representation.

In 2022 the Committee implemented an action plan to showcase talent in 2023 with the goal to increase member registrations. 2022 also saw the launch of Foxtons' first ever podcast show, Top Talk, an internal podcast intended to educate, influence and motivate our diverse culture.

AFRO
Foxtons

Foxtons LGBTQ+ aims to promote that Foxtons is a safe and inclusive workplace where everyone can feel included, represented and allowed to be themselves.

In 2022 we promoted our commitment to providing LGBTQ+ safe spaces in all 60 of our offices through events in Chelsea and our sponsorship of Pride in London. We also had 50 colleagues march through London as part of the Pride in London 50th anniversary parade and supported our marketing team to deliver related content for our website and social media accounts.

Foxtons
LGBTQ+ network

Diversity reporting: gender and ethnicity

Alongside our gender diversity reporting, this year we have also published our ethnic diversity in the table below. We will use our annual disclosure as a benchmark to monitor our progress as we further enhance our gender and ethnic diversity at all levels of the Group.

The table below presents our gender and ethnicity diversity splits as at 31 December 2022. Gender splits reflect employer information we hold on employees' legal sex and ethnicity splits reflect diversity information anonymously collated as part of our annual employee survey or specific returns made by the Board and Senior Management.

	Gender		Ethnicity		
	Male	Female	White ethnic background	Non-white or ethnic minority background	Prefer not to say
Board	71%	29%	100%	0%	0%
Executive Leadership Team[1]	75%	25%	88%	12%	0%
Senior Management[2]	76%	24%	76%	24%	0%
All other employees	56%	44%	63%	34%	3%

1 Executive Leadership Team includes two Executive Directors, refer to PAGE 66 for Executive Leadership Team membership.

2 Senior Management includes the Executive Leadership Team and their direct reports, excluding Executive Assistants.

Below the Senior Management level, there is a reasonable gender balance with 56% males and 44% females. Likewise, 34% of the below Senior Management population, who responded to the annual employee survey, identified as non-white or from an ethnic minority background. This ethnic diversity is lower than London's ethnic diversity with 46% of London identifying as non-White in the 2021 Office for National Statistics census.

At more senior levels of the business we recognise there is more work to do to improve both gender and ethnic diversity, with our employee development programmes being a key area of focus to improve the diversity of the Senior Management and the Executive Leadership Team. Refer to PAGE 79 for consideration of Board diversity.

/ RESPONSIBLE BUSINESS CONTINUED – 2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

CULTURE

This year we refreshed the Group's values to reflect our new ambitions and expectations for the business as well as providing a framework from which we can build and strengthen our culture. This encapsulates an increasing focus on delivering exceptional results for our customers, driven by our new purpose: to get the right deal done for London's property owners.

Our Values

Our culture is shaped and underpinned by our values which have also been refreshed in the year. Our values guide our employees on how they contribute to the Group's success and adhere to the highest ethical standards:

Professional – providing the most efficient, reliable and dedicated customer journey, whilst maintaining the highest standards of business ethics.

Ambitious – striving to get the best results for our customers.

Relentless – maintaining consistently high standards day in and day out.

Innovative – constantly looking for new and market leading ways to get the right deal done for our customers.

Authoritative – being the most knowledgeable agents in the market.

Monitoring and assessing culture

The Board monitors culture in a number of ways, including engaging with the Employee Engagement Committee (EEC), reviewing the results of the annual employee engagement survey and more informal mechanisms, such as branch visits, attending divisional meetings and reviewing employee suggestions captured through a dedicated intranet page.

Refer to PAGE 69 for further details as to how the Board monitors culture.

Employee Engagement Committee

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

In 2022 we also reviewed the members of the EEC and removed five senior members and replaced them with more junior members to further foster an environment where all members felt they could speak up about the topics that matter to them. We also changed the format of the meetings to include a closing session with a small panel of senior leaders joining the meeting to hear what topics have been discussed and answer any related questions.

In 2022, the EEC covered a range of areas including:

Reviewing the results of the 2021 Employee Engagement Survey and considering response actions.

- Discussing our strategy to acquire, engage and retain customers.
- Discussing Executive Directors pay structures and the 2021 Directors' Remuneration Report.
- Discussing employee attraction and retention.

Key outcomes from the EEC meetings in 2022 included:

- Identifying areas that require additional management focus to improve the working environment, culture and staff retention.
- Identifying innovative ideas to improve customer service, experience and competitiveness.
- Employees having a better understanding of the decisions made by the Remuneration Committee in the context of wider workforce remuneration as set out in the 2021 Directors' Remuneration Report.

2022 employee engagement survey

The annual employee engagement survey, which is independently administered by WTW, acts as a formal mechanism for the Board and Senior Management to monitor culture, assess year-on-year progress and form a tangible action plan in response to employee feedback.

We ran our annual employee engagement survey at the end of 2022 and are pleased to report a robust outcome during a year of change for the organisation.

Highlights from the survey include:

- 85% employee engagement score (2021: 87%), which is 4% higher than WTW's assessment of the UK norm.
- 90% of employees indicated they have confidence in the CEO and Senior Management.
- 92% of employees have a clear understanding of the goals and objectives of the Company.
- 92% of employees believe the Company supports a diverse and inclusive workplace.

The Board has reviewed all areas of feedback from the survey and incorporated areas for improvement into the 2023 people related strategy.

Employee recognition

Employee recognition is an important part of our high-performance culture. Throughout the year employee success is celebrated and model behaviours shared across the Company.

A highlight of the year was the Foxtons Awards held in December 2022, which saw 70 employees receive awards for outstanding customer delivery. Following the operational review, we also refreshed the salesforce compensation scheme and staff incentives to reward exceptional performance and help to rebuild our culture of sales intensity.

We are also pleased to report that our commitment to employee experience and culture was recognised externally:

- Foxtons and OpenBlend, the provider of our coaching-led performance management system, were jointly shortlisted for the Investors in People Award for the Best Use of Technology.
- We were voted one of the UK's Most Loved Workplaces for 2022 by Newsweek.
- Foxtons colleagues collected a 'Leading Light' award at the UK Social Mobility Awards for our contribution to social mobility.

Employee wellbeing

Mental health and employee wellbeing is an important part of our health and safety programme.

At Foxtons we use OpenBlend, a digital performance management platform, to monitor colleagues' development, performance and wellbeing. OpenBlend is designed to capture colleagues' objectives and actions, as well as being underpinned by coaching frameworks so that managers can coach their direct reports in relation to reaching their professional and personal objectives.

OpenBlend also has a wellbeing measurement tool that tracks colleagues' happiness, confidence, and capability to manage stress, which is self-reported by users. Our average 2022 wellbeing score across the business was 78%, which is 2% higher than the OpenBlend customer average.

/ RESPONSIBLE BUSINESS CONTINUED – 2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

SKILLS & KNOWLEDGE

Our training and employee development programme delivers tailored and meaningful training, which aims to help all our employees deliver the best results for customers and reach their career goals.

Employee onboarding

This year we reintroduced our five-day onboarding programme for new starters, returning to classroom based learning after a period of predominantly digital learning during the Covid-19 pandemic.

This intensive onboarding programme covers all aspects of estate agency, providing essential skills and on-the-job learning experiences for those starting their career at Foxtons, as well as ensuring that every employee quickly understands the business and is equipped with the tools they need to start delivering results for customers straight away. This induction week also ensures that all of our new starters understand how they can play their part in delivering our purpose and can adopt values that we live by, which is what creates our unique culture.

Management training programme

In 2022, 106 employees completed the first cycle of our in-house management training programme, Impact, which is designed to drive performance and develop our future leaders. Impact training is a tailored management development programme which takes place over several months with the aim of developing market leading managers who will play a critical role in maintaining the right culture and delivering results for our customers.

Internal mentoring

All newly promoted Valuers and Associate Negotiators are enrolled onto a ten-week peer-to-peer mentoring scheme during which they are given a mentor doing the same role but in a different region to support their transition into their new role. We had 19 trained mentors at Foxtons in 2022 who all found the scheme to be beneficial for their self-development and sense of purpose.

Diversity, respect and inclusion training

As part of the Group's commitment to creating an inclusive workplace, where individual differences are respected and valued, we have refreshed our diversity, respect and inclusion training programmes to ensure the Board, and our employees, understand their role in this important area.

Training to improve skills

106

Employees completed our in-house management training programme, Impact, in 2022

19

Foxtons employees trained as peer-to-peer mentors in 2022

85%

of employees believe they receive all the necessary training to continuously improve their skills[1]

[1] Results from the 2022 employee engagement survey independently administered by WTW.

/ RESPONSIBLE BUSINESS CONTINUED – 3. COMMUNITY

3. COMMUNITY

We seek to be both active and visible in the communities where we serve through our community outreach programmes and the charitable activities our teams engage in.

OUR APPROACH

Social mobility and diversity are integral to Foxtons' culture and what makes our business a success. Foxtons has consistently given opportunities to Londoners from all backgrounds and walks of life. Our desire to make a meaningful contribution to social mobility and diversity goes beyond our own approach to recruitment and this is why we choose to partner with organisations that help us to improve the wellbeing of the communities in which we operate and provide opportunities to the people that live within them.

OUR KEY INITIATIVES AND PROGRESS IN 2022

Career Ready

In 2021 we started our partnership with Career Ready, a national social mobility charity that works with employers, schools, and volunteers to support young people across the UK. This partnership enables us to work directly with young people, primarily 16 to 18 year olds based in London, who face barriers in education and employment.

Through our partnership we provide financial support to Career Ready and support them with our time and expertise. Everyone at Foxtons can get involved in a hands on way through Career Ready's structured programme that helps to make a positive difference to social mobility in our communities.

2022 HIGHLIGHTS

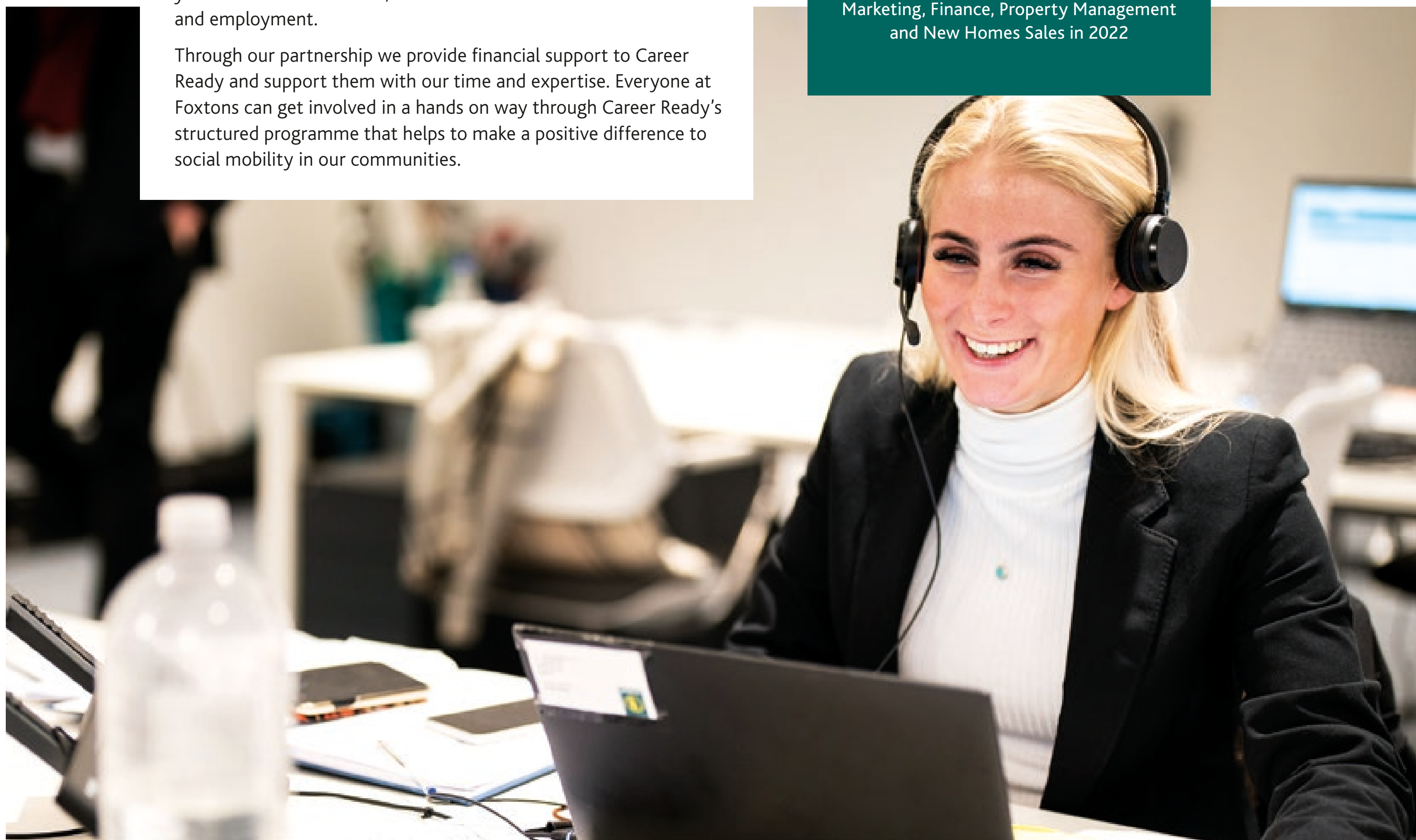
Career Ready partnership

220

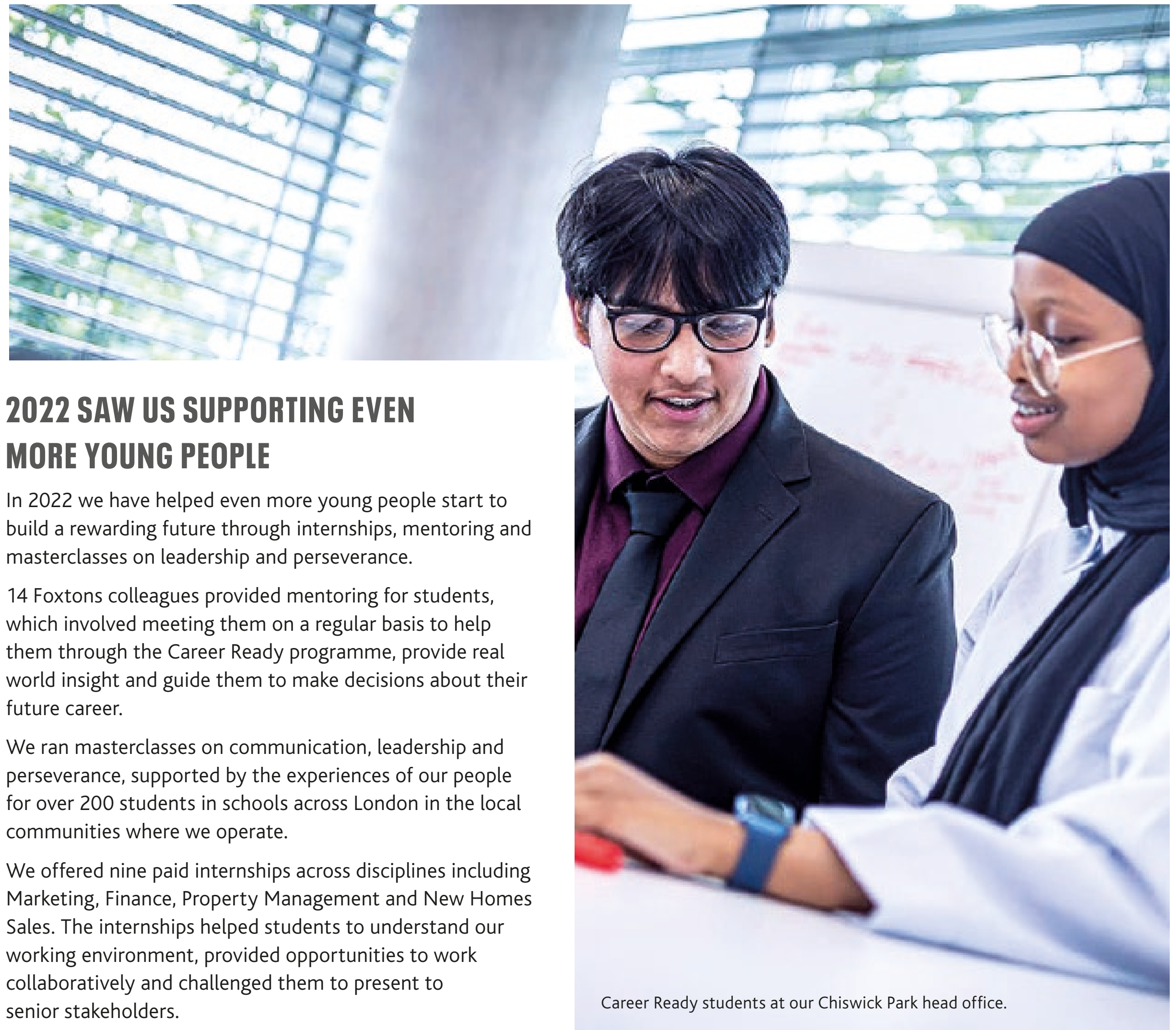
Students supported by Foxtons colleagues through our Career Ready partnership in 2022

9

Internships at our head office and branch network across disciplines including Marketing, Finance, Property Management and New Homes Sales in 2022



/ RESPONSIBLE BUSINESS CONTINUED – 3. COMMUNITY



Career Ready students at our Chiswick Park head office.

2022 SAW US SUPPORTING EVEN MORE YOUNG PEOPLE

In 2022 we have helped even more young people start to build a rewarding future through internships, mentoring and masterclasses on leadership and perseverance.

14 Foxtons colleagues provided mentoring for students, which involved meeting them on a regular basis to help them through the Career Ready programme, provide real world insight and guide them to make decisions about their future career.

We ran masterclasses on communication, leadership and perseverance, supported by the experiences of our people for over 200 students in schools across London in the local communities where we operate.

We offered nine paid internships across disciplines including Marketing, Finance, Property Management and New Homes Sales. The internships helped students to understand our working environment, provided opportunities to work collaboratively and challenged them to present to senior stakeholders.

UK Social Mobility Awards

As part of a two-year agreement, we continued to support the Rising Star award at the UK Social Mobility Awards, which are run by Making the Leap and are dedicated to celebrating the achievements of individuals and businesses that champion social mobility. The category recognised those who are still in the early stages of their career (30 years or under), who have already made a significant contribution to advancing the cause of social mobility. At the event we also collected a 'Leading Light' award for our contribution to social mobility.

Social Mobility Pledge

In 2018 we signed the Social Mobility Pledge, a coalition of 550 businesses globally that encourages organisations to be a force for good by putting social mobility at the heart of their business. We continue to be a signatory today, demonstrating our long-term commitment to this cause.

/ RESPONSIBLE BUSINESS CONTINUED – 4. OUR OTHER RESPONSIBILITIES

4. OUR OTHER RESPONSIBILITIES

The Board recognises its wider responsibilities, and through a number of established policies and practices, governs compliance with legislation and governance guidance.

Governance and ethics

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

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

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

Whistleblowing

The Group is committed to conducting its business with honesty and integrity, and all employees are expected to maintain high standards. However, all organisations face the risk of things going wrong from time to time, or of unknowingly harbouring illegal or unethical conduct. A culture of openness and accountability is essential in order to prevent such situations occurring or to address them when they do occur. The Group's whistleblowing policy aims to:

- Encourage employees to report suspected wrongdoing, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected.
- Provide employees with guidance as to how to raise those concerns.
- Reassure employees that they should be able to raise genuine concerns in good faith without fear of reprisals, even if they turn out to be mistaken.

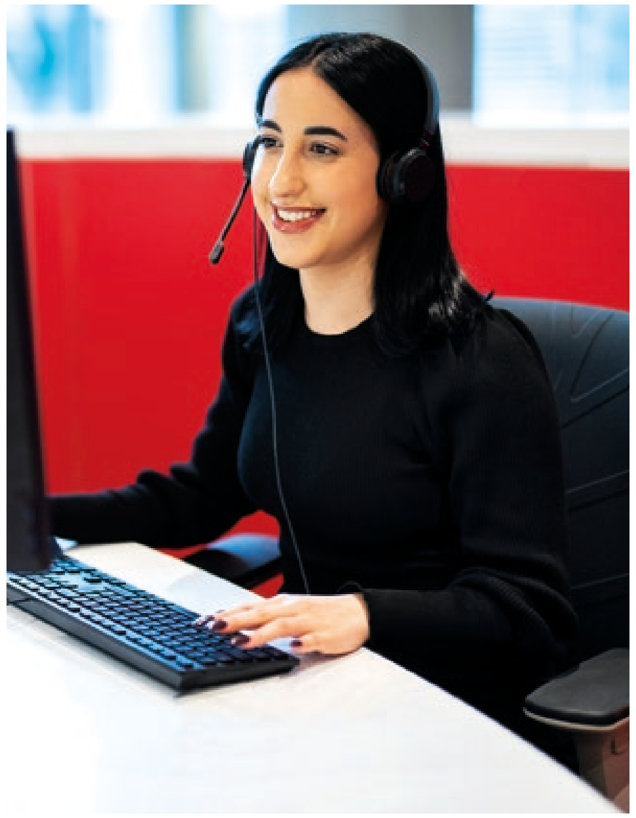
Employees have a number of routes to report whistleblowing matters, including through our confidential whistleblowing helpline run by an independent third party. The whistleblowing helpline is advertised in the business, including prominently in the staff handbook which is accessible to all employees. The Audit Committee regularly reviews any matters reported to the whistleblowing helpline as detailed on PAGE 87.

2022 HIGHLIGHTS

Upholding high ethical standards

94%

of employees feel encouraged to act ethically and adhere to the highest standards at all times[1]



[1] Results from the 2022 employee engagement survey independently administered by WTW.

/ RESPONSIBLE BUSINESS CONTINUED – 4. OUR OTHER RESPONSIBILITIES

Supplier/customer relationships and responsibilities

The Group has a range of established supplier relationships as well as trusted and vetted supply partners who provide a range of lettings property management services to our landlords and tenants.

We carefully manage our supplier relationships and regularly review our supplier engagement policies with a view to maintaining a high quality of service, both for the Group and our customers. We engage with all our suppliers in a fair and transparent manner.

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

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

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

Human rights and modern slavery

The Board has reviewed the risk of modern slavery within the Group and maintains the risk to be low. This assessment is based upon the nature of the business, which operates almost exclusively within Greater London. The Group's standard practice is to check that prospective employees have the right to work in the UK and we do not generally employ agency staff. Where we work with suppliers, these are generally large organisations. We publish our modern slavery statement on both our Group and the Foxtons Limited website, as well as voluntarily on the government's Modern Slavery Statement Registry for organisations.

We are committed to ensuring that there is no slavery or human trafficking in our organisation or our supply chain, and regularly review supplier service and behaviours. Before we contract with a supplier, we issue detailed contractor guidelines that contain our clear requirements to ensure that staff employed or contracted by these companies are entitled to work in the UK and are free from slavery, servitude, forced or compulsory behaviour and to comply with other laws, including health and safety. Through our contractor management procedure, we undertake and collect due diligence documents on potential suppliers before we engage their services.

Health and safety

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

- Maintains safe and healthy working conditions.
- Provides adequate control of the health and safety risks arising from its work activities.
- Provides adequate training to staff on health and safety matters.
- Regularly reviews and revises its Health and Safety Policy.

All employees are required to comply with the Group's Health and Safety Policy and must not interfere with anything provided to safeguard health and safety. They must take reasonable care of their own health and safety and report all health and safety concerns through the Group's established reporting mechanism.

All employees are made aware of the Health and Safety Policy through publication in the Employee Handbook and induction training. It is also made available on the Group's intranet. The Group uses an appropriately qualified external third party expert to support with the Group's ongoing compliance with health and safety regulations. In the year the Audit Committee commissioned an internal audit to review the Group's health and safety framework, refer to the Audit Committee's report on PAGE 87 for further details.

Our wider responsibilities and lobbying

The Board recognises the Group's wider responsibility of supporting society's need for high quality housing and a well regulated estate agency industry that supports this supply.

From time to time we engage with industry influencers, such as regulators, industry bodies, government and the media, to discuss sector regulation. We do not contract with or pay for any third party to engage in lobbying activity on our behalf.

/ NON-FINANCIAL INFORMATION STATEMENT

The table below, and information throughout the 2022 Annual Report and Accounts and on our website that it refers to, is intended to help our stakeholders to understand our position on key non-financial matters and satisfy the requirements of Section 414CA of the Companies Act 2006.

Non-financial matter	Policies and standards governing our approach[1]	Risk management and additional information		Associated KPIs and other published metrics	
Business model		• Stakeholder engagement • Resilient business model • Rebuilding our competitive advantages • New purpose, values and refocused strategic priorities • Principal risks: Market risk and competitor challenge	PAGES 18 TO 21 PAGES 12 AND 13 PAGES 16 AND 17 PAGES 14 AND 15 PAGE 33	• Key performance indicators	PAGES 22 AND 23
Employees	• Data protection policies • Health and safety policies • Employee handbook • Equal opportunities policy • Whistleblowing policy	• Stakeholder engagement • Principal risks: People • Responsible business • Directors' Report • Corporate Governance Report • Directors' Remuneration Report	PAGES 18 TO 21 PAGE 34 PAGES 50 TO 60 PAGES 130 TO 132 PAGES 69 AND 73 PAGES 114 AND 115	• Employee engagement score • Gender and ethnicity diversity • Our gender pay gap report can be found on www.foxtonsgroup.co.uk	PAGES 23 AND 55 PAGE 53
Human rights	• Environmental, social and governance policy • Modern slavery statement can be found on our website	• Responsible business	PAGE 60		
Social matters	• Environmental, social and governance policy	• Stakeholder engagement • Principal risks: Reputation and brand • Responsible business	PAGES 18 TO 21 PAGE 34 PAGES 57 AND 58	• Employee metrics • Community metrics	PAGE 23 PAGES 57 AND 58
Anti-corruption and bribery	• Anti-money laundering and anti-bribery policies • Employee handbook • Environmental, social and governance policy	• Principal risks: Compliance with the legal and regulatory environment • Responsible business • Audit Committee Report	PAGE 34 PAGES 38 TO 60 PAGE 87		
Environmental matters	• Environmental, social and governance policy • Recycling policy	• Stakeholder engagement • Emerging risks: Climate-related risks • Responsible business	PAGES 18 TO 21 PAGE 35 PAGES 40 TO 49	• Streamlined Energy and Carbon Reporting	PAGE 42

1 Certain Group policies and guidelines are not published externally.

The Strategic Report, from PAGE 1 TO 61, has been reviewed and approved by the Board of Directors on 6 March 2023.

Guy Gittins
Chief Executive Officer

Chris Hough
Chief Financial Officer

/ CORPORATE GOVERNANCE REPORT

“Being committed to achieving a high standard of governance is an important factor in delivering against our strategic priorities and in generating shareholder value and contributing to wider stakeholder interests.

Nigel Rich Chairman

Chairman's governance introduction

I am pleased to introduce my second Corporate Governance Report, in which we describe our governance arrangements, the operation of the Board and its Committees, and how the Board discharged its responsibilities.

Board priorities

2022 has been an important year for the Group, with the Board reviewing executive leadership, resulting in the appointment of Guy Gittins as CEO. Chris Hough was promoted to CFO, alongside a streamlined and refreshed Executive Leadership Team. A review of the Group's operations has been undertaken, led by Guy Gittins, resulting in a refreshed purpose and a refocused set of strategic priorities. Further details on our strategic priorities can be found on PAGE 15.

There has been a continued focus on delivering results, reflected in the 56% increase in adjusted operating profit in the year, alongside making good progress with the operational and culture changes necessary to deliver against the new strategic priorities.

In 2023, the Board looks forward to supporting the Group, under Guy's leadership, as it rebuilds Foxtons' estate agency DNA and competitive advantage, delivers against its strategic priorities and generates sustainable value for its shareholders.

Governance

The Board is responsible for leading the Group and ensuring that we have a strong and robust governance framework. This framework is designed to encourage strong debate and challenge by all Board members, leading to successful decision making within acceptable timeframes based on accurate information. Being committed to achieving a high standard of governance is an important factor in delivering against our strategic priorities and in generating shareholder value and contributing to wider stakeholder interests.

In summary, I am satisfied with the standards of governance that the Board continues to maintain and build upon, and the Group has complied with the UK Corporate Governance Code published in July 2018 ("the Code") throughout the year.

Purpose, culture and values

The Board has reviewed and updated Foxtons' purpose to articulate the new strategic direction of the Group under Guy's leadership. Our new purpose, **to get the right deal done for London's property owners** captures the essence of our business, reflects our results-based approach and our drive to get the best outcomes for our customers.

The Board is committed to developing a high-performance culture that attracts and retains talented people who deliver outstanding results for our customers. Development of this culture is a key priority enabling us to deliver our strategic priorities and ultimately enhance the success of the Group.

Our culture is shaped and underpinned by our values which have also been refreshed in the year. Our values guide our employees on how they contribute to the Group's success and adhere to high ethical standards.

Further details on our purpose, culture and values can be found on PAGES 7, 54 AND 68.

Stakeholder engagement

Having regard for all stakeholders, and specifically the matters set out in Section 172 of the Companies Act 2006, continues to be a key part of the major decisions that the Board has made during the year.

Throughout the year the Board has used a number of mechanisms to engage with stakeholders, with the Board engaging with employees both through formal and informal channels which are important in helping the Board monitor culture effectively. In a year of leadership changes, dialogue with shareholders has been particularly important and is vital to ensuring mutual understanding. We are in regular contact with our major shareholders and in 2022 supplemented our scheduled shareholder engagement programme with additional dialogue on the key developments in the business.

An overview of our engagement with stakeholders, including our Section 172 statement and examples of how stakeholders were considered when making key Board decisions, is set out PAGES 18 TO 21 of the Strategic Report.

Board changes

Guy Gittins joined the Board as CEO on 5 September 2022, replacing Nic Budden who stepped down from the role on 30 May 2022. Peter Rollings acted as Interim CEO for the interim period between Nic Budden stepping down and Guy Gittins taking up his position as CEO. Peter has since resumed his role as an Independent Non-Executive Director.

Chris Hough was appointed CFO and an Executive Director on 1 April 2022 succeeding Richard Harris who took up another position elsewhere. Patrick Franco, the Group's previous COO, also stepped down from the Board on 1 April 2022.

As announced on 23 November 2022, with the new Chairman, CEO and wider management team changes now complete and in place, Alan Giles and Sheena Mackay have chosen not to stand for re-election at the 2023 AGM. I would like to thank Alan and Sheena for their significant support and contribution as Non-Executive Directors since I joined the business and wish them well with their new endeavours. Annette Andrews and Jack Callaway were recruited as Independent Non-Executive Directors and joined the Board on 1 February 2023. Annette Andrews will take up the position of Chair of the Remuneration Committee and Chair of the ESG Committee at the 2023 AGM. Rosie Shapland will take up the position of Senior Independent Director upon Alan Giles' resignation from the Board at the 2023 AGM.

Further details regarding these Board changes can be found in the Nomination Committee Report on PAGES 77 AND 78.

Shareholder returns

Alongside the dividend, the Board continued to return excess cash to shareholders by way of share buybacks, having considered the application of the Group's capital needs and after engaging with shareholders to obtain their views. Further information on the share buyback activity is set out on PAGES 5 AND 29.

Remuneration

As planned, during the year the Remuneration Committee undertook a review of the Directors' Remuneration Policy. We are proposing minor changes to our remuneration policy. The Policy will be presented to shareholders for approval at the forthcoming AGM. Further details can be found on PAGES 98 TO 113.

Audit, risk and internal control

The Audit Committee's work has continued to focus on protecting the interests of shareholders and strengthening the Group's risk management and internal control systems. The Audit Committee has focused on monitoring and strengthening internal controls and risk management processes. The internal audit programme has continued to progress with PwC internal audit reporting on four reviews in the year.

Further information on audit, risk and internal controls can be found in the Audit Committee report on PAGES 87 TO 88.

Environmental, social and governance (ESG)

2022 has been the first full year of operation for the ESG Committee which has met three times in 2022. The Committee has played an important role in providing oversight of the Group's ESG strategy and related responsibilities.

The Committee has reviewed a number of areas including our environmental commitments, compliance with the Task Force on Climate-Related Financial Disclosures (TCFD), reviewing workforce health and safety processes and our broader community programmes. Further information on the work of the Committee can be found on PAGES 82 AND 83.

Board evaluation

An internal Board evaluation was completed in the second half of 2022 to review the performance of the Board, its Committees and the individual Directors. Alan Giles, Senior Independent Director, led the Directors in evaluating my performance as Chairman. Details of the process undertaken and a summary of the results and proposed actions for 2023 are set out on PAGES 80 AND 81.

Annual General Meeting

We plan to hold our AGM on 9 May 2023 with details of the arrangements for the meeting set out in the AGM notice which is included as a separate document within this mailing. The AGM notice is also available on our website at www.foxtonsgroup.co.uk.

Nigel Rich CBE
Chairman
6 March 2023

/ BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Key Audit Committee · Nomination Committee · Remuneration Committee · ESG Committee · C inside the circle indicates Committee Chair

Nigel Rich CBE
Chairman

Appointed
to the Board
1 October 2021

Committee memberships

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

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

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

Alan Giles OBE
Senior Independent Non-Executive Director

Appointed
to the Board
1 June 2019

Committee memberships

Skills and experience Extensive experience as a Non-Executive Director, Alan was the Senior Independent Director and Chairman of the Remuneration Committee of Rentokil Initial plc until May 2017, and the Senior Independent Director and Remuneration Committee Chairman of The Competition and Markets Authority until March 2019. He was formerly Chairman of Fat Face Group Limited, Chief Executive of HMV Group plc and a Non-Executive Director of The Office of Fair Trading, Somerfield Plc and Wilson Bowden Plc.

External appointments Non-Executive Director of Murray Income Trust plc. He is also the Chairman of The Remuneration Consultants Group, an associate fellow of Saïd Business School, University of Oxford, and an honorary visiting professor at The Bayes Business School, City, University of London.

Rosie Shapland
Independent Non-Executive Director[1]

Appointed
to the Board
5 February 2020

Committee memberships

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

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

Sheena Mackay
Independent Non-Executive Director

Appointed
to the Board
14 September 2017

Committee memberships

Skills and experience Extensive HR experience, leading global HR functions across FTSE 100 and 250 companies. Sheena was previously Group HR Director of Smiths Group plc, Aggreko plc, BBA Aviation plc and SSL International plc, starting off her career at GEC plc. Her HR experience covers business transformations including acquisitions and disposals. Leadership development and remuneration design have been a particular focus throughout her career.

External appointments None

Peter Rollings
Independent Non-Executive Director[2]

Appointed
to the Board
1 December 2021

Committee memberships[3]

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

External appointments Non-Executive Director at Viewber Limited.

Annette Andrews
Independent Non-Executive Director

Appointed
to the Board
1 February 2023

Committee memberships[4]

Skills and experience 30 years' HR and people experience, leading HR functions in both regulated and commercial businesses. Annette was previously Chief People Officer at Lloyd's of London and before that held senior HR leadership positions at Catlin Insurance, Lloyds Banking Group PLC and the Ford Motor Company. Her HR experience covers compensation regimes and leadership development.

External appointments Non-Executive Director and Chair of the Remuneration at finnCap Group PLC and Sole Director of Acaria Coaching & Consulting Ltd.

Jack Callaway
Independent Non-Executive Director

Appointed
to the Board
1 February 2023

Committee memberships

Skills and experience Experienced financial services executive with over 30 years of investment banking, mergers and acquisitions and financing experience. He was recently a Non-Executive Director of Euromoney Institutional Investor plc and was previously Global Chairman of Barclays Telecom, Media and Technology Investment Banking business. Jack formerly held senior leadership positions at Lehman Brothers and Rothschild.

External appointments
Board Member of the Cholangiocarcinoma Foundation.

EXECUTIVE DIRECTORS

Guy Gittins
Chief Executive Officer

Appointed
to the Board
5 September 2022

Committee memberships
N/A

Skills and experience Significant estate agency and leadership experience having been CEO of Chestertons, the London and international residential property specialist, prior to joining Foxtons. Guy started his early career at Foxtons, leaving in 2006 to become Sales and Marketing Director for Peter de Savary. In May 2010 he joined Savills, before moving to Chestertons in 2012, as head of their flagship Chelsea office before becoming CEO in 2018.

External appointments None

Chris Hough
Chief Financial Officer

Appointed
to the Board
1 April 2022

Committee memberships
N/A

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

External appointments None

Directors who served during the year: **Nic Budden** Chief Executive Officer (until 30 May 2022), **Richard Harris** Chief Financial Officer (until 1 April 2022), **Patrick Franco** Chief Operating Officer (until 1 April 2022)

1 Rosie Shapland will be appointed Senior Independent Non-Executive Director upon Alan Giles retiring from the Board at the 2023 AGM.
2 Peter Rollings was appointed as Interim CEO, effective from 30 May 2022 to 5 September 2022, prior to which, and immediately after, he was an Independent Non-Executive Director.
3 Peter Rollings temporarily stepped down as a member of the Board Committees from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022). During this period he attended all meetings as set out on PAGE 72.
4 Annette Andrews will be appointed as Chair of the Remuneration Committee and ESG Committee upon Alan Giles' and Sheena Mackay's retirement from the Board at the 2023 AGM.

/ EXECUTIVE LEADERSHIP TEAM

The Board delegates responsibility for the day-to-day operational management to the Executive Directors, who are supported by the Executive Leadership Team.

The Executive Leadership Team is made up of our Executive Directors and other Executives responsible for key areas of the business.

EXECUTIVE LEADERSHIP TEAM

(FROM LEFT TO RIGHT)

Tom Davies, Managing Director | Financial Services

Sarah Tonkinson, Managing Director | Lettings Build to Rent

Imran Soomro, Chief Information Officer

Chris Hough, Chief Financial Officer

Guy Gittins, Chief Executive Officer

Gareth Atkins, Managing Director | Lettings

Fran Giltinan, Managing Director | Lettings Property Management & Customer Experience

Jean Jameson, Chief Sales Officer

The Executive Leadership Team is responsible for:

Developing the Group's strategy and delivering against the strategic priorities	Developing and implementing key policies, procedures and operating plans	Monitoring and driving performance and managing risk across the Group	Allocating resources effectively across the Group

/ CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT OVERVIEW

This report has been structured to follow the Principles of the Code, which are categorised under the following headings: Board leadership and purpose; Division of responsibilities; Composition, succession and evaluation; Audit, risk and internal control; and Remuneration. This report sets out our governance framework and illustrates how we have applied the Code Principles and complied with its Provisions.

Code Category	Code Principles	Key elements of the Code	Report detail
1 BOARD LEADERSHIP AND GROUP PURPOSE, VALUES AND STRATEGY	A. Effective Board B. Purpose, values and strategy C. Governance Framework and Board resources D. Stakeholder engagement E. Workforce policies and practices	The Board's role is to: • Establish a purpose, values and strategy and ensure these are aligned with its culture. • Promote the long-term sustainable success of The Group, generating value or shareholders and contributing to wider society. • Ensure the necessary resources are in place for the Group to meet its objectives and measure its performance. • Establish a framework of prudent and effective controls for the assessment and management of risk. • Ensure effective engagement with shareholders and other stakeholders. • Ensure workforce policies are consistent with the Group's values and that the workforce can raise any concerns.	**This section explains:** (i) The role of the Board and matters reserved for the decision of the Board. (ii) How we have assessed the basis on which the Group generates and preserves value over the long term. (iii) Our purpose and how we have assessed and monitored our culture. (iv) The methods used to engage with our shareholders and other key stakeholders, including engagement with our workforce. Refer to PAGES 68 AND 69.
2 DIVISION OF RESPONSIBILITIES	F. Board roles G. Independence H. External commitments and conflicts of interest I. Board policies, processes and resources	The Chairman leads the Board and is responsible for its overall effectiveness. The Board should include an appropriate balance of Executive and Independent Non-Executive Directors. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. Non-Executive Directors should devote sufficient time to meet their responsibilities. The Board, supported by the Company Secretary, should ensure it has appropriate policies, processes and resources to function effectively.	**This section explains:** (i) The Group's governance framework including Board and Board Committee membership. (ii) The role of the Chairman, Executive Directors, the Senior Independent Director and other Non-Executive Directors. (iii) Board and Committee meetings and Director attendance during the year. (iv) Board activity in 2022. Refer to PAGES 70 TO 75.
3 COMPOSITION, SUCCESSION AND EVALUATION	J. Appointments to the Board K. Board skills, experience and knowledge L. Annual Board evaluation	Board appointments should be subject to a formal, rigorous and transparent process. A succession plan should be maintained for Board and Senior Management. The Board and its Committees should have a combination of skills, experience and knowledge. The annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives.	**The report of the Nomination Committee includes a review of:** (i) The role of the Nomination Committee. (ii) The activities of the Committee during 2022, including succession planning and related Board changes. (iii) The Group's policies and practices in relation to Board appointments, Directors' induction and professional development. (iv) The Board's diversity policy. (v) The nature of the performance evaluation and outcomes for 2022. Refer to PAGES 76 TO 81.
4 AUDIT, RISK AND INTERNAL CONTROL	M. Financial reporting and external and internal audit N. Fair, balanced and understandable O. Internal financial controls and risk management	The Board should establish formal and transparent policies to ensure the effectiveness of internal and external audit functions. The Board should satisfy itself as to the integrity of the financial and narrative statements and should present a fair, balanced and understandable assessment of the Group's position and prospects. The Board should establish procedures to manage risk, oversee internal controls and determine the nature and extent of the principal and emerging risks facing the Group.	**The report of the Audit Committee includes details of the policies, and the activities of the Audit Committee during 2021, in relation to:** (i) Financial and narrative reporting. (ii) Significant accounting judgements. (iii) The relationship with and appointment of the external auditor. (iv) Risk management and internal controls, including reviewing the work of the Group's internal auditor. Refer to PAGES 84 TO 89.
5 REMUNERATION	P. Linking remuneration with purpose and strategy Q. Procedure for developing policy Executive remuneration R. Judgement and discretion when authorising outcomes	Remuneration policies should be designed to support strategy and promote long-term sustainable success. There should be a formal and transparent procedure for developing policy on executive remuneration and for determining Director and Senior Management remuneration. Directors should exercise independent judgement and discretion when authorising remuneration outcomes.	**The report of the Remuneration Committee sets out:** (i) The annual statement from the Chairman of the Remuneration Committee. (ii) The proposed remuneration policy. (iii) The Directors' Annual Report on Remuneration. Refer to PAGES 90 TO 129.

/ CORPORATE GOVERNANCE REPORT CONTINUED

1 BOARD LEADERSHIP AND PURPOSE

Statement of Compliance with the UK Corporate Governance Code

In the year ended 31 December 2022 the Group has applied the Principles and complied with the Provisions of the UK Corporate Governance Code published in July 2018. This report outlines the key features of the Group's corporate governance framework and sets out how the Group has applied the Principles of the Code.

A copy of the Code is available on the Financial Reporting Council's website at www.frc.org.uk.

The role of the Board

The Board is responsible for promoting the long-term sustainable success of the Group, delivering value for shareholders and contributing to wider society. It agrees the strategic priorities of the Group, ensuring that these are consistent with the Group's culture and achieved within an appropriate framework of effective controls that enable risk to be assessed and managed. It also ensures effective engagement with shareholders and other stakeholders, and that workforce policies are consistent with the Group's values.

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

Responsibility for day-to-day operations is delegated by the Board to the Executive Directors within defined authority limits, which are regularly reviewed and updated by the Board.

Matters reserved to the Board

The Board maintains a schedule of matters reserved for decision by the Board, which details the key aspects of the affairs of the Group which the Board does not delegate to management or any Board Committees, though it may consider recommendations from them. The schedule of matters reserved for the Board is regularly reviewed and is available at www.foxtonsgroup.co.uk.

The Board's specific responsibilities include:

- Setting the strategic aims, purpose and values.
- Approving the Group's budget and financial plans.
- Ensuring alignment of culture, policy, practices and behaviour throughout the business with the Group's purpose, values and strategy.
- Approval of capital expenditure, significant investments, acquisitions and share buybacks.
- Approval of annual and interim results and trading updates.
- Payment of interim dividends and recommendation of final dividends to shareholders.
- Setting the Group's risk appetite and oversight of the internal control, risk management and governance frameworks.
- Monitoring management's performance.
- Ensuring succession plans are in place.
- Ensuring a satisfactory dialogue with shareholders and other key stakeholders.

Matters outside the schedule of matters reserved for decision by the Board or the Committees' terms of reference fall within the responsibility and authority of the Executive Directors, including all executive management matters.

Our purpose

Foxtons' purpose is **to get the right deal done for London's property owners**, be it obtaining the best lettings result for London's landlords, the best sales outcome for London's property sellers or the best mortgage rates for borrowers. Our purpose has been refreshed in the year to capture the essence of our business, reflect our results-based business model and our drive to get the best outcomes for our customers. The Board is responsible for ensuring the business is purpose led and that our decisions and activities reflect our purpose.

An explanation of the basis on which the Group generates and preserves value over the longer term is set out in the business model on PAGES 12 AND 13.

Our culture

The Board is committed to investing in and maintaining a high-performance sales culture that attracts and retains talented people who deliver outstanding results for our customers. This culture will enable us to rebuild our estate agency DNA and competitive advantage, deliver our strategic priorities and ultimately enhance the success of the Group.

The Board believes maintaining the optimal culture is underpinned by strong corporate governance and effective monitoring processes that enable culture to be assessed on a regular basis. This means as a Group we deliver great customer results whilst doing the right thing and acting responsibly. As a Board, we therefore set the tone and expectations from the top and look to make decisions that reflect the high-performance sales culture that we wish to foster.

How we monitor culture

The Board monitors culture through a number of mechanisms including:

- Non-Executive Directors attending the Employee Engagement Committee (EEC) meetings on a rotational basis to directly canvass the views of employees, including areas of improvement and areas of success. More detail on the EEC, its operation and its areas of focus is provided on PAGE 55.
- Reviewing the outcome of the annual employee engagement survey and identifying themes from the survey relevant to the monitoring of culture.
- Regular engagement with Senior Management to understand the internal tools used to monitor culture, including employee retention metrics, training programme materials, exit interview feedback and social media scanning.
- Informal engagement with the workforce through branch visits, regular engagement with line managers, involvement in divisional meetings and shadowing departmental activity.
- Reviewing whistleblowing reports and outcomes.
- Receiving regular updates from Senior Management on the Group's compliance programmes and results.
- Reviewing the Group's people strategy, including training and recruitment strategies.
- Reviewing workforce diversity, equality and inclusion initiatives.

Our values

Our culture is shaped and underpinned by our values which have also been refreshed in the year. Our values guide our employees on how they contribute to the Group's success and adhere to the highest ethical standards.

PROFESSIONAL

Providing the most efficient, reliable and dedicated customer journey, whilst maintaining the highest standards of business ethics

AMBITIOUS

Wanting to get the best results for our customers

RELENTLESS

Maintaining consistently high standards day in and day out

INNOVATIVE

Constantly looking for new and market leading ways to get the right deal done for our customers

AUTHORITATIVE

Being the most knowledgeable agents in the market

Board stakeholder engagement

Proactive engagement with our stakeholder groups remains a central focus for the Board, which ensures the Directors have regard to the matters set out in Section 172. The Board receives regular stakeholder insights and feedback, which enables stakeholder views to be considered in key Board decisions.

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

The Board regularly interacts with shareholders to facilitate effective dialogue, both through recurring scheduled events, such as investor roadshows and trading updates, and through one-to-one shareholder meetings led by the Chairman, CEO or Committee Chairs. Shareholder communications are also supported by regular coverage from external analysts who cover the financial performance of the Group. In 2022, the Chairman spent additional time engaging with major shareholders ahead of certain Board changes, including the change in CEO.

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

Post 2022 AGM shareholder engagement

At the 2022 AGM the reappointment of Alan Giles, Sheena Mackay and Rosie Shapland as Directors of the Company were approved by 56.93%, 57.29%, and 72.44% of shareholders respectively.

As announced on 23 November 2022, the Board engaged with shareholders to understand their views with regard to management decisions taken by the Board in 2021.

As previously advised Alan Giles and Sheena Mackay will not be standing for re-election at the 2023 AGM. The Board has appointed two new Directors Annette Andrews and Jack Callaway as successors to Alan Giles and Sheena Mackay.

2 DIVISION OF RESPONSIBILITIES

Our governance model in 2022

At the 31 December 2022, the Board comprised of the Non-Executive Chairman, four independent Non-Executive Directors and two Executive Directors.

This page shows the Group's corporate governance structure and provides an overview of the Committees of the Board.

THE BOARD

Chairman: Nigel Rich

Other members: Alan Giles, Sheena Mackay, Peter Rollings, Rosie Shapland, Guy Gittins, Chris Hough.

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

Board activities in 2022, refer to PAGE 73.

Board biographies, refer to PAGES 64 AND 65.

Roles and responsibilities, refer to PAGES 70 AND 71.

Nomination Committee

Chairman: Nigel Rich

Other members: Alan Giles, Sheena Mackay, Peter Rollings[1], Rosie Shapland

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

Refer to PAGES 76 TO 81 for more information.

Audit Committee

Chair: Rosie Shapland

Other members: Alan Giles, Sheena Mackay, Peter Rollings[1]

Key responsibilities: Provides oversight and governance over the Group's financial reporting, risk management and internal controls, internal audit function and relationship with the external auditor.

Refer to PAGES 84 TO 89 for more information.

Remuneration Committee

Chairman: Alan Giles

Other members: Nigel Rich, Sheena Mackay, Peter Rollings[1], Rosie Shapland

Key responsibilities: Reviews and recommends the remuneration policy and sets and monitors the level and structure of remuneration for Executive Directors and Senior Management. Sets the Chairman's fee.

Refer to PAGES 90 TO 129 for more information.

ESG Committee

Chair: Sheena Mackay

Other members: Nigel Rich, Alan Giles, Peter Rollings[1], Rosie Shapland

Key responsibilities: Reviews and has oversight of the implementation of the Group's ESG strategy and initiatives.

Refer to PAGES 82 AND 83 for more information.

2022 roles and responsibilities

There is clear delineation of responsibility between the Chairman and the CEO, which is set out in writing. This division of responsibilities, together with the schedule of matters which are reserved for the Board, ensures that no individual has unfettered powers of decision making.

By delegating specific responsibilities to its Committees, the Board can ensure that it is operating effectively and efficiently with the right level of attention and consideration being given to relevant matters. The role and responsibilities of each Board Committee are set out in formal terms of reference, which are reviewed annually. The Chairman ensures that the very significant work of the Committees feeds into, and is influenced by, the full Board.

The Chair of each Committee reports to the Board after each Committee meeting on the matters discussed and minutes of each meeting are provided to the Board for information as appropriate. The terms of reference of the Committees are available at www.foxtonsgroup.co.uk.

[1] Peter Rollings temporarily stepped down as a member of the Committees from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022). During this period he attended all meetings as set out on PAGE 72.

The roles and responsibilities of the Board members and Company Secretary as at 31 December 2022 are set out below.

Chairman Nigel Rich	• Provides leadership and promotes a culture of openness and debate between Executive and Non-Executive Directors, facilitating constructive Board relations and the effective contribution of all Directors, and providing constructive challenge to management. • Sets the Board agenda and ensures that Directors are provided with accurate, timely and clear information to enable the Board to operate effectively. • Responsible for the integrity and effectiveness of the systems of governance. • Seeks regular engagement with major shareholders in order to understand their views on performance and governance, and ensures the Board has an understanding of their views. • Acts on the results of the annual Board evaluation by recognising the strengths and addressing any weaknesses of the Board.
Senior Independent Director Alan Giles	• Available to shareholders if they have concerns that cannot be addressed through normal channels. • Internal sounding board for the Chairman, providing support in the delivery of his objectives. • Leads the evaluation of the Chairman on behalf of the other Directors as part of the annual evaluation process. • Acts as an intermediary for the other Directors with the Chairman, if necessary, working with the Chairman, other Directors and/or shareholders to resolve significant issues in order to maintain effectiveness and stability.
Non-Executive Directors Alan Giles, Sheena Mackay, Rosie Shapland, Peter Rollings[1]	• Provide a broad range of skills and experience to the Board to assist in formulating the Group's strategy. • Provide constructive challenge, strategic guidance and support to the Executive Directors based on their breadth of knowledge and experience. • All of the Non-Executive Directors are regarded by the Group as independent and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
Chief Executive Officer Guy Gittins (from 5 September 2022)	• Responsible for the development and delivery of the strategic priorities agreed by the Board. • Responsible for leading the Group's operating performance, day-to-day management and risk management programmes in conjunction with the CFO. • Managing relationships with key stakeholders and advising the Board accordingly.
Chief Financial Officer Chris Hough (from 1 April 2022)	• Responsible for the Group's financial affairs, including treasury and tax matters. • Responsible for financial strategy, budgeting, monitoring key internal controls, risk management and delivering the investor relations programme. • Supports the CEO in the development and delivery of the Group's strategic priorities.
Company Secretary Link Company Matters	• Supports the operation of the Board and its Committees through the provision of company secretarial services, including providing guidance and advice on corporate governance matters.

[1] Peter Rollings was appointed as Interim CEO, effective from 30 May 2022 to 5 September 2022, prior to which, and immediately after, he was an Independent Non-Executive Director.

2023 Board changes

At the date of issuing this report, the Board consisted of six Independent Non-Executive Directors reflecting the appointment of Annette Andrews and Jack Callaway to the Board effective as of 1 February 2023 (biographical details can be found on PAGES 64 AND 65).

Alan Giles and Sheena Mackay will step down from the Board at the 2023 AGM, reducing the number of Independent Non-Executive Directors to four. Upon Alan Giles' and Sheena Mackay's retirement, the following changes in responsibilities will be made:

- Rosie Shapland will be appointed Senior Independent Non-Executive Director (replacing Alan Giles).
- Annette Andrews will be appointed Chair of the Remuneration Committee (replacing Alan Giles) and Chair of the ESG Committee (replacing Sheena Mackay).

/ CORPORATE GOVERNANCE REPORT CONTINUED

Board governance

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

The Board has established a governance framework to discharge its collective responsibilities. This framework supports our Directors' compliance with their duty to promote the success of the Group under Section 172 of the Companies Act 2006, which requires the Directors to act in the way they consider, in good faith, would most promote the success of the Group for the benefit of its shareholders, having regard to certain other matters including other key stakeholders. Agendas for Board meetings identify matters that require a Board decision, and an overview of Section 172 is included in the papers for each Board meeting to act as a reference for Board decisions. Information about how this duty has been performed by our Directors, including the Section 172 statement, is detailed on PAGES 18 TO 21.

Board and Committee meetings

The Chairman sets the agenda and determines the format of discussions at Board meetings. At each scheduled Board meeting, the CEO and CFO present reports on business performance and progress against strategic priorities.

Other members of Senior Management are invited to attend during the year to update the Board on key priorities and challenges, with the Chief Sales Officer and Managing Director of Lettings attending every Board meeting. External advisers also attend meetings as required.

To ensure the continued effectiveness of the Board, the Chairman meets with the Non-Executive Directors without the presence of the Executive Directors when necessary. Similarly, the Senior Independent Director consults when necessary with the other Non-Executive Directors, without the Chairman being present, to consider the Chairman's performance. Refer to PAGES 76, 80 AND 81 of the Nomination Committee Report on the Group's evaluation procedures.

Directors' attendance at scheduled Board and Board Committee meetings held during 2022 is provided in the table below:

	Meetings attended				
Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
Nigel Rich	7	-	4	2	4
Guy Gittins (appointed on 5 September 2022)[1]	3	-	-	-	-
Chris Hough (appointed on 1 April 2022)[1]	6	-	-	-	-
Alan Giles	7	4	4	2	4
Sheena Mackay	7	4	4	2	4
Rosie Shapland	7	4	4	2	4
Peter Rollings[2]	7	1	2	-	2
Nic Budden (resigned on 30 May 2022)[1]	3	-	-	-	-
Patrick Franco (resigned on 1 April 2022)[1]	2	-	-	-	-
Richard Harris (resigned on 1 April 2022)[1]	2	-	-	-	-

Eligible meetings attended out of those scheduled   Non-attendance at eligible meetings

1 Attended all meetings that they were eligible to attend prior to retirement and post appointment.

2 Peter Rollings temporarily stepped down as a member of the Board Committees from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022).

During the year, five additional Board meetings and two additional Committee meetings were held in connection with changes to the composition of the Board, to approve the share buyback proposal, subsidiary account exemptions, and the appointment of a new Company Secretary.

Board activity in 2022

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

The Board held seven scheduled meetings during the year, with five additional meetings held to approve the share buyback proposal, subsidiary account exemptions, the appointment of a new Company Secretary as well as changes to Board composition. The main activities of the Board during 2022 were as follows:

Strategy and execution

- Review of the findings following the CEO's operational review (Q4 2022) and subsequent approval of the Group's strategic priorities.
- Reviewing technology, data and marketing strategies.
- Considering market outlook and competitor activity.
- Reviewing financial and operational performance, cost base reduction initiatives and resource allocation.
- Reviewing ongoing customer service levels.

Stakeholders impacted:

- Our Shareholders
- Our Customers
- Our People

Shareholder engagement

- Engagement with shareholders through recurring scheduled events such as investor roadshows and trading updates.
- One-on-one shareholder meetings covering topical matters including results, strategy, capital allocation, Director remuneration and ESG matters.
- The Chairman spent additional time engaging with major shareholders ahead of key Board changes, including the change in CEO.
- Considering views of investors, including feedback from external brokers and shareholders following investor meetings.
- Consideration of market reaction to key announcements.

Stakeholders impacted:

- Our Shareholders

Employees and culture

- Reviewing outcomes from employee engagement at EEC meetings and considering any follow up actions.
- Reviewing the Group's refreshed purpose and values.
- Monitoring culture through a range a mechanisms (refer to PAGE 55 for further details).
- Reviewing and making recommendations in relation to employee training programmes.

Stakeholders impacted:

- Our People

Internal control and risk management

- Reviewing risk appetite and principal and emerging risks.
- Assessing the effectiveness of internal controls and risk management systems, including considering internal audit reviews.
- Reviewing the cyber security strategy and compliance reviews.
- Reviewing the health and safety framework and related updates.

Stakeholders impacted:

- Our Shareholders
- Our Customers
- Our Suppliers
- Our People

Financial oversight

- Reviewing and approving the annual budget and reviewing the five-year strategic plan.
- Approving 2021 annual results and 2022 interim results for 2022. Annual results for 2022 were approved in March 2023.
- Reviewing acquisition opportunities.
- Approving trading updates.
- Considering the Group's financial position, including viability and going concern.
- Reviewing capital allocation and approving the continuation of the share buyback programme.
- Reviewing the dividend policy.

Stakeholders impacted:

- Our Shareholders
- Our Suppliers
- Our People

Governance

- Reviewing compliance with the Code, including the approval of the Annual Report and Accounts.
- Reviewing terms of reference of Committees and matters reserved for the Board.
- Reviewing governance, legal and regulatory matters and the impact of regulatory changes on the Group.
- Considering Board evaluation results for 2022.
- Reviewing ongoing ESG programmes and targets.
- Reviewing remuneration matters.

Stakeholders impacted:

- Our Shareholders
- Our Customers
- Our Suppliers
- Our People
- Our Communities

/ CORPORATE GOVERNANCE REPORT CONTINUED

2022

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

Month	Board and committee meetings	Key business considered at Board meetings	Key market announcements
January			• Year end trading update • Disposal of D&G Sales business and publication of related shareholder circular
February	• Main Board • Audit Committee • Remuneration Committee • ESG Committee	• Approval of the 2021 Annual Report and Accounts • Proposal of final dividend • Approval of Modern Slavery Act statement • 2022 budget approval and capital allocation policy review • Appointment of new CFO (effective 1 April 2022) • Senior Management trading and market update	• Result of General Meeting
March	• Three additional Board meetings*	• Approval of share buyback programme • Change of Company Secretary • Executive Board changes • Approval of share awards	• Commencement of up to £3 million share buyback programme • Appointment of Link Company Matters as Company Secretary
April	• Main Board • ESG Committee	• Strategic programmes review • Update on Alexander Hall • Approval of acquisitions • Review of risk appetite • Review of employee engagement and workforce diversity and inclusion programmes • Investor feedback • Appointment of additional broker • Senior Management trading and market update	• 2021 full year results • Notice of AGM • Appointment of Chris Hough as CFO and resignation of Patrick Franco as COO with effect from 1 April 2022 • Q1 trading update
May	• One additional Board meeting* • One additional Remuneration Committee meeting*	• Resignation of Nic Budden • Appointment of Interim CEO and new CEO (effective 5 September 2022) and approval of related remuneration	• Appointment of Guy Gittins as CEO with effect from 5 September 2022 and resignation of Nic Budden with effect from 30 May 2022 Peter Rollings to act as Interim CEO • Acquisitions of Gordon & Co and Stones Residential • Appointment of Singer Capital Markets
June	• Two main Board meetings (one additional meeting*)	• Interim CEO initial report • Review of the Build to Rent business • Review of KPIs and other metrics considered by the Board • ESG initiatives • Review of risk appetite • Investor relations update • Senior Management trading and market update	• Result of 2022 AGM • Update on share buyback programme
July	• Main Board • Audit Committee • Nomination Committee	• Approval of half year results • Employee engagement feedback • Review of shareholder feedback on Board composition • Senior Management trading and market update	• 2022 half year results
September	• Main Board • Audit Committee • Remuneration Committee	• Consideration of CEO first impressions • Review of legal compliance and internal controls • Review of external auditor's plan for the 2022 audit • Senior Management trading and market update	• Grant of share awards to Guy Gittins
October	• Main Board • ESG Committee	• Group strategy review day • Employee engagement feedback • Approval of share buyback programme • Senior Management trading and market update	• Q3 trading statement
November			• Statement on 2022 AGM vote, including retirement of Alan Giles and Sheena Mackay at the 2023 AGM • Commencement of up to £3 million share buyback programme
December	• Main Board • Audit Committee • Remuneration Committee • Nomination Committee • ESG Committee	• Review and approval of the 2023 budget • Review of the 2022 Board evaluation results • Review of the Financial Services business • Review of risk appetite, risk management and internal controls • Results of the external auditor's interim procedures • Review of Directors' Remuneration Policy • Acquisitions strategy update • Senior Management trading and market update	• Update on share buyback programme

* Additional meetings held in the year beyond the original schedule of Board and Committee meetings

Conflicts of interest

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

Time commitment

All Non-Executive Directors are required to set aside sufficient time to carry out their Board responsibilities and show commitment to their role. During the year the Nomination Committee, as part of their review of the results of the Board evaluation process, considered the time commitment of all the Directors and agreed that the required time commitment is still appropriate. For the year ended 31 December 2022, and at the date of the publication of this Annual Report, the Board is satisfied that none of the Directors are over committed and that each Director devotes sufficient time to discharge their responsibilities.

Independence

The Nomination Committee reviews the independence of the Non-Executive Directors annually and has confirmed to the Board that it considers all of the Non-Executive Directors to be independent in accordance with the matters set out in the Code.

Peter Rollings was appointed as Interim CEO, effective from 30 May 2022 to 5 September 2022, prior to which, and immediately after, he was an Independent Non-Executive Director. Peter temporarily stepped down as a member of the Board Committees from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022). During this period he attended all meetings as set out on PAGE 72.

/ NOMINATION COMMITTEE REPORT

3 COMPOSITION, SUCCESSION AND EVALUATION

> "On behalf of the Nomination Committee, welcome to our report for the financial year ended 31 December 2022.
>
> **Nigel Rich CBE**
> Chairman of the Nomination Committee

Members of the Nomination Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Director Committee members are considered independent by the Board and in accordance with the Code. The Chairman of the Committee was considered to be independent on his appointment as Chairman of the Group. Biographical information can be found on PAGES 64 AND 65. Members' attendance at Committee meetings is set out in the table on PAGE 72. The Company Secretary acts as Secretary to the Committee.

Chairman: Nigel Rich

Members as at 31 December 2022[1]: Alan Giles, Sheena Mackay, Peter Rollings[2], Rosie Shapland

The Nomination Committee regularly reviews the structure, size and composition of the Board and its Committees to ensure they are best placed to drive operational performance, oversee the delivery of the Group's strategic priorities and support the management team. Maintaining the right composition of the Board underpins the quality of debate and constructive challenge during Board discussions. The process for Board appointments is led by the Committee which makes recommendations to the Board for its approval.

2022 areas of focus

- Appointment of Guy Gittins as CEO.
- Recruitment of two new Non-Executive Directors.

Executive Director changes

During the year there have been significant changes to the Executive Board, with a change in CEO, CFO, and the removal of the COO role from the Board.

On 30 May 2022 it was announced that Guy Gittins would be appointed Group CEO with effect from 5 September 2022. Peter Rollings was appointed as Interim CEO when Nic Budden stepped down with effect from 30 May 2022. Guy has significant sector and leadership experience and further strengthens our estate agency expertise on the Board. Details of the appointment process for Guy Gittins can be found below on PAGE 77.

Both Richard Harris (previous CFO) and Patrick Franco (previous COO) stepped down from the Board on 1 April, and Chris Hough, previously the Group's Director of Finance, was appointed CFO with effect from 1 April 2022.

Non-Executive Director changes

As announced on 23 November 2022, with the new Chairman, CEO and wider management team changes now complete and in place, Alan Giles and Sheena Mackay have chosen not to stand for re-election at the 2023 AGM. In November 2022, the Committee commenced a search process to recruit two replacement Non-Executive Directors, and Annette Andrews and Jack Callaway joined the Board as Independent Non-Executive Directors on 1 February 2023. Annette Andrews will take up the position of Chair of the Remuneration Committee and Chair of the ESG Committee at the 2023 AGM. Rosie Shapland will take up the position of Senior Independent Director upon Alan Giles' resignation from the Board at the forthcoming AGM. Further details regarding the recruitment process are set out on PAGE 78.

Board performance evaluation

During the year, we conducted an internal performance evaluation exercise led by the Senior Independent Director which concluded that the Board, its Committees and the Directors continue to perform effectively, particularly in respect of the significant changes in executive leadership during the period. A number of suggestions for improvement were agreed and are reported on PAGE 81.

We set out on PAGES 76 AND 77 details of the composition and work of the Nomination Committee during the year.

[1] Annette Andrews and Jack Callaway were appointed to the Board and Nomination Committee on 1 February 2023.

[2] Peter Rollings temporarily stepped down as a member of the Nomination Committee from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022).

Role and responsibilities and activities undertaken during the year

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

- To keep under review the structure, size and composition of the Board and the membership of its Committees.
- To review succession planning processes for the Board and other Senior Management positions and the opportunities available to the Company to further promote diversity and inclusion.
- To ensure a formal rigorous and transparent process is adopted for the appointment of new Directors, both Executive and Non-Executive.

Terms of reference were reviewed during the year and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Company's website at: www.foxtonsgroup.co.uk.

Since the last Nomination Committee Report, the Committee held two scheduled Committee meetings. The Committee's main activities and areas of focus were as follows:

Board composition

- Reviewed the structure, size and composition of the Board.
- Reviewed the skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board (refer to PAGES 64 AND 65 for details of Board members' experience).
- Reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles.
- Considered and recommended to the Board the re-election of Directors at the 2022 AGM.
- Considered succession planning for the Group CEO leading to the appointment of Guy Gittins with effect from 5 September 2022.
- Commenced an external recruitment process for two new Non-Executive Directors.

Succession planning

- Assessed the tenure of Board members in order to review the succession plan.
- Considered succession plans for Executive Directors and Senior Management.

Governance

- Considered and confirmed that each Non-Executive Director remained independent and committed to their role.
- Approved the report from the Nomination Committee in the 2022 Annual Report and Accounts.
- Reviewed its terms of reference.
- Reviewed and updated the Board diversity policy and ensured that diversity and inclusion was being promoted across the business.
- Reviewed the gender balance of those in Senior Management and their direct reports.

Committee effectiveness

- Reviewed progress against matters arising from the 2021 Board evaluation and the matters arising from the 2022 Board evaluation.
- Participated in the evaluation of its performance and agreed a plan to address any issues arising.

The Board has a formal procedure in respect of the appointment of new Directors, with the Nomination Committee leading the process and making recommendations to the Board.

CEO appointment

Guy Gittins was appointed CEO with effect from 5 September 2022. The search process was led by the Chairman, who together with the Committee, decided a candidate with an estate agency background, significant leadership experience and a turnaround track record was required. This process resulted in the identification of Guy Gittins as a suitable candidate having significant sector and leadership experience, having delivered significant profit growth in challenging markets as Chief Executive of Chestertons, the London estate agency. Guy started his career at Foxtons, after which he went on to hold roles at Peter de Savary, Savills and Chestertons. Guy was interviewed by the Chairman and the other members of the Committee, following which, the Committee recommended the appointment of Guy Gittins to the Board. On the Committee's recommendation, the Board agreed his appointment.

CFO succession

Following Richard Harris' decision to step down from the Board, and the Committee having evaluated a number of options, the Board recommended the appointment of Chris Hough, previously the Group's Director of Finance, as Richard's successor in the role of CFO. Chris Hough was part of the Group's succession plan for the CFO role.

/ NOMINATION COMMITTEE REPORT CONTINUED

Appointment of Non-Executive Directors in 2023

Subsequent to the year end, on 27 January 2023 the Company announced the appointment of Annette Andrews and Jack Callaway as a Non-Executive Directors with effect from 1 February 2023. Annette Andrews will take over as Chair of the Remuneration Committee and Chair of the ESG Committee at the 2023 AGM.

Fidelio Partners, an independent external search consultancy, was engaged to assist with the search for both candidates with the search process led by the Chairman. The search specification for the first Non-Executive Director, who would also be appointed Remuneration Chair, included experience of overseeing remuneration policies and having the capability of chairing a listed Remuneration Committee. The search specification for the second Non-Executive Director role included corporate finance experience.

From a long list of potential candidates, a number were selected for interview by a subcommittee of the Nomination Committee which excluded the retiring Non-Executive Directors. After due consideration, the Committee recommended the appointment of Annette Andrews and Jack Callaway to the Board, which then agreed their appointment. Biographical details can be found on PAGE 65.

Directors' service contracts

All of the Directors have service agreements or letters of appointment which are available for inspection at the Company's registered office during normal business hours. Details of the letters of appointment for Non-Executive Directors and the service contracts for Executive Directors can be found in the Directors' Remuneration Report on PAGE 128. 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.

Board appointment criteria are considered automatically as part of the Committee's review of succession planning. Currently, all the independent Non-Executive Directors and the Chairman have been appointed for less than nine years. Non-Executive Directors are typically expected to serve a minimum of two three-year terms, and thereafter their appointment is reviewed on an annual basis. All Directors must seek re-election at each AGM.

Directors' induction and professional development

The Company has in place an induction programme, led by the Chairman, for new Directors to provide them with a full, formal and tailored introduction on joining the Board, which ensures that they attain sufficient knowledge of the Company to discharge their duties and responsibilities effectively. The programme includes meeting with Senior Management, heads of departments, advisers and visits to the Group's branches.

The Board calendar is planned to ensure that Directors are briefed on a wide range of topics, including updates on corporate governance, regulatory matters and regular briefings on market conditions.

Throughout the year Directors are also given the opportunity and encouraged to visit the Group's branches and discuss aspects of the business directly with branch managers and employees. As well as internal briefings, Directors are encouraged to attend externally facilitated training sessions to ensure their knowledge is up to date on relevant legal, regulatory and financial developments or changes.

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.

Overview of Guy Gittins' induction to the Board:

Guy Gittins received an induction post-appointment that focused on the culture, operations, markets, risks and opportunities for the Group. Key elements of the induction comprised:

- An introductory meeting with the Chairman to discuss the Board's process, the Group's culture and stakeholders.
- A comprehensive document pack which included analyst and market reports, governance reports, financial reporting matter reports and other operational data.
- A series of meetings with the CFO and Senior Management. During these meetings, strategy, operating and financial performance, budget and forecasts, compliance, customer service, diversity and people strategy were discussed.
- Meetings with external advisers to receive briefings on listed company regulations and to obtain background on relevant governance and shareholder matters.
- A head office meeting schedule to meet each head of department in order to understand the department's role and strategy, the strength of departmental leadership and relevant risks and opportunities.
- A branch visit schedule to understand local market factors, branch competitive position, the strength of leadership and speak to a range of employees to obtain feedback on the culture of the business.

Election and re-election of Directors

The Board engaged with shareholders to better understand their views following a significant minority cast votes against the re-election of three of the Group's Independent Non-Executive Directors at the 2022 AGM. Certain of these shareholders were dissatisfied with Foxtons' management and the decisions previously taken by the Board in 2021. As previously noted, with a new Chairman, CEO and wider management team now complete and in place, Alan Giles and Sheena Mackay have decided they will not stand for re-election at the 2023 AGM. All other Board members will stand for election and re-election at the 2023 AGM.

The relevant experience and effectiveness of the Directors, and how that furthers the Company's business, is kept under review. The Committee and the Board have concluded that each Director standing for election and re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Biographies setting out the skills, experience and knowledge of each Director are available on PAGES 64 AND 65. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Details of the Board evaluation and effectiveness process can be found on PAGES 80 AND 81.

Succession planning

Through succession planning, the Committee ensures that the Board is able to deal with strategic and operational opportunities and challenges. Board succession planning takes into account the Board diversity policy and the existing skills and experience of the Board and future requirements.

The Board's approach to Senior Management succession is to develop a talent pipeline and promote from within wherever possible. Due to the Company's size, it is not always practicable for the Company to have an internal successor identified for all Senior Management roles. Where there is no obvious successor, the Committee is satisfied that the Company has a plan for appropriate short-term cover until a permanent successor can be recruited.

During 2023, the Committee will continue to review Board succession and will review the new CEO's Senior Management succession plan.

Diversity

The Board recognises the importance and benefits of diversity throughout the organisation and on the Board. We believe that the business benefits from having a diverse workforce, at all levels and in all roles, that reflects the communities in which the Group operates as this enables us to better understand and meet the needs of our customers. Diversity includes different nationalities, race, religion, age, sexual orientation and gender, as well as different personalities, education, backgrounds and culture.

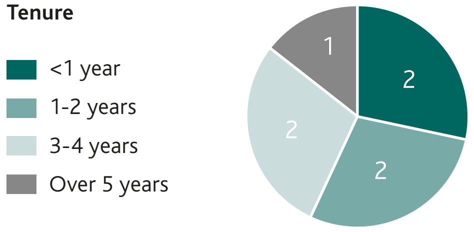
Board diversity

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. Appointments to the Board are made on merit against objective criteria, having regard to the benefits of diversity and the current and future needs of the business and the other factors set out in the Code. When identifying candidates for appointment to the Board, any search firm engaged is instructed to include a range of candidates from diverse backgrounds for consideration.

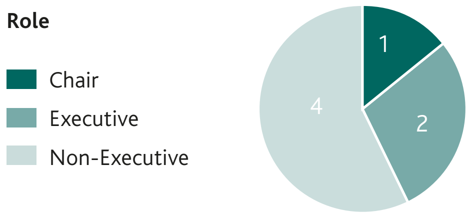
The Committee is mindful of the Financial Conduct Authority's (FCA) amendment to the listing rules requiring UK listed companies to set out in their annual reports whether board diversity targets have been met on a comply or explain basis. The specific targets set by the FCA require at least 40% of board members to be women, and a woman should hold at least one of the senior board positions – the Chair, Chief Executive, Senior Independent Director, or Chief Financial Officer. At least one member of the Board should come from a minority ethnic background. The Committee will report against the new rules, which are applicable for financial accounting periods starting from 1 April 2022, in next year's report.

Board composition as at 31 December 2022

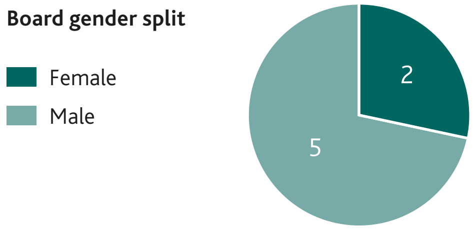
Tenure



Role



Board gender split



Board ethnicity

/ NOMINATION COMMITTEE REPORT CONTINUED

Workforce diversity

The Committee continues to be broadly satisfied with the diversity at employee level within the Group but aspires to improve the gender balance and ethnic diversity at the senior level. Management has in place a range of measures designed to address this, including mentoring, development programmes and flexible working, and the Committee will continue to monitor progress on behalf of the Board.

Details of the Group's diversity and inclusion initiatives are set out on PAGES 52 AND 53. This includes details of the gender and ethnicity breakdown of Directors, Senior Management and other employees.

During the year, Foxtons published its gender pay gap figures as at 5 April 2022. The report can be found on the Group's website at www.foxtonsgroup.co.uk.

Board evaluation and effectiveness

An internal Board evaluation was completed in the second half of 2022. This exercise was carried out to review the performance of the Board, its Committees and the individual Directors. The internal Board evaluation was led by the Chairman and facilitated by Link Company Matters Limited, the Group's Company Secretary. The evaluation took the form of a questionnaire which gave Directors the opportunity to provide comments on areas of focus, including the structure of the Board, effectiveness of the Board, and Committee specific questions. The responses to the evaluation of the Board and the Committees were collated and analysed by Link Company Matters Limited. The actions agreed by the Directors will be monitored by the Board during 2023.

As a separate exercise, the Senior Independent Director, together with the Non-Executive Directors, conducted the Chairman's evaluation. The views of the Executive Directors were also taken into account.

Overview: Our internal Board evaluation process

Questionnaire

The evaluation process was conducted using a questionnaire in which Board members were asked to score questions and to provide additional commentary where appropriate.

Questions were designed to focus the evaluation by Board members in a number of key areas and to cover the performance of the Board and its Committees as well as that of the Chairman and areas of focus for 2022.

The draft questionnaire was reviewed and agreed by the Committee in July 2022.

Appraisal

Following receipt of the completed questionnaires during November 2022, Link Company Matters Limited reviewed the responses and produced a report which compiled the results of the evaluation exercise.

Evaluation

The Chairman reviewed the results of the evaluation exercise and shared the findings with Board members ahead of the December 2022 Board meeting.

Outcomes

In December 2022, the Board reviewed the results of the evaluation exercise and agreed actions for 2023.

The Nomination Committee reviewed the evaluation results in December 2022 as far as responses impacted on Board size, composition, induction and training.

The diagram on PAGE 81 summarises the 2022 evaluation outcomes and proposed actions. Additionally, we have set out the 2021 evaluation outcomes and actions taken.

2021 outcomes and actions taken

2021 assessment outcomes	Actions taken in 2022
• Noted it would be beneficial to spend more Board time discussing the marketplace, broader strategy and progress against the delivery of strategic initiatives. • Noted the ongoing importance of proactively engaging with shareholders to understand priorities and views. • Seek to create further opportunities for the Board to interact with the Senior Management team and employees both formally and informally.	• The 2022 Board agendas were revised to include trading update presentations from Senior Management and additional time to review key performance indicators and market trends. The 2022 Board strategy day agenda was revised to enable an in-depth discussion on the Group's broader strategy and the findings from the new CEO's operational review. • A review of our investor relations programme was carried out, with regular shareholder engagement a priority for the Chairman and CEO. Furthermore, the Board agendas were revised to enable the Company's corporate brokers to attend Board meetings to provide investor feedback on a regular basis. • The Executive Leadership Team regularly attended Board meetings in 2022 to report on their areas of responsibility, as well as attending the Board's strategy discussion. In addition, branch visits, departmental shadowing and a Board dinner, including Senior Management, supplemented these formal interactions.

2022 outcomes and proposed actions

2022 assessment outcomes	Proposed actions
• Ensure updates from the Executive Leadership Team articulate broader strategic progression as well as in year performance.	• 2023 Executive Leadership Team presentations to report against the Group's refreshed strategic priorities to enable medium-term strategic progression to be tracked and monitored by the Board.
• Noting the higher strategic priority of Financial Services, more frequent Board engagement with Alexander Hall leadership will be appropriate.	• Increased engagement with Alexander Hall's leadership team, including additional Board presentations and increased strategic oversight of Alexander Hall.
• Ensure sufficient time is available for Board and Committee agenda items so that discussions can be sufficiently detailed as required.	• Timings of Board meetings to be reviewed to enable more in-depth Board discussions. Additional opportunities for informal Board discussion to be incorporated into the Board planner.
• With technology and data becoming an increasingly important part of the strategy more discussion at the Board level on IT strategy will be important.	• Increased frequency of IT strategy discussion at the Board, with updates to focus on progression against technology and data related strategic priorities.
• Following significant changes in Senior Management succession planning will need to be a Nomination Committee priority for 2023.	• Senior Management succession planning and review of the Group's broader talent pipeline will be a Nomination Committee area of priority for 2023.

Annual evaluation of the Nomination Committee's performance

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

Governance

During the year, the Committee received briefings from the Company Secretary on corporate governance matters. We have reported on the Company's compliance with the Code on PAGE 68 of the Corporate Governance Report.

Priorities for 2023

In light of the significant changes to the Board and Executive Leadership Team, the Committee will focus on succession planning for both the Board and Senior Management. Our succession planning will continue to take into account our diversity policy and the FCA's Board diversity rules applicable for 2023.

Nigel Rich CBE
Chairman of the Nomination Committee
6 March 2023

/ ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

> "The ESG Committee has enabled the Board to allocate focused time to discuss the Group's ESG strategy.
>
> **Sheena Mackay**
> Chair of the ESG Committee

The ESG Committee was established in December 2021 and provides an important forum for ESG matters to be discussed by members of the Board and the Executive Leadership Team. The ESG Committee has enabled the Board to allocate time to discuss the Group's ESG strategy and oversee a range of responsible business topics including employee engagement matters, diversity and inclusion matters, environmental matters and social matters.

Our Responsible Business report on PAGES 38 TO 60 provides details on a range of environmental and social matters, including our environmental and social commitments.

2022 areas of focus

- Reviewing the Group's ESG governance framework.
- Reviewing the Group's environmental, social and governance priorities.
- Reviewing ESG related targets, measures and commitments.
- Reviewing the Group's environmental footprint and compliance with the Task Force on Climate-Related Financial Disclosures (TCFD).
- Consideration of proxy agency ESG views.

Members of the ESG Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Board and in accordance with the Code. Nigel Rich was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on PAGES 64 AND 65. Members' attendance at Committee meetings is set out in the table on PAGE 72. The Company Secretary acts as Secretary to the Committee.

The Committee Chair has relevant ESG experience having previously held a number of HR Director roles and advised on a range of ESG matters. Other Committee members have relevant experience through other external appointments, knowledge of the Group's operations and broader experience of working in customer facing businesses.

Chair: Sheena Mackay[1]

Members as at 31 December 2022[2]: Nigel Rich, Alan Giles, Peter Rollings[3], Rosie Shapland

Environment matters

Although the Group has a relatively simple infrastructure and does not operate in a high-risk environmental sector, our environmental targets will reduce the Group's environmental impact by lowering emissions and reducing energy consumption. To support our target of reaching net zero by 2050 (across Scope 1, Scope 2 and Scope 3 emissions), the Committee has established an interim emissions target to reduce Scope 1 and Scope 2 emissions by 30% by 2030 against the 2021 baseline. The commitment to electrify our vehicle fleet by 2030 and the ongoing work to improve the efficiency of our offices will support this goal.

Social matters

Retaining an engaged workforce is key to our success, and therefore our workforce social programmes, including diversity and inclusion, continue to be an area of focus. Externally, our social mobility partnerships have enabled us to support the communities we work within.

Governance

During the year, the Committee received briefings from the Company Secretary on ESG related corporate governance matters as relevant. We have reported on the Company's compliance with the Code on PAGE 68 of the Corporate Governance Report.

The environmental and social governance framework has been embedded in the year. The framework establishes the reporting lines on environmental and social matters and Senior Management responsibilities.

Role and responsibilities and activities undertaken during the year

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

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

Terms of reference were reviewed during the year and set out in detail the Committee's role and responsibilities. The terms of reference can be found on the Group's website at: www.foxtonsgroup.co.uk.

Since the last ESG Committee Report, the Committee held three scheduled Committee meetings. The Committee's main activities and areas of focus were as follows:

Environment

- Reviewing environmental measures and targets, including setting an interim 2030 emissions target alongside our 2050 net zero target (across Scope 1, Scope 2 and Scope 3 emissions).
- Reviewing the annual Streamlined Energy and Carbon Reporting statement and other relevant key performance indicators.
- Reviewing progress of the Group's emission reduction initiatives, including the vehicle fleet electrification programme and the branch energy usage reduction programme.

Social - employees

- Reviewing the annual employee engagement survey results and review of management's response plan.
- Reviewing employee diversity and inclusion activities.
- Reviewing the Group's health and safety governance framework and performance.
- Reviewing the Group's modern slavery statements and ongoing compliance.

Social – communities

- Reviewing the Group's community commitments and initiatives including the Group's social mobility partnership.

Governance

The ESG Committee provided oversight of the environmental and social governance framework, including:

- Reviewing the framework, strategy, activities and commitments relating to the Group's environmental and social responsibilities.
- Agreeing the Committee's agenda for 2022 and 2023.
- Reviewing ESG related Annual Report disclosures, including TCFD reporting.

Annual evaluation of the ESG Committee's performance

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

Priorities for 2023

The Committee will continue to monitor progress against the Group's environmental and social commitments.

Sheena Mackay
Chair of the ESG Committee
6 March 2023

1 Sheena Mackay will retire from the Board at the 2023 AGM and Annette Andrews, who was appointed to the Board on 1 February 2023, will become Chair of the ESG Committee upon Sheena's retirement.

2 Annette Andrews and Jack Callaway were appointed to the Board and ESG Committee on 1 February 2023.

3 Peter Rollings temporarily stepped down as a member of the Committee from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022).

/ AUDIT COMMITTEE REPORT

4 AUDIT, RISK AND INTERNAL CONTROL

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

Rosie Shapland
Chair of the Audit Committee

Members of the Audit Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Board and in accordance with the Code. Biographical information can be found on PAGES 64 AND 65. Members' attendance at Committee meetings is set out in the table on PAGE 72. The Company Secretary acts as Secretary to the Committee.

Chair: Rosie Shapland

Members as at 31 December 2022[1]: Alan Giles, Sheena Mackay and Peter Rollings[2]

The Committee's work continues to focus on protecting the interests of shareholders by monitoring the effectiveness of risk management processes, internal controls and financial reporting processes. These areas are becoming increasingly important as the external risk environment continues to evolve and inevitably impacts the markets the Group operates in. The Committee has focused on monitoring and strengthening internal controls, risk management processes and monitoring emerging risks, including the impact of climate change.

The Group's internal audit programme has continued to be delivered by PwC with four internal audit reviews providing assurance over significant risk or strategically important areas. Internal audit reviews in the year have covered lettings and sales governance, health and safety, HR policies and procedures and IT strategy.

During the year, the Committee reviewed a number of key financial reporting matters including the annual brand impairment review, presentation of adjusted items and alternative performance metrics, accounting treatment of the fair value loss in PD Innovations Limited (trading as Boomin) and the Group's going concern assumption and longer-term prospects and viability statement.

Role of the Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities to protect the interests of shareholders with regard to the integrity of financial reporting, risk management and internal controls and governing the relationship with the internal and external auditors. Key responsibilities include:

- Monitoring the integrity of the financial statements and half year report and other formal announcements relating to financial performance.
- Monitoring, reviewing and challenging when necessary the financial reporting processes, including significant financial reporting issues, accounting policies and judgements.
- Recommending to the Board the appointment, reappointment and removal of the external auditor, approving the terms of engagement and remuneration and monitoring the independence of the auditor and the provision of non-audit services.
- Monitoring the statutory audit of the annual financial statements.
- Reviewing internal audit's strategy, plans, programmes, effectiveness, results of work undertaken and resolution of any matters arising.
- Reviewing the Group's systems and controls for the prevention of bribery and procedures for detecting fraud.
- Reviewing the effectiveness of internal financial controls and risk management policies and systems.
- Reviewing the Group's processes and procedures for ensuring that material risks are properly identified, assessed, managed and reported and that appropriate systems of monitoring and control are in place.

1 Annette Andrews and Jack Callaway were appointed to the Board and Audit Committee on 1 February 2023.

2 Peter Rollings temporarily stepped down as a member of the Audit Committee from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022).

The Committee's terms of reference were reviewed during the year and can be found on the Group's website at: www.foxtonsgroup.co.uk.

Composition of the Committee

Each member of the Committee is an Independent Non-Executive Director. The Chair, as a Chartered Accountant, former audit partner with over 30 years of audit experience across multiple sectors within public and private companies, and Chair of the Audit Committee at both PayPoint plc and Workspace Group plc, satisfies the requirement of having appropriate recent and relevant financial experience. The Committee members as a whole have competence relevant to the business, in addition to general management and commercial experience.

The Audit Committee usually invites the full Board, our outsourced internal audit partner and external auditor to attend each meeting. Other members of management attend as and when requested. The Committee holds private sessions with the external and internal auditor as necessary without members of management being present, and at least once a year.

Significant financial reporting matters

The Committee considered the following significant financial reporting matters which require judgement or are sources of estimation uncertainty. The matters, and how they were addressed by the Committee, are detailed below. The matters are disclosed as critical accounting judgements and key sources of estimation uncertainty within Note 1 of the financial statements.

The Group has an indefinite life brand intangible asset with a carrying value of £99 million:

- **Useful economic life of the brand intangible asset**
  The Committee challenged the appropriateness of the indefinite useful economic life assigned to the brand intangible asset. It considered whether there had been any changes in the period over which the brand asset is expected to generate cash inflows. Following this assessment, it was confirmed that there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. Therefore, it continues to be appropriate for the brand asset to be assigned an indefinite useful economic life.
- **Impairment of the brand intangible asset**
  The Committee challenged management's impairment review methodology of the indefinite life brand intangible asset, including the relevant forecasts, discount rates and long-term growth rates. The Committee concurred with management's view that no impairment of the Group's brand asset is required. However, the Committee noted that a reasonable possible change in key assumptions within the impairment model would remove the headroom between recoverable amount and carrying value of the brand asset and appropriate sensitivity disclosure is included within Note 10 of the financial statements.

/ AUDIT COMMITTEE REPORT CONTINUED

Other relevant financial reporting matters

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

- **Adjusted items and alternative performance measures**
  The Committee considered the presentation and disclosure of £0.1 million of adjusted items which have been recognised in the period (refer to Note 4 of the financial statements for further details). The Committee reviewed the nature of the adjusted items, with reference to the Group's adjusted items policy (refer to Note 1 of the financial statements), and concluded the classification and disclosure of the items was appropriate and the policy had been consistently applied across financial years. No changes have been made to the Group's alternative performance measures in the year and the associated disclosure is considered to be appropriate.
- **Accounting for investment in PD Innovations Limited**
  As set out in Note 14 of the financial statements, as a result of PD Innovations Limited (trading as Boomin) entering liquidation, the investment has been fair valued to nil at 31 December 2022, resulting in a £3.4 million fair value loss being recognised in the period. The Committee is satisfied that the £3.4m loss on fair value has been recognised through other comprehensive income in line with the investment being classified as a fair value through other comprehensive income (FVOCI) financial asset.
- **Going concern and longer-term prospects and viability statement**
  The Committee reviewed management's assessment of the Group's going concern assumption and longer-term prospects and viability statement. The review included consideration of forecast cash flows, specifically uncertainties in relation to the macroeconomic outlook, the reverse stress scenario sensitivity and the Group's liquidity over the relevant forecast period.

  For the purposes of assessing the going concern assumption, an 18-month forecast period from the date of the approval of the 2022 financial statements was considered, including the results of a reverse-stress scenario. A longer period of five years was used for assessing viability, which is consistent with the Group's strategic planning period. The viability assessment included the consideration of severe, but plausible, scenarios and the impact such scenarios have on the Group's future financial position. In all scenarios it is assumed the Group successfully renews the RCF facility in June 2024 under terms similar to those currently in place. The Committee confirmed preparing the financial statements on a going concern basis continues to be appropriate and recommended the approval of the long-term prospects and viability statement as set out on PAGES 36 AND 37.

The Committee also reviewed other key estimates:

- **Acquisition accounting**
  As set out in Note 13 of the financial statements, the Group acquired two businesses in the year. Management's purchase price allocation exercise identified £2.9 million of acquired intangible assets relating to customer contracts and relationships and £8.3 million of goodwill has arisen on acquisition. The Committee reviewed the key valuation assumptions and is satisfied that the acquisition accounting is appropriate.
- **Property provisions**
  The Group has other provisions of £1.9 million (refer to Note 19 of the financial statements) which primarily relate to property related liabilities. The Committee reviewed the key assumptions used to determine the year end provision balance and concluded the valuation of the provision is appropriate.
- **Branch impairment assessment**
  The Committee also reviewed management's branch impairment assessment and is satisfied that the carrying value of branch assets at 31 December 2022 is appropriate (refer to Note 4 of the financial statements).
- **Impairment of trade receivables**
  The Committee reviewed the Group's approach to measuring impairment of trade receivables and concluded the recognised expected credit losses to be appropriate (refer to Note 16 of the financial statements).

The Committee also reviewed the continuing rationale for not recording client monies in the Group's financial statements. The Committee concluded there was no judgement in this area, and no amounts should be recorded in the Group's financial statements, since these funds belong to tenants. Refer to Note 25 of the financial statements for details of the value of client money held at 31 December 2022.

Financial reporting

The Committee regularly reviews the robustness of financial reporting processes. The Group maintains a comprehensive financial review cycle, which includes a detailed annual financial planning process where budgets are prepared for challenge and approval by the Board. Management reviews key performance indicators on a regular basis which enable business performance and the market to be monitored on an ongoing basis, allowing corrective action to be taken as necessary. At a Group level, a comprehensive management accounts pack, including income statements, a balance sheet, a cash flow statement, and key performance indicators, is reviewed monthly by the Board. Reforecasts of current year performance are carried out as required, and at least every quarter. Management monitors the publication of new accounting and reporting standards and reports on any updates to the Committee.

Risk management and internal controls

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

The Board has defined its risk appetite for strategic, financial, operational and compliance risks as set out on PAGE 31 of the Strategic Report. A standard methodology for risk assessment is applied across the Group to assist with monitoring gross and residual risk and comparing residual risk against risk appetite. As required by the Code, the Board, through the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. Further details can be found on PAGES 33 AND 34 of the Strategic Report.

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

- An ongoing process to identify, evaluate and manage significant risks, which is monitored and regularly reviewed by the Executive Leadership Team with significant issues presented to the Board and Audit Committee.
- The Group's compliance department continuously reviews operations to ensure that transactions have been properly authorised and procedures are adhered to across the Group.
- Appropriate segregation of duties and are embedded across the organisation.
- Management reports to the Audit Committee on the mechanisms in place to monitor the effectiveness of key internal controls, which includes mapping key entity level processes and controls to the Group's three lines of defence.
- On behalf of the Board, the Audit Committee reviews fraud, anti-bribery and whistleblowing policies and procedures and considers any whistleblowing incidents, and the appropriate response. There have been no recorded instances of bribery or corruption during the period under review.
- An annual fraud risk assessment and financial risk assessment is prepared and is subject to review by the Audit Committee.
- A system for planning, reporting and reviewing financial performance, including performance against strategy and the business plan as described above.
- The Environmental, Social and Governance (ESG) Committee reviews the TCFD climate related disclosures.
- Key management personnel, including the Chief Financial Officer, Chief Information Officer, Legal and Compliance Director and Alexander Hall's Risk and Compliance Committee, provide regular risk and control updates to the Audit Committee.
- Compliance with the risk appetite statement is monitored through the Group's standard monitoring and reporting mechanisms. The Board reviews the risk appetite statement annually.
- The Audit Committee reviews internal risks, including IT systems and cyber risk, to ensure that the Group's IT function effectively implements preventative and detective controls to monitor and mitigate risk.

On the basis of the above procedures and the monitoring processes employed, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems during 2022, and up to the date of the approval of the Annual Report and Accounts. No significant failings or weaknesses were identified during the period under review.

Internal audit

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

During 2022 PwC reported on four internal audits relating to lettings and sales governance, health and safety, HR policies and procedures and IT strategy. The independent reports issued in these areas were scoped with reference to the risk profile of each area and all areas were reported to be satisfactory, with only low or medium findings being reported against certain areas. Appropriate remediation plans have been put in place to respond to the findings with good progress made against these items in the year.

The Committee assesses the effectiveness of internal audit on a regular basis.

Whistleblowing

The Group believes that it is important to have a culture of openness and accountability in order to prevent situations relating to possible impropriety, financial or otherwise, from occurring or to address them when they do occur. The Group's independent whistleblowing helpline continues to be in operation and activity reports are provided to the Committee, with any matters relating to Senior Management being reported directly to the Audit Committee Chair. Any material whistleblowing matters are raised to the Board and responded to accordingly. The Committee is satisfied that the whistleblowing policy and its administration remain effective.

/ AUDIT COMMITTEE REPORT CONTINUED

Fair, balanced and understandable

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

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

The process outlined, together with the review and challenge of management by the Committee and its recommendation to the Board, provides comfort to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy, position and performance. The Directors confirm this statement within the Directors' Responsibilities Statement on PAGE 133.

External auditor

BDO continued as external auditor in 2022, following appointment at the 2020 AGM and the conclusion of a formal tender process for the statutory audit contract. The 2022 audit was led by Tim Neathercoat. Under the partner rotation rules set out in the applicable ethical standards, his final year as partner will be 2024 after five years of service.

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

- Reviewing the external auditor's plan, with specific focus on the auditor's approach to auditing areas new or unique to the 2022 audit such as the fair value loss on the investment in Boomin and the acquisition accounting for the two businesses acquired in the year.
- Discussing the results of the external auditor testing, including their views on material accounting issues, key judgements and estimates, and their audit report.
- Considering the robustness of the audit process, specifically how the auditor had challenged management's key assumptions and demonstrated professional scepticism. The Committee assessed this area through discussion with the audit partner, review of the auditor's benchmarking of management's assumptions and consideration of the quality and depth of the auditor's observations and challenge.
- Reviewing the quality of people and service provided by BDO, including a review of the FRC's latest Audit Quality Review of BDO.
- Confirming the independence and objectivity of BDO.

The Committee concluded that it was satisfied with the performance, ongoing quality and independence of BDO as external auditor.

Non-audit services

In brief, there are certain services termed 'excluded services' that are not permitted to be provided by the external auditor. Excluded services comprise services prohibited under the applicable regulatory and ethical guidance. All permitted non-audit services provided by the external auditor are subject to prior approval by the Committee. With the exception of the interim review performed under International Standard on Review Engagements (UK and Ireland) 2410 and an accountant's report required as a Propertymark member, there were no other non-audit services undertaken during the year. Total non-audit fees for services provided by BDO for the year ended 31 December 2022 were £45,000 (2021: £37,500). Audit fees for the year were £375,000 (2021: £292,500).

Evaluation of the Audit Committee's performance

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

Conclusion

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence of the external auditor during the year.

KEY ACTIVITIES

Since the last Audit Committee Report, the Committee has held four meetings, with the principal work being:

Role	Tasks	July 2022	Sept 2022	Dec 2022	Feb 2023
Financial reporting	Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements, including any relevant changes in accounting or reporting standards.	●	●	●	●
	Review of key financial reporting matters (key matters are set out on PAGES 85 AND 86).	●	●	●	●
	Reviewing the plan for the production of the 2022 Annual Report and Accounts, including the plans for reporting on the UK Corporate Governance Code.			●	
	Receiving the annual and half-yearly financial statements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable. In fulfilling this task, the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures. The Committee also reviewed supporting papers to ensure the Annual Report and Accounts were factually correct.	●			●
	Reviewing the going concern paper which analysed the profitability and cash generation of the Group and agreeing with the adoption of the going concern basis.	●		●	●
	Reviewing the Group's assessment of the Task Force on Climate-Related Financial Disclosures framework and reviewing the related disclosures in the Annual Report and Accounts with reference to the ESG Committee's recommendations.				●
	Considering and reviewing the viability statement and supporting sensitivity analysis which assessed the potential impact of the principal risks on the future performance and liquidity of the Group over a five-year period.			●	●
External audit	Approving the appointment of the external auditor and their terms of engagement and fees for the financial year 2022.		●		
	Considering the scope of work to be undertaken by the external auditor, assessment of the auditor's professional scepticism and reviewing the results of the work undertaken.	●	●		●
	Receiving the external auditor's audit planning paper for 2022 and reviewing materiality thresholds and areas of risk where the auditor would concentrate.		●		
	Reviewing and monitoring the independence of the external auditor and approving their provision of non-audit services.		●		●
	Reviewing the effectiveness of the external audit process.				●
	Reviewing the external auditor's interim review, pre year end and year end report in which no material issues were identified.	●		●	●
Internal audit	Reviewing internal audit's assurance map and risk assessment. Approving the internal audit plan for 2023.			●	
	Reviewing internal audit reports following the completion of specific audits, monitoring progress against the internal audit plan and assessing ongoing effectiveness of internal audit.	●	●	●	
Internal controls	Ensuring compliance with the UK Corporate Governance Code.				●
	Reviewing the whistleblowing policy and helpline reports.		●	●	●
	Reviewing internal control reports from external audit, internal audit and relevant management committees; and advising the Board on the effectiveness of the Group's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.	●	●	●	●
Risk Management	Reviewing the Group's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Group and comparing residual risk against the Board's risk appetite.		●	●	●
	Reviewing controls within the IT function through reports received from the Chief Information Officer, the internal auditor and the external auditor, including progress with the Group's cyber security strategy, response to cyber threats and attacks and the general IT control environment.	●		●	●
	Receiving a report on legal and compliance matters within the Group including compliance with the General Data Protection Regulation (GDPR).		●		
Governance	Reviewing the Committee's terms of reference.			●	
	Reviewing the Group's non-audit services policy.		●		

Rosie Shapland
Chair of the Audit Committee
6 March 2023

/ DIRECTORS' REMUNERATION REPORT

5 REMUNERATION

"The outcome of the Committee's full 2022 review is that the Remuneration Policy remains fit for purpose and aligned to the business strategy. As such, the proposed changes to the Remuneration Policy are minor.

Alan Giles
Chairman of the Remuneration Committee

Members of the Remuneration Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Directors who are Committee members are considered independent by the Board and in accordance with the Code. Nigel Rich was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on PAGES 64 AND 65. Members' attendance at Committee meetings is set out in the table on PAGE 72. The Company Secretary acts as Secretary to the Committee.

Chairman: Alan Giles[1]

Members as at 31 December 2022[2]: Nigel Rich, Sheena Mackay, Rosie Shapland, Peter Rollings[3].

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN Refer to PAGES 91 TO 93	Overview statement from the Committee Chairman providing relevant background for remuneration decisions and a summary of key decisions.
THE WORK OF THE COMMITTEE Refer to PAGE 94	An overview of our work in the year.
DIRECTORS' REMUNERATION REPORT AT A GLANCE Refer to PAGE 95 TO 102	A summary of remuneration in respect of 2022.
OUR NEW 2023 DIRECTORS' REMUNERATION POLICY Refer to PAGES 103 TO 113	Details of the new policy that will be put to a binding shareholder vote at the 2023 AGM.
2022 ANNUAL REPORT ON REMUNERATION Refer to PAGES 114 TO 129	Our Annual Report on Remuneration includes the following sub-sections: • Our approach to fairness and wider workforce considerations. • How we implemented the current Policy in 2022. • Additional information.

The 2022 Annual Report on Remuneration, including the Annual Statement from the Remuneration Committee Chairman, will be subject to an advisory vote at the 2023 AGM.

1 Alan Giles will retire from the Board at the 2023 AGM and Annette Andrews, who was appointed to the Board on 1 February 2023, will become Chair of the Remuneration Committee upon Alan's retirement.

2 Annette Andrews and Jack Callaway were appointed to the Board and Remuneration Committee on 1 February 2023.

3 Peter Rollings temporarily stepped down as a member of the Committee from the date he was appointed as Interim CEO (30 May 2022) to the end of the financial year (31 December 2022).

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN

On behalf of the Board, I am pleased to present the Remuneration Committee's report for the year ended 31 December 2022. This was the third and final year of the implementation of the Remuneration Policy agreed by shareholders in May 2020 and this annual statement sets out the outcome for this year and how it was reached, considering business performance and other factors, such as the wider stakeholder experience.

In line with the three-year policy cycle, the Remuneration Committee has conducted a full review of the 2020 Remuneration Policy. This annual statement summarises the review and the key changes for the 2023 Remuneration Policy, which will be put to a binding shareholder vote at the 2023 AGM on 9 May 2023.

Introduction

In a year of significant external political and economic pressures, driven by the war in Ukraine and unprecedented inflation levels, Foxtons performance in 2022 was good, with adjusted operating profit exceeding stretch targets underpinned by revenue growth across all businesses and disciplined cost control. The Lettings business performed particularly strongly, enhanced by the contribution from the acquired D&G lettings portfolio, growth in rental prices and market share growth.

Board changes

On 5 September 2022, we welcomed Guy Gittins as our new CEO. Guy is an excellent addition to our management team and has significant sector and leadership experience. Guy's remuneration arrangements have been set in line with the 2020 Remuneration Policy, which can be found in detail on PAGE 95, along with details of his buyout awards on PAGES 123 AND 124.

The Former CEO, Nic Budden stepped down from his role on 30 May 2022, and Peter Rollings, one of our Non-Executive Directors was appointed as Interim CEO until Guy was able to join us. Patrick Franco, the Group's Former COO, also stepped down from the Board on 1 April 2022 and departed the Company, effective 30 April 2022.

As disclosed in detail in the 2021 Directors' Remuneration Report, Chris Hough was appointed as CFO, effective 1 April 2022 as an internal promotion, following Richard Harris' resignation from his role as the Group's Former CFO. Chris' remuneration arrangements have been set in line with the 2020 Remuneration Policy, which can be found in detail on PAGE 95.

We set out full details of the leaver arrangements for Nic Budden, Richard Harris and Patrick Franco on PAGES 125 AND 126, which are all in line with the shareholder approved Remuneration Policy.

2022 variable pay

Variable pay continues to form a core part of the reward for Executive Directors, Senior Management and front line employees, reflective of the culture at Foxtons, and in the residential property industry more generally. 2022 was a good year for financial results and wider non-financial KPIs. On a formulaic basis, this would result in the payment of bonuses to Executive Directors, under the Bonus Banking Plan (BBP), of 86% of maximum.

The Committee carefully considered the appropriateness of the 2022 BBP targets and the respective formulaic BBP outcomes in light of the overall business performance on a holistic basis, including consideration of the experience of stakeholders in 2022. Whilst the targets remained appropriate and performance of the business was good, leading to high outcomes versus the performance measures, the Committee gave particular weight to the disappointing share price performance during 2022, and the write off of the investment in Boomin, and has therefore decided to use its discretion to reduce the formulaic outcomes of the BBP for 2022 by 20%, resulting in payments to Executive Directors of 68.8% of maximum. This translates to bonuses of 103% of base salary for the CEO and Former CEO and 86% of base salary for the CFO and Former COO. The Former CFO was not eligible for a 2022 bonus award. Note that all bonuses vested on a time pro-rata basis for time in role during the performance period. Further details are set out on PAGE 122.

For similar reasons the Committee used its discretion to reduce the grant sizes awarded to Executive Directors on 1 April 2022 under the Restricted Share Plan from 100% to 75% of base salary for the Former CEO (although that grant was subsequently forfeited upon his departure), and 75% to 56.25% of base salary for the CFO.

Whilst neither of the current Executive Directors, nor the Former CEO and Former CFO have 2020 RSP awards that will vest in May 2023, the Committee considered the issue of windfall gains given that a pro-rated award is due to vest to the Former COO, Patrick Franco. Following detailed consideration, the Committee has determined that no adjustment would be appropriate to the vesting of the award on the basis it was granted at a share price that was stable for much of the period of 2020, and has not materially increased over the vesting period, and therefore that there is no windfall gain incorporated within the value of the award. The final vesting of this award will be disclosed in the Directors' Remuneration Report next year.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIRMAN CONTINUED

Our 2023 Remuneration Policy

In line with the three-year Policy cycle, the Remuneration Committee conducted a full review of the 2020 Remuneration Policy in 2022. Our updated 2023 Remuneration Policy will be put to a binding shareholder vote at the 2023 AGM on 9 May 2023.

During 2021, and following extensive discussions with shareholders, the Remuneration Committee undertook a comprehensive review of the implementation of the 2020 Remuneration Policy, which informed our approach to Executive remuneration for 2021 and beyond. As set out in full details in our 2021 Directors' Remuneration Report, these changes were within the provisions of our 2020 Remuneration Policy and aimed to further align Executive remuneration with shareholders.

Following the 2021 updates to the implementation of the Remuneration Policy, and the subsequent successful recruitment of our CEO, the outcome of the Committee's full 2022 review is that the Remuneration Policy remains fit for purpose and aligned to the business strategy. As such, the proposed changes to the Remuneration Policy are minor and are based on embedding the improvements already implemented in practice such that they are reflected in the Remuneration Policy itself. The changes being proposed for the 2023 Remuneration Policy are therefore as follows:

- **BBP deferral:** 50% of the participant's plan account cumulative balance will be paid in cash for each of the first three years of the plan (current wording states a maximum of 70% will be paid in cash).
- **Maximum pension contribution:** The maximum pension contribution for all Executive Directors is in line with that provided to the majority of the workforce (which is currently 3% of salary).
- **Salary Substitute Restricted Shares:** A proportion of Executive Director salaries can be paid in Salary Substitute Restricted Shares, which allows flexibility on recruitment. This has been implemented since April 2022 and will now be formalised under the policy.
- **Chairman and NED fees:** Formalise the flexibility to pay Chairman and NED fees partially in shares, on a case-by-case basis.

We offered engagement on these proposed changes to ten of our largest shareholders in November. All replies received were fully supportive.

2023 Implementation

CEO base salary review

Following the recent appointment of the CEO at a salary of £450,000, in line with the median for FTSE Small Cap companies and 22% lower than his predecessor, and given the wider context around the cost of living crisis, the Remuneration Committee determined that no increase will be awarded to the CEO for the year from 1 January 2023.

CFO base salary review

Chris Hough was appointed as CFO with a gross base salary of £250,000 which is significantly below that of his predecessor (£305,400) and below the market rate for a business of the size and complexity of Foxtons. The Committee did this with the intention of keeping his salary under review with the potential to move it towards the market rate as the CFO developed and established himself in the role.

Having reviewed the CFO's performance, the Committee is confident that since appointment on 1 April 2022 Chris has rapidly established himself in the role and has demonstrated strong performance over the period to date. The Committee has therefore considered moving the CFO's base salary to align with pay levels for equivalent roles in the market.

To achieve this would require a salary increase in excess of that awarded to the wider workforce. Given the current inflationary pressures that our wider workforce has experienced and the broader cost of living crisis, the Committee do not feel that it would be appropriate to award the CFO a significant salary increase at this time and as such, no increase will be awarded to the CFO for the year from 1 January 2023, in line with the approach for the CEO. The Committee will however keep this under review with the intention of aligning the CFO's salary with the market in 2024, subject to continued performance in role. Any increase will be disclosed in next year's remuneration report along with the supporting rationale.

2023 incentives

2023 incentives will be operated in line with the 2023 Remuneration Policy, subject to shareholder approval. As such, the CEO and CFO will be eligible for a BBP opportunity of 150% and 125% of salary, respectively, and a RSP grant of 100% and 75% of salary, respectively.

The BBP will continue to be based on adjusted operating profit, Sales market share growth, Lettings market share growth and an assessment of the employee experience, and a qualitative holistic underpin will continue to apply annually to the unpaid balance of the BBP and at the point of vesting for the RSP.

The discretionary underpin allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.

The Committee is satisfied that the operation of a holistic underpin is the most appropriate approach for Foxtons. Given the challenges inherent in setting long-term targets, it is essential that the Committee retains the flexibility to assess performance 'in the round' and review all elements of performance as a whole, rather than implementing quantitative targets that may reduce the relevance of the underpin at the point of final assessment.

To ensure that the qualitative underpin is robustly and thoroughly assessed, the Committee has developed a framework to assess performance over the period. In particular, the Committee will reduce the vesting level of the BBP and RSP if any of the following are considered to be below a satisfactory level:

- Underlying financial performance, considering key financial performance indicators in particular.
- ESG performance and impact.
- Individual performance.
- Operational performance.
- Stakeholder experience, including, but not limited to shareholders.

Wider workforce

As set out in detail on PAGE 114 of the wider Annual Report and Accounts and in summary above, the Committee considers business performance, as well as the wider stakeholder experience when making remuneration decisions for Executives.

During 2022, rising inflation and the cost of living crisis have impacted our workforce. In light of this, Foxtons reviewed wider workforce salaries and awarded an average salary increase of 4% across the business (excluding Directors). For those members of the wider workforce who receive variable pay the average increase from 2021 was 22%.

For 2023, most employees will typically receive a base salary increase of 5%, but with higher increases of 14% and 15% respectively for Negotiators and branch support staff.

ESG measures

During the year the Committee has reflected on the growing use of ESG measures in Executive incentive plans. Employee engagement is a well-established component of our annual bonus performance measures, and as disclosed last year, during 2022 the Committee modified this approach to make a broader assessment of how employees have been managed and their overall experience rather than a single narrow engagement measure.

As described in the ESG Committee report the Group is committed to reducing its environmental impact by lowering emissions and reducing energy consumption, including an interim emissions target to reduce Scope 1 and Scope 2 emissions by 30% by 2030 (from a 2021 baseline), a commitment to electrify our vehicle fleet by 2030 and ongoing work to improve the efficiency of our offices.

We will continue to review the importance of a range of ESG measures, in particular those that relate to the environment, but do not propose to introduce further measures into incentive plans until we are sure they are material to our strategy and can be robustly measured.

Conclusion

The performance in 2022 was strong on a range of metrics and the Executive team have rapidly established themselves in role following their respective appointments. We look forward to receiving shareholder feedback on our Remuneration Report and Remuneration Policy, and hope to receive support in favour of these at our upcoming AGM.

After four years as Chairman of the Remuneration Committee I will be stepping down after the 2023 AGM. I would like to take the opportunity to thank members of the Committee, our internal and external advisors and shareholders for their time and support, and I am pleased to welcome Annette Andrews as my successor.

Alan Giles OBE
Chairman of the Remuneration Committee
6 March 2023

/ DIRECTORS' REMUNERATION REPORT CONTINUED

THE WORK OF THE COMMITTEE

How many times did the Committee meet and what did we do?

We met as a Committee four times since the last Directors' Remuneration Report. We believe it is important that the Committee keeps up to date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. The Committee's key activities since the 2021 Directors' Remuneration Report was issued are set out below.

July 2022

- Confirmed the remuneration implications of various Senior Management changes.
- Agreed a workplan for the review of the Remuneration Policy.

September 2022

- Reviewed the Remuneration Policy.
- Reviewed trends and governance developments.
- Reviewed the market share performance measures methodologies.

December 2022

- Reviewed the Remuneration Policy.
- Reviewed the likely outturn of the 2022 BBP for Executive Directors.
- Reviewed Senior Management remuneration.
- Reviewed the Executive Directors' and the Chairman's remuneration for 2022.

February 2023

Matters relating to 2022:

- Reviewed and approved the outturn of 2022 bonus payments for Executive Directors and Senior Management.
- Reviewed and approved the 2022 Directors' Remuneration Report.
- Reviewed workforce remuneration.
- Reviewed the latest Gender Pay Gap Report.

Matters relating to 2023, policies and other matters:

- Reviewed Executive Director remuneration, including 2023 packages, BBP 2023 targets and 2023 share awards.
- Reviewed Senior Management remuneration, including 2023 packages and share-based awards.

Additional activities undertaken by the Committee during 2022

- Considered and approved the leaver arrangements for the Former CEO and Former COO.
- Considered and approved the remuneration arrangements of the incoming CEO.

Who supports the Committee?

During the year, we sought internal support from the CEO and CFO whose attendance at Committee meetings was by invitation from the Chairman, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Senior Management team. The Company Secretary acts as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration. Our adviser is PwC, with further details provided on PAGE 129.

What are the Committee's responsibilities?

The key responsibilities of the Remuneration Committee are to:

- Determine the Remuneration Policy for Executive Directors and Senior Management, in the context of pay and conditions across the wider workforce.
- Review workforce remuneration and related policies across the Company as a whole.
- Design specific remuneration packages which include salaries, bonuses, equity incentives, pension rights and benefits.
- Review the Executive Directors' service contracts.
- Ensure failure is not rewarded and that steps are always taken to mitigate loss on termination, within contractual obligations.
- Approve the terms, recommend grants and approve the vesting outcomes under the Group's incentive plans.

The Committee's terms of reference, which are reviewed regularly, are set out on the Company's website (www.foxtonsgroup.co.uk).

Annual evaluation of the Remuneration Committee's performance

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

DIRECTORS' REMUNERATION REPORT AT A GLANCE

Remuneration in respect of 2022

The Remuneration Policy operated as intended during the year. The following tables set out what our Executive Directors earned during the year:

Fixed components

Current Executive Directors

Guy Gittins, CEO (appointed CEO from 5 September 2022)

- **Salary**: £450,000
- **Pension:** 3% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Chris Hough, CFO (appointed CFO from 1 April 2022)

- **Salary:** £250,000
- **Pension:** 3% of base salary
- **Benefits:** : Company car (or allowance), life assurance and private medical insurance

Former Executive Directors in role during the year

Nic Budden, Former CEO (stepped down on 30 May 2022)

- **Salary:** £579,600
- **Pension:** 10% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Richard Harris, Former CFO (stepped down on 1 April 2022)

- **Salary:** £305,400
- **Pension:** 3% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Patrick Franco, Former COO (stepped down on 1 April 2022)

- **Salary:** £305,400
- **Pension:** 3% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Peter Rollings, Interim CEO (30 May 2022 to 4 September 2022)[1]

NED fee increased to annual rate of £450,000 during this period

1 Peter Rollings, currently an Independent Non-Executive Director, acted as Interim CEO following Nic Budden's departure and until Guy took up his appointment. During the period Peter was in role as Interim CEO and for a short handover period after Guy Gittins joined, Peter's Non-Executive Director fee was increased to an annual rate of £450,000, in line with the salary level for the new CEO.

Variable components

2022 Annual BBP outcome

	Formulaic bonus outcome (% of maximum)	Discretionary adjustment (% of formulaic outcome)	Final bonus outcome (% of maximum)	Maximum bonus (% of salary)	Salary (pro-rated)[1] (£'000)	Bonus outcome[2] (£'000)	Bonus outcome (% pro-rated salary)
CEO Guy Gittins	86.0%	(20.0)%	68.8%	150%	146.6	151.3	103%
CFO Chris Hough				125%	187.5	161.3	86%
Former CEO Nic Budden				150%	241.5	249.2	103%
Former COO Patrick Franco				125%	76.4	65.7	86%

1 The salary used in the bonus calculation is that approved for the year and pro-rated for the time served as a Board member.

2 The annual bonus earned for the CEO, CFO, Former CEO and Former COO has been pro-rated for the time served as a Board member. For the Former CEO and Former COO, amounts earned continued to be paid into the BBP at the normal time in early 2023 (with any cash distribution at that time). The plan account will continue to be payable according to the original payout profile. The Former COO received a pro-rated bonus for the four months that he was employed at the Company. As per the regulations, only three months of this value is included in the single figure table, as well as the table above, reflecting the time that Patrick Franco was an Executive Director. Note that the Former CFO (Richard Harris) was not eligible for a 2022 BBP award, and as such, has not been included in the table above.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION REPORT AT A GLANCE CONTINUED

More detail on the performance condition outcomes and the adjustments made to the formulaic outcomes are set out on PAGE 122.

Each year the bonus outcome contributes to the participants' plan account with a proportion paid out in cash and a proportion paid out in shares. The table below summarises the movements in participants' plan account from 31 December 2022 onwards:

	CEO Guy Gittins (£'000)	CFO Chris Hough (£'000)	Former CEO Nic Budden (£'000)	Former COO Patrick Franco (£'000)
Value of deferred notional shares in plan account at 31 December 2022 (end of year three of the plan)	n/a	n/a	163.4	71.8
Bonus contribution made at the start of 2023 in respect of performance over 2022	151.3	161.3	249.2	87.5[2]
Cumulative account following contribution and dividends	**151.3**	**161.3**	**415.2**	**160.4**
Less: 2023 cash payment out of the plan account[1]	(75.6)	(80.6)	(207.6)	(80.2)
Value of deferred notional shares carried forward over to 2023	**75.6**	**80.6**	**207.6**	**80.2**

1 As described in last year's report, the percentage of the BBP account that is deferred into shares was reviewed in 2021, and it was decided that the deferral percentage would be increased from 30% to 50% in line with market best practice, implemented on a phased basis. As such, the deferral into shares is 50% with respect to bonus outcomes for 2022 onwards. Note that the Former CFO (Richard Harris) forfeited all outstanding amounts in his plan account on cessation and as such, he has not been included in the table above.

2 To reflect the full amount of bonus earned in 2022, the bonus contribution amount for Patrick Franco is pro-rated for the four months that he was employed at the Company. As per the regulations, only three months of this value is included in the single figure table and the 2022 Annual BBP outcome table (£65,661), reflecting the time that Patrick Franco was an Executive Director.

Long-term incentive plans vesting during 2022

Long-term incentives	CEO Guy Gittins actual (£'000)	CFO Chris Hough actual (£'000)	Former CEO Nic Budden actual (£'000)	Former COO Patrick Franco actual (£'000)
Share option award that vested based on a performance period ending in the year[1]	n/a	n/a	0	0
No RSP awards were due to vest during the year	n/a	n/a	n/a[2]	n/a[3]

1 The Former CEO (Nic Budden) and Former COO (Patrick Franco) were awarded options over 6.5 million and 1 million ordinary shares, respectively, under the 2017 Share Option Plan. These were due to vest during the year, subject to the achievement of TSR targets over the five-year performance period to 16 May 2022. The TSR performance over the period was calculated to be -16.7% p.a., below the threshold performance level of 10% pa. As such, these awards lapsed in the year. No discretion was applied by the Committee. The Former CFO's 0.3 million of options were forfeited on cessation of employment.

2 In line with the default treatment, the Former CEO's unvested RSP awards were forfeited on cessation of employment. This treatment also applied to the Former CFO's in-flight RSP awards.

3 The Former COO's in-flight awards will be pro-rated for time to reflect the proportion of the vesting period in employment (to 30 April 2022).

Total single figure of remuneration

Total single figure of remuneration	CEO Guy Gittins (£'000)	CFO Chris Hough (£'000)	Former CEO Nic Budden[1] (£'000)	Former CFO Richard Harris (£'000)	Former COO Patrick Franco (£'000)
2022	**603**	**504**	**534[2]**	**86**	**146**
2021	-	-	1,707[3]	751[3]	742[3]

1 Peter Rollings, currently an Independent Non-Executive Director, acted as Interim CEO following Nic Budden's departure, and until Guy Gittins took up his appointment. Peter Rollings' single figure fee during his period as Interim CEO was £134,659.

2 As reported in last year's Remuneration Report the Former CEO received a RSP grant on 1 April 2022 with a value of £434,700 in line with the Remuneration Policy which was subsequently forfeited on his departure. As a result the value of this RSP award is not included in the above total single figure of remuneration for 2022.

3 The Former CEO and Former CFO's in-flight RSP awards were forfeited in full on cessation of employment, which constituted £579,600 of the single figure in 2021 for the Former CEO and £229,050 of the single figure in 2021 for the Former CFO. The Former COO's in-flight RSP awards were pro-rated to reflect the date of cessation with the lapsed amount constituting £146,345 of the Former COO's 2021 single figure, above.

Note that in line with the remuneration reporting regulations, the RSP awards have been included in the year of grant, which impact both the 2021 and 2022 total single figure. While the RSP award is included in the total single figure amount in the year of grant, it does not actually vest until three years after grant and is then subject to a further two-year holding period. Only once it vests is the Executive Director unconditionally entitled to the award.

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

	Experience during 2022
Employees	• The overall employee base of the Group has remained stable with fewer than 10 exit settlements in the year. • Wider workforce inflationary basic salary increases of 4% (excluding Executive Directors) and wider workforce variable pay outcomes of 22% up on 2021 (excluding Executive Directors). • Bonus outcomes of 56% of maximum bonus opportunity for Senior Management. • Maintained good employee engagement as evidenced through the independently administered employee engagement survey (85% engagement score).
Investors	• Total 2022 dividend of 0.9p per share (interim dividend of 0.2p per share and final dividend of 0.7p per share proposed), compared to a total 2021 dividend of 0.45p per share. • Bought back £4.9 million of shares to return excess capital to shareholders following the strong trading performance during the period. • Share price decreased from 39.5p at the end of 2021 to 29.7p at the end of 2022.
Directors	• No increase to base salary or Non-Executive Director fees for year commencing 1 January 2023. • CEO appointed on a reduced package compared to predecessor. • CEO and CFO take 10% and 20% of salary in shares respectively with significant vesting and holding periods. • Proportion of the BBP account plan paid in cash in relation to the 2022 performance year reduced to 50%.
Customers	• Continued to deliver high levels of customer satisfaction as evidenced by the 2022 Trustpilot score of 4.7 out of 5.
Wider society	• Environmental and social initiatives continue to be progressed, further details are provided in the ESG Committee's report set out on PAGES 82 AND 83.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

SUMMARY OF PROPOSED CHANGES TO THE DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN 2023

Executive Director remuneration under the 2023 Remuneration Policy

The Remuneration Committee is required to put the new 2023 Remuneration Policy to a binding shareholder vote at the next AGM to be held on 9 May 2023, as the current policy that was approved at the May 2020 AGM is approaching the end of its three-year approval period. This new policy will take effect from the date of that meeting and is intended to apply for three years.

Following its detailed review, the Committee determined that the structure of the current Remuneration Policy remains fit for purpose. Therefore, only minor changes to the policy are being proposed, in order to formalise recent improvements to how we operate pay. We have implemented these amendments under the current policy and are taking the opportunity to reflect them in the new policy:

- **BBP Deferral:** 50% of the participant's plan account cumulative balance will be paid in cash for each of the first three years of the plan (current wording states a maximum of 70% will be paid in cash).
- **Maximum pension contribution:** The maximum pension contribution for all Executive Directors is in line with that provided to the majority of the workforce (which is currently 3% of salary).
- **Salary Substitute Restricted Shares:** A proportion of Executive Director salaries can be paid in Salary Substitute Restricted Shares, which allows flexibility on recruitment. This has been implemented since April 2022, and will now be formalised under the Policy.
- **Chairman and NED fees:** Formalise the flexibility to pay Chairman and NED fees partially in shares, on a case-by-case basis.

Full details of the proposed Remuneration Policy are set out on PAGES 98 TO 102.

The diagram below sets out the key components of Executive Director remuneration with each element colour coded and referred to throughout the Report.

Base Salary		Benefits		Pension		BBP		RSP		
Competitive salary to attract the right calibre of Executive Paid 10% and 20% in Salary Substitute Restricted Shares for the CEO and CFO, respectively	+	Competitive benefits to attract the right calibre of Executive	+	Both Executive Directors: In line with workforce (3%)	+	150% (CEO), 125% (CFO) of salary maximum Key financial, operational and stakeholder performance indicators 50% deferral in shares	+	100% (CEO), 75% (CFO) of salary maximum Three-year vesting subject to underpin Two-year holding period	=	**Total Remuneration**

Shareholding guidelines: 250% of salary for CEO and 200% for CFO, extending in full for two years post-cessation of employment

A summary how the Policy is intended to operate in 2023 is set out in the following table.

Implementation in 2023

Base salary

Base salary from 1 April 2023:

- CEO: £450,000 (paid 90% in cash and 10% in Salary Substitute Restricted Shares) (0% rise)
- CFO: £250,000 (paid 80% in cash and 20% in Salary Substitute Restricted Shares) (0% rise)

Salary Substitute Restricted Shares that will be granted in 2023 vest after three years, subject to continued employment only. Following vesting, subject to an additional two-year holding period.

Average all employee rise estimated to be c.5%.

Benefits

All Executive Directors: Company car (or allowance), life assurance and private medical insurance.

Pension

Set in line with the majority employer contribution for the wider workforce:

- CEO: 3% of base salary
- CFO: 3% of base salary

BBP

Maximum opportunity for 2023:

- CEO: 150% of base salary
- CFO: 125% of base salary

Performance measures for 2023:

- 60% adjusted operating profit
- 15% Sales market share growth
- 15% Lettings market share growth
- 10% assessment of the employee experience

Targets are considered commercially sensitive and will be disclosed retrospectively for all information that is no longer commercially sensitive.

Threshold performance: 25% of the maximum payable.

Target performance: 50% of the maximum payable.

Upon annual assessment of performance by the Committee, a contribution will be made by the Company into the participant's plan account and 50% of the cumulative balance will be paid in cash for each of the first three years of the plan. Any remaining balance will be converted into shares or share-linked units.

The deferred balance in the participant's plan account is subject to an annual discretionary forfeiture underpin. See below for further details.

100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant.

Malus and clawback provisions apply.

RSP

2023 grants:

- CEO: 100% of base salary
- CFO: 75% of base salary

No performance measures are associated with the grant of awards.

Awards vest after three years, subject to continued employment and assessment of an underpin. Following vesting, an additional two-year holding period will apply.

Malus and clawback provisions apply.

Vesting is subject to a discretionary underpin. See below for further details.

Shareholding guidelines

The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors.

On cessation of employment, Executive Directors are required to retain the lower of their minimum shareholding requirement and actual shareholding immediately prior to departure for two years.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

SUMMARY OF PROPOSED CHANGES TO THE DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN 2023 CONTINUED

Framework to assess the BBP and RSP qualitative underpin

Payouts and vesting under the BBP and RSP are subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.

The Committee is satisfied that the operation of a holistic discretionary underpin is the most appropriate approach for Foxtons. Given the challenges inherent in setting long-term targets, it is essential that the Committee retains the flexibility to assess performance 'in the round' and review all elements of performance as a whole, rather than implementing quantitative targets that may reduce the relevance of the underpin at the point of final assessment.

To ensure that the qualitative underpin is robustly and thoroughly assessed, the Committee has developed a framework to assess performance over the period, which will be used going forward. In particular, the Committee will reduce the vesting level of the BBP and RSP if any of the following are considered to be below a satisfactory level:

- Underlying financial performance, considering key financial indicators in particular.
- ESG performance and impact.
- Operational performance.
- Individual performance.
- Stakeholder experience, including, but not limited to shareholders.

How our BBP performance measures in 2023 support the implementation of our strategy

In executing our strategy, we aim to create sustainable value and positive outcomes for our shareholders and all other stakeholders. We have reviewed the performance measures we use for our incentives to ensure that they support the delivery of our new strategy. The diagram below demonstrates how our incentive measures align to our strategy.

Our strategic priorities

1. LETTINGS ORGANIC GROWTH
2. LETTINGS ACQUISITIVE GROWTH
3. SALES MARKET SHARE GROWTH
4. FINANCIAL SERVICES REVENUE GROWTH

Refer to PAGES 7 AND 15 of the Strategic Report

Measuring performance

Financial performance	Operational performance	Employees and customers
Revenues	Market share growth	Employee engagement and experience
Transaction volumes	Balance of business	Customer satisfaction
Adjusted operating profit	Productivity	
Net free cash flow		

BBP

The following 2023 performance measures support the implementation of our strategy:

Adjusted operating profit	Market share growth (sales and lettings)	Employee experience

RSP

Supports the delivery of sustainable shareholder value through the build-up of a material shareholding and provides a shared ownership experience with the Group's shareholders.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

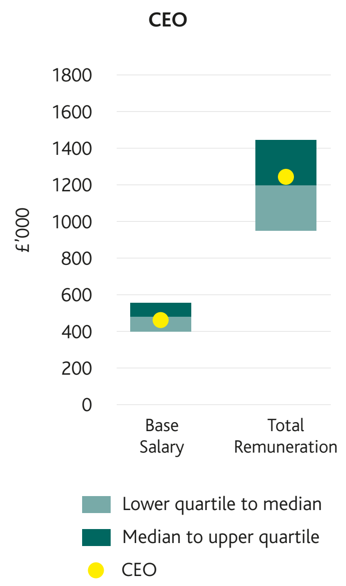
SUMMARY OF PROPOSED CHANGES TO THE DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN 2023 CONTINUED

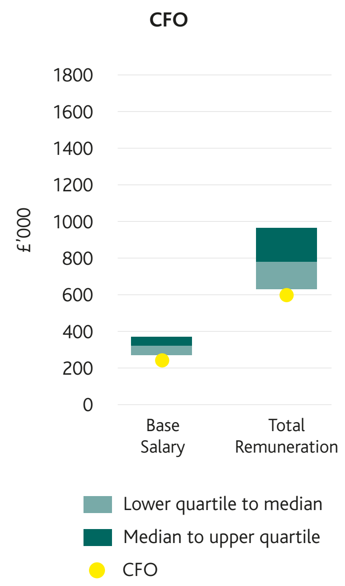
External relativities

The following charts show for the CEO and CFO the position of their base salary and on-target total remuneration compared to the FTSE Small Cap. The charts demonstrate the normal annual package of the CEO and CFO, i.e. on a full year basis and excluding buyout awards that were awarded to the CEO on appointment to compensate for the forfeiture of incentive arrangements held with his previous employer.

The charts demonstrate that the remuneration package of the CFO is positioned below the lower quartile versus the FTSE Small Cap for salary and total remuneration. As set out in further detail in the Chairman's letter, the CFO was appointed with a gross base salary significantly below that of his predecessor (£305,400) and below the market rate for a business of the size and complexity of Foxtons. The Committee did this with the intention of keeping his salary under review with the potential to move it towards the market rate as the CFO developed and established himself in the role and intended to align the CFO's salary with the market in 2024.

The CEO package is competitively positioned in relation to the FTSE Small Cap.





OUR NEW 2023 DIRECTORS' REMUNERATION POLICY

The Remuneration Committee is required to put the new 2023 Remuneration Policy to a binding shareholder vote at the next AGM to be held on 9 May 2023, as the current policy that was approved at the May 2020 AGM is approaching the end of its three-year approval period. This new policy, set out below, will take effect from the date of that meeting and is intended to apply for three years.

Our remuneration principles / The Company applies the following remuneration principles throughout the organisation at all levels:

- The Company's policy is to target a remuneration package that is at around median, for median performance, and in the upper quartile for exceptional performance, and which is closely linked with the Company's strategic objectives.
- In setting all elements of remuneration the Company seeks to benchmark itself against comparable companies.
- The aim of the Company's policy is to attract, retain and continue to motivate talented employees while aligning remuneration with the achievement of the Company's strategic objectives.

In line with this, our key objective for the Remuneration Policy is to help promote the long-term sustainable success of the Company by providing fair and competitive remuneration packages that attract, retain and motivate Executive Directors and Senior Management of the right calibre to deliver the Company's strategy, while aligning remuneration with shareholder interests. This is achieved by a significant proportion of remuneration being in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals, as well as a significant proportion of remuneration delivered in long term equity to encourage sustainable shareholder value creation. The Committee aims to ensure that remuneration arrangements are clear, simple, not excessive and are aligned with the Company's purpose, culture and values, with mechanisms in place to ensure there are no rewards for failure. When setting the Remuneration Policy, the Committee takes into account remuneration across the organisation as a whole, where variable pay is a relatively high component throughout.

How did the Committee determine the new Remuneration Policy? / The process the Committee went through in determining the new Remuneration Policy was as follows:

- The Committee considered the Company's strategy, how the current Remuneration Policy related to and supported the strategy, and formed its own views on the changes (if any) required to the policy to align with the strategy.
- The Committee considered feedback from shareholders and investor bodies on the 2020 Directors' Remuneration Policy and recent remuneration reports.
- The Committee sought advice from its independent remuneration consultant on market best practice, regulations and current investor sentiment in formulating the new Remuneration Policy.
- The Committee considered implementation amendments that had been made within the flexibility of the 2020 policy, and the extent to which these should be formalised in the new policy.
- The Committee reviewed the wider workforce remuneration and incentives to ensure the approach to Executive remuneration is consistent.
- The Committee consulted with Executive Directors on the Remuneration Policy and potential changes.
- The Committee conducted a consultation exercise with major shareholders on the changes.

The Committee was mindful in its deliberations on the new Remuneration Policy of any potential conflicts of interest and sought to minimise them through an open and transparent internal consultation process; by seeking independent advice from its external advisers and by undertaking a shareholder consultation exercise.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

OUR NEW 2023 DIRECTORS' REMUNERATION POLICY CONTINUED

Alignment to Provision 40

In determining the new Remuneration Policy, the Committee paid attention to Provision 40 of the 2018 UK Corporate Governance Code. The table below sets out how the Committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in Provision 40 of the Code.

Factor	How the Committee addressed these factors
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The BBP performance conditions are based on the core KPIs (which includes the employee experience) of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. • The RSP and salary substitute shares provide annual grants of shares which must be retained for the longer term to ensure a focus on sustainable performance in an inherently cyclical market. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• The performance conditions for the BBP are based on the Group's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy includes: • Requiring the deferral of a substantial proportion of the incentives in shares for a material period. • Aligning the performance conditions with the strategy of the Group. • Ensuring a focus on long-term sustainable performance through the RSP and Salary Substitute Restricted Shares. • Forfeiture thresholds. • Ensuring there is enough flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • Deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short term behaviours. • Aligning any reward to the agreed strategy of the Group. • The use of an RSP supports a focus on the sustainability of the performance over the longer term. • Reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate. • Reducing the awards or cancelling them if it appears that the criteria on which the award was based do not reflect the underlying performance of the Group. We have enhanced this by setting out a clear framework for assessing the BBP and RSP qualitative underpin.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	• Our Policy sets out clearly the range of values and discretions in respect of the remuneration of management. • The RSP increases the predictability of the rewards received by Executive Directors, and the BBP, being based on annual targets, operates over a time cycle where performance is more predictable compared with traditional long-term incentive plan schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes for all stakeholders.
Proportionality The link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance.	• The BBP provides a clear link between the reward provided to management and the delivery of the strategy through incentivising management to deliver the KPIs. • The RSP and salary substitute shares provides a focus on the long-term sustainable performance of Foxtons through the build up of a long-term locked in shareholding. • Both the BBP and the RSP includes performance underpins that allow the Remuneration Committee to exercise its discretion to override formulaic outcomes.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	• The BBP drives behaviours consistent with Foxtons' strategy. • The RSP drives behaviours consistent with the Group's purpose and values which are focused on the long-term future of the business throughout the business cycle.

Policy for Executive Directors / Details of the Remuneration Policy for Executive Directors under the new policy are provided below.

	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 the Group's strategy. Salary Substitute Restricted Shares increase alignment to the shareholder experience.	Salary increases are typically in line with those of the wider workforce. Typically reviewed on an annual basis considering several factors, including: • Scope and responsibilities of role. • Individual skills, experience and performance. • Business performance and the external economic environment. • Appropriate market data. • Pay and conditions elsewhere in Foxtons. A portion of the salary will typically be paid in Salary Substitute Restricted Shares. Note that the full gross base salary (cash plus Salary Substitute Restricted Shares) will be used to calculate all other remuneration elements that are set as a percentage of base salary. Salary Substitute Restricted Shares will typically be subject to a three-year vesting period, subject to continued employment only. A two-year holding period will typically apply after vesting. Salary Substitute Restricted Share Awards are subject to malus and clawback provisions (see PAGE 108 for details).	There is no prescribed maximum limit on salaries. However, salary increases will ordinarily be in line with those of the wider workforce. Increases may be made above this in certain circumstances, including (but not limited to): • An increase in scale, scope or responsibilities of the role. • Where individuals have been recruited or promoted with salaries below the targeted policy level initially and have become more established in their role.	Not applicable. No recovery provisions apply to the cash portion of base salary.
	Proposed changes: A proportion of Executive Director salaries can be paid in Salary Substitute Restricted Shares, which allows flexibility on recruitment (currently implemented, but not included in the 2020 policy).			
Benefits	To provide Executive Directors with market competitive benefits consistent with the role.	Benefits provided to Executive Directors may include (but are not limited to) a Company car or cash equivalent, life assurance, private medical insurance, health club membership and other benefits as appropriate. Executive Directors are eligible to participate in any all-employee share plans on the same basis as other employees, should such plans be implemented by the Group. Additional benefits may be offered such as relocation allowances, subject to the maximum period over which allowances shall be provided not exceeding two years. Executive Directors may utilise the services of the Company under the same preferential terms as all other employees.	Benefits may vary by role and individual circumstance and are reviewed periodically. There is no overall maximum.	Not applicable. No recovery provisions.
	Proposed changes: No proposed changes.			
Pension	To provide funding for Executive Directors' retirement at market competitive levels consistent with the role.	Executive Directors may receive pension contributions to a personal pension scheme and/or cash allowances in lieu of contributions.	Pension contributions are set in line with the majority employer contribution for the wider workforce (currently 3% of base salary). For any new appointment, pension contributions will be in line with the majority employer contribution for the wider workforce.	Not applicable. No recovery provisions.
	Proposed changes: Formalising the position on pension contributions that all pensions are set in line with the majority employer contribution for the wider workforce.			

/ DIRECTORS' REMUNERATION REPORT CONTINUED

OUR NEW 2023 DIRECTORS' REMUNERATION POLICY CONTINUED

Policy for Executive Directors / Details of the Remuneration Policy for Executive Directors under the new policy are provided below.

	Purpose and link to strategy	Operation	Maximum	Performance framework
BBP	Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis to enable successful implementation of the Group's strategy. Aligns the interests of Executives with shareholders and contributes to the retention of key individuals by deferring part of the annual bonus in shares or share-linked units.	Annual performance conditions and targets are set at the beginning of the plan year. Upon annual assessment of performance by the Committee, a contribution will be made by the Company into the participant's plan account and 50% of the cumulative balance will be paid in cash for each of the first three years of the plan. Any remaining balance will be converted into shares or share-linked units. 100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant. The Committee may award dividend equivalents on shares or share-linked units held under the plan to participants to the extent that they vest. The plan contains malus and clawback provisions (Refer to PAGE 108 for details).	Maximum opportunity is 150% of base salary. For threshold performance 25% of the maximum will be payable. For target performance, 50% of the maximum will be payable. For maximum performance 100% of the maximum will be payable.	Performance measures are determined annually with reference to the Group's key strategic business objectives for the year and are measured over a period of one financial year. A minimum of 50% of the bonus is based on financial measures. The remainder is based on non-financial measures aligned to the strategic priorities of the business and may also contain individual performance objectives. The deferred balance in the participant's plan account is subject to an annual discretionary forfeiture underpin that allows the Remuneration Committee to make adjustments to the value of the plan account if the Committee believes due to business performance, individual performance or wider Company considerations that the value should be adjusted. The Committee retains discretion to change the performance measures, targets and weightings part-way through a performance year if there is a significant and material event which causes the Committee to believe the original measures, weightings and targets are no longer appropriate; and make downward or upward adjustments to the amount of bonus contribution earned resulting from the application of the performance measures, if the Committee believes due to business performance, individual performance or wider Company considerations that the bonus outcomes should be adjusted. Any adjustments or discretion applied by the Committee will be fully explained in the following year's Directors' Remuneration Report.
	Proposed changes: Policy previous stated that 'up to 70%' of the participant's plan account would be paid in cash for each of the first three years. Proposed Policy reduces the cash payment to 50% of the participant's plan account for each of the first three years, in line with commitments made last year.			

Policy for Executive Directors / Details of the Remuneration Policy for Executive Directors under the new policy are provided below.

	Purpose and link to strategy	Operation	Maximum	Performance framework
RSP	To encourage and facilitate substantial long-term share ownership and reward the delivery of sustainable value over time in a cyclical business.	An award of conditional shares or nil cost options may be granted annually. Awards vest after three years, subject to continued employment and assessment of an underpin. Following vesting, an additional two-year holding period will apply, such that shares are not released until five years from grant. The Committee may award dividend equivalents on shares held under the plan to participants to the extent that they vest. The plan contains malus and clawback provisions (Refer to PAGE 108 for details).	Maximum award of 100% of salary.	No performance measures are associated with the grant of awards. Vesting is subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.
	Proposed changes: No proposed changes.			

Legacy arrangements / 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 in this report where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a Director of the Company.

Minimum shareholding requirement / The Committee believes that Directors should build a sizeable shareholding in the Company over time to ensure that they are as closely aligned as possible with the shareholder experience. The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors. Executive Directors are required to retain the post-tax number of vested shares from the RSP until the minimum shareholding requirement is met and maintained.

Shares that count towards the shareholding requirement include:

- Shares owned outright.
- Unvested shares which are not subject to further performance conditions, on a net of tax basis. Employment conditions and performance underpins may apply to these shares i.e. unvested Salary Substitute Restricted Shares.
- Shares which have vested, but which remain subject to a holding period and/or clawback, may count towards the shareholding requirement.

On cessation of employment, Executive Directors are required to retain their minimum shareholding requirement immediately prior to departure for two years. Where their actual shareholding at departure is below the minimum shareholding requirement, the Executive Director's actual shareholding is required to be retained on the same terms and for the same periods. Shares purchased by Executive Directors outside the Company's incentive plans are excluded from this requirement. In addition, the Company is using the Employee Benefit Trust or nominee accounts in which to hold shares to enable the post cessation requirements to be operated.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

OUR NEW 2023 DIRECTORS' REMUNERATION POLICY CONTINUED

Malus and clawback policies / Malus is the adjustment of annual bonus contributions or the balance in a participant's plan account, unvested RSP awards or unvested Salary Substitute Restricted Share Awards, because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus, vested RSP awards or vested Salary Substitute Restricted Share Awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's payment or award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group Company.
- If the assessment of any performance condition or condition was based on error, or inaccurate or misleading information.
- The discovery that any information used to determine the plan contribution or RSP award was based on error, or inaccurate or misleading information.
- Action or conduct of a participant which amounts to fraud or gross misconduct.
- A material failure of risk management.
- Corporate failure.
- Events or the behaviour of a participant have led to the censure of a Group Company by a regulatory authority which has led to a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	BBP	RSP
Malus	Up to the date of a payment under the plan	To the end of the three-year vesting period
Clawback	Two years post the date of any payment under the plan	Two years post-vesting

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

Discretion / The Committee will operate all incentive plans according to the rules and discretions contained therein to ensure that the implementation of the Remuneration Policy is fair, both to the individual Director and to the shareholders. The discretions cover aspects such as:

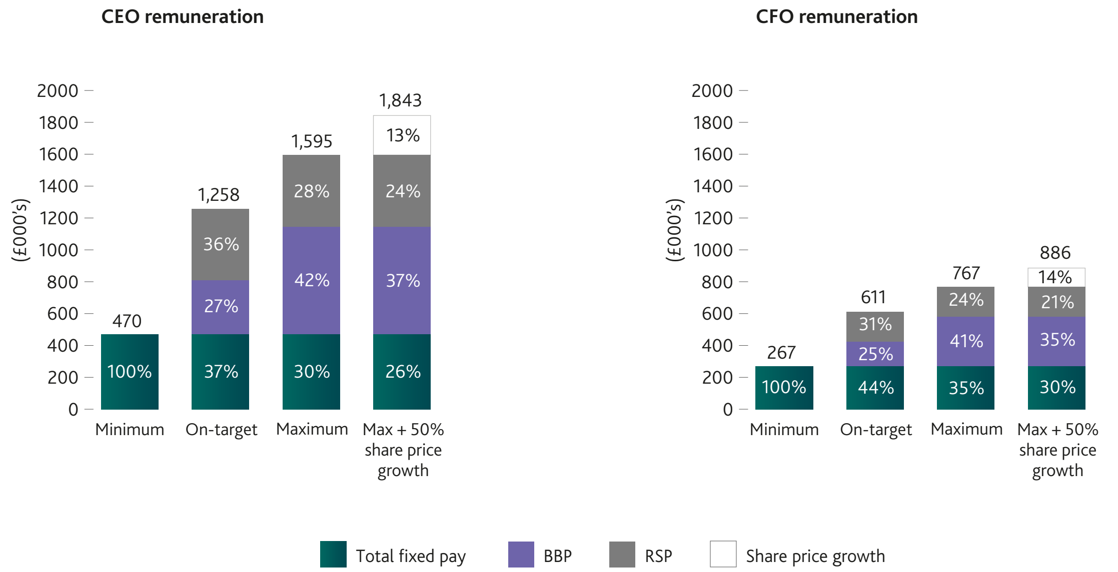
- Selection of participants.
- Timing of grant and vesting of awards.
- Size of awards (subject to the policy limits).
- Choice of measures, weightings and targets.
- Determining level of payout or vesting based on an assessment of performance.
- Settlement of awards in cash or shares.
- Treatment of awards on termination of employment and change of control.
- Adjustment of awards in certain circumstances, e.g. changes in capital structure, demerger, special dividend, distribution or any other corporate event which may affect the current or future value of an award.
- Adjustment of performance conditions in exceptional circumstances provided the new targets are fair and reasonable and neither materially more or less challenging than the original targets.
- Application of malus and/or clawback.

Any such use of discretion will be fully disclosed in the subsequent Directors' Remuneration Report and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Performance measure selection / Performance measures used under the annual bonus are selected annually to reflect the Group's main short- and long-term objectives and reflect both financial and non-financial priorities. The performance targets are set to be stretching but achievable, taking into account a range of internal and external reference points and having regard to the particular strategic priorities and economic environment.

Illustrations of total remuneration opportunity

The charts below provide estimates of the potential future reward opportunities under the Policy for the CEO and CFO (annualised basis) and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On Target', 'Maximum' and 'Maximum with share price growth of 50% over three years'. The Minimum scenario includes base salary, pension and benefits only (i.e. fixed remuneration).



Element	Assumptions
Total fixed pay	Base salary: Effective 1 January 2023 CEO £450,000 (10% paid in Salary Substitute Restricted Shares) CFO £250,000 (20% paid in Salary Substitute Restricted Shares)
	Pension: 3% of salary for the CEO, 3% of salary for the CFO
	Benefits: As disclosed in single figure table on **PAGE 120**
BBP	Minimum: No payout On-target: 50% of maximum (75% of salary for the CEO, 62.5% of salary CFO) Maximum: 100% of maximum (150% of salary for the CEO; 125% of salary for CFO)
RSP	Minimum: No vesting due to operation of the underpin On-target: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO) Maximum: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO)
Share price growth	Impact of 50% share price appreciation on maximum remuneration over three years (on Restricted Shares and Salary Substitute Restricted Shares).

/ DIRECTORS' REMUNERATION REPORT CONTINUED

OUR NEW 2023 DIRECTORS' REMUNERATION POLICY CONTINUED

Approach to remuneration on recruitment / In order to maintain the Group's competitive advantage, it is important that we are able to recruit and retain Directors of the calibre required to deliver successfully our strategic priorities. When determining the remuneration arrangements of a new appointment to the Board, the Committee will seek to apply the following principles:

- Although we operate in a competitive market for talent, we are mindful to pay no more than is necessary to attract and retain high-quality talent.
- The Committee will appoint new Executive Directors with a package that is in line with the policy in place at the time, as indicated in the table below.

Approach on recruitment

Salary	The base salary of new appointees will be determined by reference to the individual's role and responsibilities, experience and skills, relevant market data and pay and conditions elsewhere in Foxtons. Base salary may be higher or lower than the previous incumbent. Salary may be set at a lower level initially with the intention of increasing at a higher than usual rate as the Executive gains experience in the role. A proportion of salary may be paid in Salary Substitute Restricted Shares, if the Committee determines this appropriate.
Pension	New appointees will be eligible to receive pension contributions (or cash in lieu) in line with the policy.
Benefits	New appointees will be eligible to receive benefits in line with the policy, including relocation benefits if appropriate.
BBP	The structure described in the policy table will normally apply to new appointees with the relevant maximum being pro-rated to reflect the proportion of the year served. The Committee retains the flexibility to determine that for the first year of appointment any annual incentive award will be subject to such terms as it may determine.
RSP	New appointees will be eligible for awards under the RSP which will normally be on the same terms as other Executives, as described in the policy table.

- To facilitate recruitment, it may be necessary to "buy-out" remuneration arrangements forfeited on leaving a previous employer. This will be considered on a case-by-case basis and may comprise cash or performance and non-performance related share awards and would be in such form as the Committee considers appropriate considering all relevant factors such as the form, performance conditions, expected value, anticipated vesting and timing of the forfeited remuneration. The Committee's intention is that the value awarded would be no more than the commercial value of the awards forfeited.
- For internal promotions, the approach will be consistent with the policy for external appointees. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements. Similarly, if an Executive Director is appointed following Foxtons acquisition of or merger with another Company, legacy terms and conditions would be honoured.

Service contracts / The current Executive Director service contracts can be terminated by not less than 12 months' notice respectively given in writing by either party to the contract. For any new appointments, an Executive Director may initially be hired on a contract requiring 24 months' notice, which then reduces pro-rata over the course of the first year of the contract to 12 months' notice. The Directors are subject to annual re-election at the AGM. Executive Directors' contracts are available to view at the Company's registered office.

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 the Group and its shareholders, while considering the specific circumstances of cessation of employment. There should be no element of reward for failure.
- The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations being in line with the policy set out in this report, except where the terms of the payment were agreed before the policy came into effect or at a time when the relevant individual was not a director of the Company.
- 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. This payment may be subject to mitigation if alternative employment is taken up during this period.
- The Committee may authorise payments for statutory entitlements in the event of termination, reasonable settlement of potential legal claims, and payment of reasonable reimbursement of professional fees in connection with such agreements.

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

Plan	Good leavers[1]	All other leavers	Change of control
Salary Substitute Restricted Share Awards	• The award will normally be pro-rated for the period worked during the 12 months following the date of award. • Award will vest in full if cessation occurs more than 12 months after the date of award. • The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver (refer to footnote 1). – To determine whether to pro-rate the award to time if the leaver is within the first 12 months from award.	• See treatment in column to the left.	• Award will continue to vest and will normally be pro-rated at the Board's discretion to take account of the date the corporate event took place during the normal first 12 months of the Vesting Period. • The Committee has discretion to determine whether to pro-rate the award to time.
BBP	**Contribution for the year of cessation** • Performance conditions will be measured at the normal measurement date and that year's bonus contribution normally pro-rated for the period worked during the financial year. • The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver (refer to footnote 1). – To determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. **Deferred balance in the plan account** • The balance in the participant's plan account will be payable according to the original payout profile. • The Committee has the following elements of discretion: – To determine that an Executive Director is a good leaver (refer to footnote 1). – To determine whether to pro-rate the balance of the participant's plan account payable on cessation for time. As the plan account balance reflects prior year achievement, subject to any malus or clawback, the Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure.	**Contribution for the year of cessation** • No bonus contribution payable for year of cessation. **Deferred balance in the plan account** • The balance in the participant's plan account will be forfeited on cessation of employment.	**Contribution for the year of change of control** • Performance conditions will be measured at the date of the change of control, and the bonus contribution normally pro-rated to the date of the change of control. • The Committee has discretion to determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. **Deferred balance in the plan account** • The balance in the participant's plan account will be payable on the change of control. • The Committee has the following elements of discretion: – To determine whether the payment of the balance of the participant's plan account should be in cash or shares or a combination of both. – To determine whether to pro-rate the balance of the participant's plan account for time. As the plan account balance reflects prior year achievement, subject to any malus or clawback, the Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control.

1 The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing Company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

OUR NEW 2023 DIRECTORS' REMUNERATION POLICY CONTINUED

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

Plan	Good leavers[1]	All other leavers	Change of control

RSP	**For the year of cessation**
	• The award will normally be pro-rated for the period worked during the financial year.
	• The Committee has the following elements of discretion:
	  • To determine that an Executive Director is a good leaver (refer to footnote 1).
	  • To determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
	  • To determine whether the award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
	  • To determine whether the holding period will apply in full or in part. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
	Subsisting awards
	• Unvested awards will usually vest on the original vesting date (except on death, when awards may vest immediately), subject to assessment of the underpin, and are normally prorated for time.
	• The Committee has the following elements of discretion:
	  • To determine that an Executive Director is a good leaver (refer to footnote 1).
	  • To determine whether to pro-rate the award to the date of cessation. The Committee's normal policy is that it will pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure.
	  • To determine whether the awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
	  • To determine whether the holding period for awards applies in part or in full. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
		For the year of cessation
		• No award for the year of cessation.
		Subsisting awards
		• Unvested awards will be forfeited on cessation of employment (unless otherwise determined by the Committee).
		• Vested awards will remain subject to the holding period.
			For the year of change of control
			• The award will normally be pro-rated to the date of the change of control.
			• The holding period applicable to any awards will end at the time of change in control.
			• The Committee has discretion to determine whether to pro-rate the award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.
			Subsisting awards
			• Awards will vest on the date of the change of control pro-rated to time and the holding period will not apply.
			• The Committee has the following elements of discretion:
			  • To determine whether the satisfaction of awards should be in cash or shares or a combination of both.
			  • To determine whether to pro-rate the award to time. The Committee's normal policy is that it will pro-rate for time. The Committee will determine whether to pro-rate based on the circumstances of the change of control.
			• Alternatively, awards may be exchanged for new equivalent awards in the acquiring Company.

1 The Committee has discretion to determine that an Executive Director is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders. A good leaver is typically defined as an employee who ceases to hold employment by reason of: death, injury, ill-health or disability; retirement with the agreement of the Group; redundancy; the participant's employing company being transferred to an entity which is not a Group member; transfer of undertaking; or any other reason at the Committee's discretion.

Differences in Remuneration Policy for Executive Directors compared with other employees / See our section headed "Our approach to fairness and wider workforce considerations" on PAGE 114.

External appointments / It is the Board's policy to allow Executive Directors to take up one Non-Executive position on the Board of another company, subject to the prior approval of the Board. Any fee earned in relation to outside appointments is retained by the Executive Director.

Consideration of employment conditions elsewhere in the Group / The Committee takes into consideration the internal relativities of pay levels across the various grades in the organisation when setting Executive Pay. Currently, the Remuneration Committee does not formally consult with employees on the Executive Remuneration Policy and framework. However, when making decisions on Executive Director remuneration, the Committee considers pay and policies across the business. The Committee Chairman will discuss the Remuneration Policy and practice for Executive Directors with the Group's Employee Engagement Committee on 20 April 2023.

Policy for Chairman and Non-Executive Directors / The Non-Executive Directors, including the Chairman, do not have service contracts. The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of up to three years, which is renewable, and is terminable by the Chairman/Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Non-Executive Directors do not receive benefits from the Company, and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plans. Where specific cash or share arrangements are delivered to the Chairman or Non-Executive Directors, these will not include share options or any other performance related elements. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

Details of the policy on Non-Executive Director fees are set out in the table below:

Purpose and link to strategy	Operation	Fee levels
To enable the Group to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	The Chairman is paid an annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a basic annual Board fee. Additional fees may be payable for additional Board responsibilities such as chairmanship or membership of a Committee, or the role of Senior Independent Director. The Chairman and/or Non-Executive Directors may receive part of their fee(s) in company shares. The Chairman's fee is determined by the Committee, and fees to Non-Executive Directors are determined by the Board. Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data. Expenses incurred in the performance of non-Executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.	Fee increases are typically expected to be in line with wider employee rises. In exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role) the Board may make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director. The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Company's articles of association (currently £600,000).

Minor amendments / 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.

Consideration of shareholder views / The Committee takes an active interest in the views of shareholders and is always open to feedback. This feedback helps shape the structure of the Group's Remuneration Policy. During 2022, the Committee consulted with major shareholders. Feedback received was supportive of the overall continuation of the Remuneration Policy and the minor changes proposed to enhance the operation and alignment with shareholders.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION

Our approach to fairness and wider workforce considerations

This section in the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to Executive remuneration by explaining our employee policies and our approach to fairness, including the following:

- General pay and conditions in the Group.
- Gender and diversity.
- Comparison metrics on Executive and employee remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives the Committee receives a report annually setting out key details of remuneration throughout the Group. A summary of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table below summarises the Group's approach to workforce remuneration across five employee groups.

			Variable pay[2]				
Employee group	% of workforce	Average increase in base salaries[1]	Commission schemes	Annual bonus	Share plans[3]	Pension[4]	Benefits[5]
Executive Directors	<1%	-	No	Yes	Yes	Yes	Yes
Senior Management	5%	1%	No	Yes	Some	Yes	Yes
Senior Sales Staff	16%	4%	Yes	Yes	No	Yes	Yes
Sales and Sales Support Staff	62%	4%	Revenue earners only	No	No	Yes	Yes
Administrative Staff	16%	5%	No	Role dependent	No	Yes	Yes
Total	**100%**	**4%**					

1 Base salaries
- Base salaries are market competitive and determined with reference to role type, experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type. The base salaries of sales focused employees are subject to periodic market benchmarking rather than annual salary reviews due to the commission structures in place.
- Average increase in base salaries are for 2022 versus 2021, and have been calculated by comparing basic salaries at the start of the year to those at the end of the year (for those in employment for the full year).

2 Variable pay
- In line with our approach to Executive Director remuneration, a significant proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Group's strategic goals.
- Approximately 80% of the workforce benefit from variable pay which is linked to the Group's performance in the form of commission schemes or annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities (refer to PAGE 7 AND 15 of the Strategic Report).
- A new sales staff variable pay scheme was introduced in 2022 which increases the proportion of pay that is variable to incentivise and reward the highest levels of sales intensity and to improve alignment with shareholders.

3 Share plans
- Senior Management restricted share awards were introduced in 2022 to increase alignment to the shareholder experience and cascade the principles of the Executive Director arrangements. These awards are subject to a two-year vesting period and leaver provisions. No holding period applies.

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

5 Benefits
- Consistent approach applied and determined with reference to role type, market practice and seniority.

The Committee does not seek a homogeneous approach to workforce remuneration since the level and type of remuneration will vary across the Group depending on the employee's seniority and role. The Committee, when conducting its review of workforce remuneration, pays particular attention to:

- Whether the element of remuneration is consistent with the Group's remuneration principles see PAGE 103.
- If there are differences, whether they are objectively justifiable.
- Whether the approach is fair and equitable in the context of other employees.

The key findings and outcomes from the Committee's 2022 review are as follows:

- Average salary increases for employees across the Group are being applied on an equitable and objective basis.
- In light of the impact that rising inflation and the cost of living crisis has had on our workforce, Foxtons reviewed wider workforce salaries and have awarded an average salary increase of 4% across the business (excluding Directors), and there have been limited redundancies.
- For those members of the wider workforce who receive variable pay the average increase from 2021 was 22%.
- Senior Management share arrangements cascade the principles applied to Executive Directors and increase alignment to the shareholder experience for this population.
- The majority of our employees have the ability to share in the success of the Group through incentive compensation in the form of variable pay linked to performance.
- All employees are eligible for enrolment in a defined contribution pension arrangement and the Executive Directors' pension contributions are align to the wider workforce.
- Benefits are offered according to the level of seniority of the role in line with market practice.

The Committee is satisfied that the approach to remuneration across the Group is consistent with the Group's principles of remuneration, strategy and culture. Further, that in the Committee's opinion the approach to Executive and Senior Management remuneration aligns with the wider Group approach and that there are no anomalies specific to the Executive Directors.

Communication and engagement with employees

The Board is committed to ensuring there is an open dialogue with our employees over various decisions and the Committee has the authority to ask for additional information from the Group in order to carry out its responsibilities. PAGES 21, 55 AND 73 explain the key approaches used by the Board to engage with employees during 2022.

Engagement approaches include the engaging with the EEC (refer to PAGE 55 for more details), which facilitates effective engagement between the Board and the workforce, with each meeting attended by a Non-Executive Director. The Committee Chairman discussed the Remuneration Policy and practice for Executive Directors with the EEC in the year. At this meeting, the Chairman provided employees with an overview of the Group's approach to Executive Remuneration, how Executive remuneration aligns with wider company pay policy and the key elements of the policy and key considerations. During the discussion there was a good level of employee engagement with a range of topics debated. The session further informed the Chairman of the views of the workforce on the Group's approach to pay.

Alongside the EEC, the Board commissions an employee engagement survey, which is independently administered by WTW, as a platform for employee voice and feedback. The output from each employee engagement survey is reviewed by the Board and appropriate actions taken in response to any findings. Its importance is reflected by the inclusion of employee experience as a performance measure in the BBP. Refer to PAGE 55 for further details of the employee engagement survey process and outcomes.

Living wage, equal opportunities and diversity initiatives

A summary of the Group's general policies in relation to living wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living wage employer	Our policy is to ensure that all employees, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Group is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Group is responsive to the needs of its employees, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Group ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details are provided in the Strategic Report on PAGE 56.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

Gender pay gap

Having a diverse workforce which reflects the communities we serve in is important to us and means we can better serve our customers. As set out on PAGES 52 AND 53, we hire from diverse backgrounds, and our recruitment policies, salary and bonus structures are designed to be gender neutral. Our gender balance across the Group is split 55% men and 45% women.

As set out in our Gender Pay Gap report, which is available at www.foxtonsgroup.co.uk/our-responsibility/gender-pay-gap, a gender pay gap exists which is primarily due to there being a higher proportion of male employees in senior roles. We are taking steps to reduce the gender pay gap and are progressing a number of initiatives to increase female representation at more senior levels within the organisation.

CEO pay ratio

We have set out the ratio of CEO pay (based on the single total figure of remuneration) to that of employees for 2019 -2022, in the table below. The calculation has been performed in line with 'Option A' under the regulations in line with best practice and is based on the total single figure of remuneration methodology.

		CEO pay ratio			
Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio	CEO total pay (£000)
2022[1]	Option A	47:1	35:1	21:1	1,272
2021[2]	Option A	66:1	45:1	27:1	1,707
2020[2]	Option A	61:1	44:1	28:1	1,605
2019	Option A	48:1	37:1	22:1	1,257

1 As reported in last year's Remuneration Report, the Former CEO received a RSP grant on 1 April 2022 with a value of £434,700 in line with the Remuneration Policy, which was subsequently forfeited on his departure. As a result, the value of this RSP award is not included in the total single figure of remuneration for 2022. As such, the 2022 single figure, and therefore pay ratio, is lower than if the 2022 RSP had not been forfeited due to the departure of the Former CEO.

2 The 2021 and 2020 single figure include £579,600 and £569,400 of RSP grants respectively which have been forfeited in full in 2022. Removing these grants reduces the CEO 2021 and 2020 single figure to £1,127,000 and £1,036,000 respectively, which would reduce the CEO pay ratio at each of the percentiles as explained further below.

Total remuneration for each employee was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile employees identified as at 31 December 2022. The hourly rates were annualised using the same number of contractual hours as the CEO. Employee total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus, commissions earned and benefits. The total remuneration for the relevant employees was compared to that of the CEO.

In 2022, the employee total pay and benefits at the 25th, 50th and 75th percentile was £26,997, £36,000 and £61,693 respectively, and the basic salary for the same employees, excluding variable pay, was £26,862, £36,000 and £53,958 respectively.

In 2022, the pay ratio decreased compared to 2021 at all three percentiles. The Former CEO received a RSP grant on 1 April 2022 with a value of £434,700 in line with the Remuneration Policy which was subsequently forfeited on his departure. As a result, the value of this RSP award is not included in the total single figure of remuneration for 2022. As such, the 2022 single figure, and therefore pay ratio, is lower than if the 2022 RSP had not been forfeited due to the departure of the Former CEO.

The increase in the pay ratios in 2020/2021 compared to 2019 is due to 2020 being the first year of the implementation of the current Remuneration Policy. In line with the remuneration reporting regulations for the CEO single figure, the RSP award has been included in the year of grant for 2020 and 2021 (rather than in the year of vest as our previous share option scheme would be reported). Therefore, the CEO single figure includes a long-term incentive in 2020 onwards, which it did not in 2019 and earlier.

However, note that on departure, the Former CEO forfeited the RSPs that are included in the total single figure of remuneration for 2021 and 2020. If these awards are removed to reflect their forfeiture, the CEO pay ratio at each of the percentiles would reduce as follows:

- 2021 CEO pay ratio: 43:1, 30:1 and 18:1 for the 25th, 50th and 75th percentile respectively.
- 2020 CEO pay ratio: 39:1, 28:1 and 18:1 for the 25th, 50th and 75th percentile respectively.

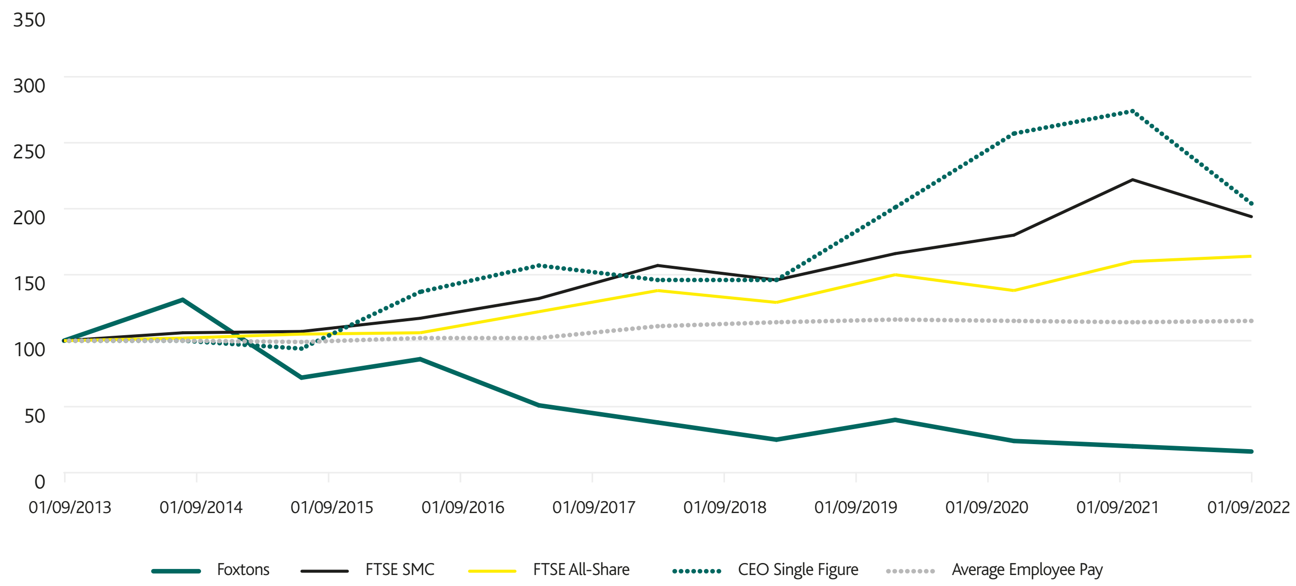
In assessing our pay ratio versus last year's market numbers from industry peers, we believe that we are well positioned comparably, but note that annual and long-term incentive payments have varied considerably amongst this group. We also recognise that ratios will be influenced by levels of employee pay and in the real estate sector employee pay will be lower than in many other sectors of the economy.

Over time, we expect that there may be significant volatility in the CEO pay ratio. We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees (for example, the inclusion of a higher proportion of variable incentive pay), as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. Where the structure of remuneration is similar, as for Senior Management and the CEO, the ratio is likely to be much more stable over time.

CEO and average employee pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to September 2013 (date of listing). We have also included our TSR performance over this period against the FTSE Small Cap and FTSE All Share indices, based on £100 invested at listing.

Pay performance: TSR chart (£'000)



/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

	2013	2014[1]	2015	2016	2017	2018	2019	2020	2021	2022[2]
Incumbent	M. Brown	M. Brown / N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden / P. Rollings / G. Gittins
CEO single figure of remuneration – excluding RSP awards (2020, 2021 and 2022 only) (£'000)[3]	624	257 / 327	856	982	914	910	1,257	1,036	1,127	534 / 135 / 459
RSP awards (2020, 2021 and 2022 only) (£'000)[4]	-	-	-	-	-	-	-	569	580	- / n/a / 145
CEO single figure of remuneration (£'000)	624	257 / 327	856	982	914	910	1,257	1,605	1,707	534 / 135 / 603
Annual bonus / BBP earning (% of maximum)[5]	n/a	n/a / 20%	51.5%	36.5%	26.4%	30%	70%	45.6%	51.2%	68.8% / n/a / 68.8%
Long-term incentives[6] (% of maximum)	n/a	n/a / n/a	n/a	0%	0%	0%	0%	100%	100%	n/a / n/a / 100%

1 Michael Brown stepped down as CEO on 30 June 2014 and was replaced by Nic Budden on 1 July 2014.

2 Nic Budden stepped down as CEO on 30 May 2022. Guy Gittins was appointed Group CEO with effect from 5 September 2022. Peter Rollings, currently an Independent Non-Executive Director, acted as Interim CEO between the date of Nic Budden stepping down and the date at which Guy Gittins took up his appointment. The single figure for 2022, above, includes the amounts received by Nic Budden and Guy Gittins in relation to their Executive positions during the year (excluding the 2022 RSP grant to the Former CEO which was forfeited on his cessation of employment), as well as the fee that Peter Rollings received during his time as Interim CEO.

3 The CEO single figure of remuneration is shown excluding the restricted stock awards that have been granted from 2020 onwards. This is because, while the regulations require the restricted stock to be disclosed at the time of grant, the value is not released to the CEO until the end of the three-year vesting period following the assessment of an underpin, and the shares are then subject to a further two-year holding period. Therefore, for transparency we also show the CEO's single figure excluding the restricted stock award as it better reflects the value that he has earned and received in respect of that year.

4 From 2020 onwards the long-term incentive has been delivered in the form of an RSP award with a three-year vesting period subject to the achievement of the underpin. Whilst the RSP grants are included in the above table, in line with the required single figure of remuneration treatment, we note that the Former CEO's in-flight awards were forfeited in full on cessation of employment, and the Interim CEO was not eligible to receive incentive awards. Therefore, the Former CEO's 2022 RSP award with a face value of £434,700 is excluded from the above table. The treatment of in-flight awards on cessation is set out in full on PAGE 126.

5 The 2022 annual bonus / BBP earnings figure relates to both the Former and current CEOs, who were both eligible to receive a pro-rated annual bonus for 2022. The Interim CEO was not eligible to receive any incentive awards.

6 The 2016 to 2019 long-term incentive value of 0% relates to the historic LTIP and Share Option Plan awards which did not vest in those years due to performance conditions not being achieved. The first award under the LTIP was granted in 2014 and had a three-year performance period and therefore no awards were scheduled to vest in 2014 and 2015. The Former CEO (Nic Budden) also had options under the 2017 Share Option Plan that were due to vest during the year. These options lapsed due to the TSR performance conditions and as such, paid out at 0% of maximum.

The CEO's remuneration has increased overall over the period while the Group's TSR has decreased. The reduction in Group's TSR in the early part of the period since listing was significantly influenced by the prolonged sector downturn, accentuated by our own underperformance. As described elsewhere in the Annual Report and Accounts, profit growth and strategic progress has been made in 2021, but this has not yet been reflected in TSR and there is much more to do. Furthermore, as explained earlier in the report, the 2020, 2021 and 2022 single figure is significantly higher than earlier years because of the inclusion upon grant of the RSP awards whereas previous long-term incentives would only have been included upon vesting.

The incentive structure developed as part of the 2020 Remuneration Policy and the changes that have been reflected in the 2023 Remuneration Policy have been designed to ensure that the Executive Directors are able to build a material shareholding, which we expect to improve alignment with the shareholder experience over time. The chart shows that our average employee pay has similarly trended upwards over the period. The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our employees, which introduces a higher degree of variability in his pay each year.

Percentage change in Directors' remuneration

The Committee monitors the changes year-on-year between our Directors' pay and average employee pay. As per our Policy, base salary increases applied to Executive Directors will typically be in line with those of the wider workforce. The table below shows the percentage change in Executive Director and Non-Executive Director total remuneration compared to the change for the average of employees within the Group. The comparator group is based on all employees of the Group.

	Salary/fees				Taxable benefits				Short-term variable pay[1]			
	2019	2020	2021[6]	**2022**	2019	2020	2021	**2022**	2019	2020	2021	**2022**
Executive Directors												
Guy Gittins[2]	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Chris Hough[2]	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Former Executive Directors												
Nic Budden[2]	1%	(1%)	5%	-	17%	12%	15%	**5%**	135%	(33%)	14%	**34%**
Richard Harris[2]	n/a	(3%)	5%	-	n/a	88%	(40%)	**107%**	n/a	(39%)	14%	**(100%)**
Patrick Franco[2]	n/a	(3%)	5%	-	n/a	(34%)	(51%)	**50%**	n/a	68%	14%	**34%**
Non-Executive Directors												
Nigel Rich[2]	n/a	n/a	n/a	-	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Sheena Mackay[3]	-	(3%)	3%	**16%**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Alan Giles	n/a	12%	3%	-	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Rosie Shapland	n/a	n/a	6%	-	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
Peter Rollings[2,4]	n/a	n/a	n/a	**183%**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**
All other employees[5]	7%	2%	2%	**4%**	14%	1%	5%	**(4%)**	23%	(1%)	52%	**22%**

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

2 Where an individual has not been an Executive or Non-Executive Director for a full financial year, the figures have been annualised in order to allow for year-on-year comparison. Ian Barlow's salary increase from 2020 to 2021 is reflective of his appointment as Chairman of the Board on 1 March 2020.

3 Sheena Mackay's fee increase in 2022 reflects the additional responsibility of Chairing the ESG Committee.

4 Peter Rollings acted as Interim CEO in the period between 30 May 2022 and 4 September 2022. During this period, and for a short handover period after the incoming CEO joined, Peter Rollings' annual Non-Executive Director fee was increased to an annual rate of £450,000. As such, his change in remuneration, above is reflective of this increase in role.

5 Reflects the average of all employees of the Group due to the listed Parent Company only having two employees who are not Directors.

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

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

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

The 2020 increase in the bonus for the COO was as a result of the change in his bonus entitlement effective 1 January 2020. The COO's 2019 Annual bonus entitlement remained in line with his arrangements prior to his appointment to the Board (40% of base salary) and moved to 125% of base salary, in line with the Policy from 1 January 2020.

The 2020 net increases for Ian Barlow and Alan Giles were as a result of their respective appointments as Chairman of the Board (1 March 2020) and Chairman of the Remuneration Committee (13 November 2019) and the corresponding increase in fee, after incorporating the 20% voluntary reduction that all Non-Executive Directors took in April 2020 and May 2020.

How we implemented the policy in 2022

This section provides details of how our Remuneration Policy was implemented during the financial year ended 31 December 2022.

Single figure of the Executive and Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Director for the year ended 31 December 2022 and the prior year.

		Salary / fees paid[3]	Taxable benefits[4]	BBP[5]	RSP[6]	Buyout awards[7]	Pension[8]	Total[9]	Total fixed remuneration	Total variable remuneration
Guy Gittins	**2022**	**147**	**7**	**151**	**145**	**150**	**4**	**603**	**157**	**446**
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Chris Hough	**2022**	**188**	**9**	**161**	**141**	**n/a**	**6**	**504**	**203**	**302**
	2021	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nic Budden	**2022**	**242**	**19**	**249**	**-**	**n/a**	**24**	**534**	**285**	**249**
	2021	580	44	445	580	n/a	59	1,707	682	1,025
Richard Harris	**2022**	**76**	**6**	**-**	**-**	**n/a**	**3**	**86**	**86**	**-**
	2021	305	12	195	229	n/a	9	751	327	425
Patrick Franco	**2022**	**76**	**1**	**66**	**-**	**n/a**	**3**	**146**	**81**	**66**
	2021	305	3	195	229	n/a	9	742	318	425
Nigel Rich[1]	**2022**	**150**	**-**	**-**	**-**	**-**	**-**	**150**	**150**	**-**
	2021	38	-	-	-	-	-	38	38	-
Sheena Mackay	**2022**	**73**	**-**	**-**	**-**	**-**	**-**	**73**	**73**	**-**
	2021	63	-	-	-	-	-	63	63	-
Alan Giles	**2022**	**73**	**-**	**-**	**-**	**-**	**-**	**73**	**73**	**-**
	2021	73	-	-	-	-	-	73	73	-
Rosie Shapland	**2022**	**73**	**-**	**-**	**-**	**-**	**-**	**73**	**73**	**-**
	2021	73	-	-	-	-	-	73	73	-
Peter Rollings[2]	**2022**	**179**	**-**	**-**	**-**	**-**	**-**	**179**	**179**	**-**
	2021	5	-	-	-	-	-	5	5	-

See notes on PAGE 121.

1 Nigel Rich assumed the role of Chairman from 1 October 2021 and in 2021 was paid £37,500 in fees, of which, £12,500 was paid in shares at the prevailing market price. In 2022, his total fee was £150,000, of which, £50,000 was paid in shares at the prevailing market price.

2 Peter Rollings joined the Board as a Non-Executive Director with effect from 1 December 2021. In his role as Interim CEO, Peter Rollings' annual Non-Executive Director fee was increased to an annual rate of £450,000, paid monthly for the period Peter is in role as Interim CEO and a short handover period after Guy Gittins joined on 5 September 2022 (handover period ended on 18 September 2022). Thereafter, his fees returned to the annual rate of £63,000 for Non-Executive Directors. During his tenure as Interim CEO, Peter did not participate in any incentive arrangements, and his total fees received for his Interim Executive role were £134,659.

3 Base salary includes salary paid in cash and Salary Substitute Restricted Shares for Executive Directors, and fees paid in cash and shares for Non-Executive Directors.

4 Benefits received in 2022 include a car or car allowance, medical and life assurance.

5 This column reflects the BBP contribution in respect of performance during the relevant year. In 2022, amounts earned under the BBP are paid into the participant's plan account, with 50% paid as cash and the remaining 50% held in shares or share-linked units in the participants plan account. This cash percentage was 60% in 2021. Further details of the performance criteria, achievement and resulting awards for the 2022 BBP are set out on PAGE 122.

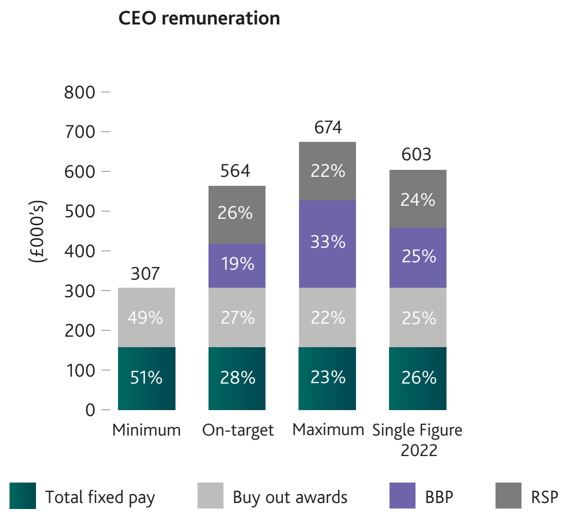
6 This column reflects the RSP awards granted in March 2021 and April 2022 (refer to PAGE 123 for the face value of the April 2022 RSP award). We note that the Former CEO and Former CFO's in-flight awards were forfeited on cessation of employment, and the Former COO's in-flight RSP awards were pro-rated to reflect the date of cessation. Therefore the CEO's 2022 RSP award with a face value of £434,700 is excluded from the above table. Full treatment of in-flight awards on cessation for each Former Executive is set out on PAGES 126 AND 127. The Former CEO and Former COO were awarded options over ordinary shares under the legacy 2017 Share Option Plan. The TSR performance over the period was below the threshold performance level. As such, these awards lapsed in the year.

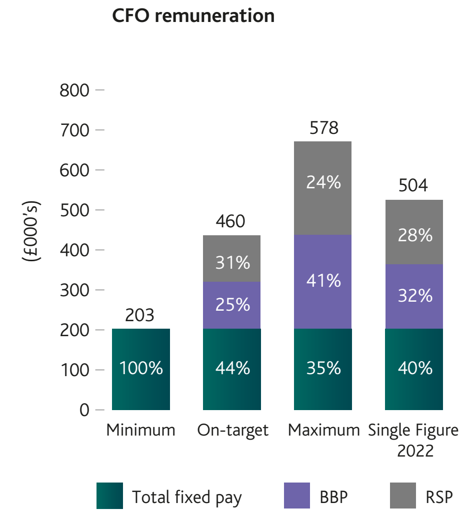
7 Annual bonus buyout award totalling £150,000 awarded as cash in two equal tranches; half was paid in February 2023 and the other half will be paid in February 2024.

8 During 2021 and 2022, the Executive Directors received a pension contribution or cash allowances in lieu of a pension contribution. For 2022, this was 10% of salary for Nic Budden, and 3% of salary for the other Executive directors.

9 No share price appreciation (or estimate of) is included in the values included in the single figure table. The RSP is included in the single figure table based on the value at grant. No performance measures are associated with the grant of awards; although the Committee will consider Group and individual performance before determining any grant. Vesting is subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted.

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





/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

Annual BBP outcome in respect of 2022 (audited)

Executive Directors' objectives continue to be linked to the delivery of the Group's strategic priorities. In determining the outcome of some objectives, the Committee sought input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision-making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed.

The table below sets out the 2022 annual bonus targets, performance against these targets and the resulting annual formulaic bonus outcome. The explanation for the application of the discretionary adjustment is in the Annual Statement from the Remuneration Committee Chairman on PAGE 91.

2022 annual bonus outcome

	Weighting	Threshold (25% payable)	Target (50% payable)	Maximum (100% payable)	Actual	Outcome (% of element)	Outcome (% of maximum)
Adjusted operating profit	70%	10.35	11.5	13.8	13.9	100%	70%
Lettings market share growth	10%	2.5%	5%	10%	12%	100%	10%
Sales market share growth	10%	2.5%	5%	10%	(1.9)%	0%	0%
Maintain strong employee experience (holistic assessment)	10%	Qualitative assessment			60%	60%	6%
						Formulaic bonus outcome (% of maximum)	86.0%
						Discretionary adjustment (% of formulaic outcome)	(20.0)%
						Adjusted bonus outcome (% of maximum)	68.8%

In making its holistic assessment of the employee experience in 2022 the Committee reviewed data on workforce pay, retention, internal promotions, exit interviews, investment in recruitment and learning and development, employee engagement, health and wellbeing, Glassdoor and Indeed reports, quality of internal communication, redundancies and grievances and whistleblowing, making comparisons to 2021 and, where possible, external benchmarks. It concluded that on most measures there had been a medium level of success during the year, with some important measures demonstrating a high level of success.

Scheme interests granted during 2022 (audited)

RSP Share Awards

Executive Directors were granted the following nil-cost option awards over the Group's ordinary shares under The Foxtons Group plc 2020 RSP. Awards for Chris Hough and Nic Budden were granted on 1 April 2022, in line with the typical RSP grants. Guy Gittins' Award was granted on 5 September 2022, on the date that he was appointed as Group CEO. Guy Gittins' award was granted at a pro-rated quantum to reflect his time as an Executive Director in the financial year. As set out in the section 'Former CEO remuneration arrangements', Nic Budden's in-flight RSP awards were forfeited on cessation.

No consideration was paid for the grant of the RSP Awards which are structured as nil cost options.

The number of ordinary shares granted under RSP Awards for Nic Budden and Chris Hough have been calculated using an ordinary share price of 41.7 pence per share being the average of the closing share prices over the three dealing days preceding the date of grant. The number of ordinary shares granted under the RSP Award for Guy Gittins have been calculated using an ordinary share price of 36.55 pence per share being the average of the closing share prices over the three dealing days preceding the date of grant.

Executive	Number of Ordinary Shares	% of salary	Face value	Share price used for calculation	Option price	Performance conditions
Guy Gittins	395,739	100% (based on pro-rated salary)	£144,643	36.55p	£Nil	Awards will ordinarily vest after three years subject to the grantee's continued service and a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.
Chris Hough	337,230	56.25%[1]	£140,625	41.7p	£Nil	
Nic Budden	1,042,446	75%[1]	£434,700	41.7p	£Nil	

1 The grant in 2022 for Chris Hough and Nic Budden was reduced by 25% to recognise the fall in share price since the 2021 grant. The figures above represent the reduced figures.

Salary Substitute Restricted Share Awards

Executive Directors were granted the following nil-cost option awards over the Group's ordinary shares under The Foxtons Group plc 2020 RSP in respect of their Salary Substitute Restricted Share Awards. Awards for Chris Hough and Nic Budden were granted on 1 April 2022, in line with the typical timing. Guy Gittins' award was granted on 5 September 2022, on the date that he was appointed as Group CEO, and pro-rated for the proportion of the year from 1 April 2022 that he was in role.

The number of ordinary shares granted under the Salary Substitute Restricted Share Awards for Nic Budden and Chris Hough have been calculated using an ordinary share price of 41.7 pence per share being the average of the closing share prices over the three Dealing Days preceding the date of grant. The number of ordinary shares granted under the Salary Substitute Restricted Share Award for Guy Gittins has been calculated using an ordinary share price of 36.55 pence per share being the average of the closing Ordinary Share prices over the three Dealing Days preceding the date of grant.

The Salary Substitute Restricted Share Awards will ordinarily vest after three years subject to the grantee's continued service.

Executive	Number of Ordinary Shares	Face value	Share price used for calculation	Option price	Performance conditions
Guy Gittins	70,015	£25,590	36.55p	£Nil	Awards will ordinarily vest after three years subject to the grantee's continued service.
Chris Hough	119,904	£50,000	41.7p	£Nil	
Nic Budden	277,985	£115,920	41.7p	£Nil	

The normal vesting date all RSP Awards granted in 2022 (both the RSP Share Awards, and the Salary Substitute Restricted Share Awards, above) for Chris Hough will be 1 April 2025 and 5 September 2025 for Guy Gittins, being the third anniversary of the award dates. Once vested, the RSP Awards will normally be exercisable until the day before the tenth anniversary of the award date. The RSP Awards are subject to a two-year holding period commencing on vesting.

As set out in further detail on PAGE 126, all in flight RSP awards for Nic Budden have since been forfeited on cessation of employment, and his salary substitute shares held on cessation were forfeited, and the 20% of salary sacrificed earned between 1 April 2022 and 30 May 2022 was paid in cash (and the related Salary Substitute Restricted Share Award forfeited).

Incoming CEO – Annual bonus and LTIP buyout awards

As disclosed when Guy Gittins' appointment was announced, he was granted buyout awards on appointment to compensate for the forfeiture of both annual and long-term incentive arrangements held with his previous employer, Chesterton Global Limited.

Guy received an annual bonus buyout award totalling £150,000, awarded as cash in two equal tranches; half was paid in February 2023 and the other half will be paid in February 2024. This value of the buyout award is less than the value that is being forfeited from Guy Gittins' previous employer and takes account of the original performance conditions, the performance period remaining and the form of the award.

Guy also received an LTIP award buyout, granted on 5 September 2022, on appointment, as nil cost options that vest three years after the grant in 2025. No holding period applies. The number of Ordinary Shares granted was calculated using an Ordinary Share price of 36.32 pence per share, being the average of the closing Ordinary Share prices over the three Dealing Days preceding 30 May 2022, the date that it was announced that Guy Gittins would be the incoming Chief Executive Officer.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

The face value of the LTIP buyout award granted to Guy Gittins is lower than the incentive awards that he forfeited on cessation from his previous employer and takes account of the original performance conditions, the performance period remaining and the form of the award. Further details are set out in the table below.

Executive	Number of Ordinary Shares	Face value	Share price used for calculation	Option price	Performance conditions
Guy Gittins	6,883,891	£2,500,000	36.32p	£Nil	Performance requirement for the share price of an Ordinary Share to be at least 70 pence for any 30 consecutive days during the vesting period. The award is subject to the usual discretions available to the Remuneration Committee under the Policy, for example in the event of a change of control or other corporate events.

BBP share awards

The following table sets out the BBP accounts for the Executive Directors as at the end of 2022 which shows the paying in of the second bonus from 2021, the second payment from the bank in 2022, and subsequent deferral of notional shares over the remainder of 2022 and into the start of 2023. The notional shares are subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.

Each year, subject to the achievement of annual BBP performance conditions, a contribution will be made into the participants' plan accounts. Following the contribution for amounts earned in respect of 2021 performance, 60% of the cumulative balance of each Executive Director's plan was paid in cash. Following the contribution for amounts earned in respect of 2022 performance, 50% of the cumulative balance of each Executive Director's plan account will be paid in cash.

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

BBP year two – notional shares invested into participants' bonus bank during 2022 (in respect of 2021 performance outcome)

	Former CEO Nic Budden[2]	Former CFO Richard Harris[3]	Former COO Patrick Franco[2]
Number of deferred notional shares in account at the end of year two (31 December 2021)	242,672	106,547	106,547
Value of deferred notional shares in account at the end of year two (31 December 2021)[1]	**£98,206**	**£43,118**	**£43,118**
Bonus contribution in 2022 in respect of performance over 2021 (contribution into the account)	£445,133	£195,456	£195,456
Dividend equivalent contributed	£437	£192	£192
Cumulative account following contribution	**£543,775**	**£238,766**	**£238,766**
Less: 2022 payment out of the account	£(326,265)	£(167,136)	£(143,259)
Less: Value forfeited	-	£(71,630)	-
Value of deferred notional shares carried forward over to 2022[1]	**£217,510**	**-**	**£95,506**
Number of deferred notional shares carried forward at the end of year three (31 December 2022)[4]	537,481	-	236,002

1 The price used to calculate the number of shares was the mid-market value of a share for the 30-day period to 31 December 2021, which was 40.5 pence per share.

2 As noted on PAGES 126 AND 127, the Former CEO's and Former COO's BBP account balance will continue to be payable according to the original payout profile.

3 As noted in last year's report, the Former CFO's 2021 BBP was paid into the individual's BBP account. 70% of this plan account was paid in cash in the February 2022 payroll. The balance in the BBP account was forfeited, in line with the Remuneration Policy.

4 The current CEO and CFO were not eligible for a bonus in relation to performance over 2021, and therefore are not included in the table above.

Statement of Directors' shareholding and share interests (audited)

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested) as at 31 December 2022. There have been no changes in Directors' interests in the period between 31 December 2022 and 6 March 2023.

		Outstanding scheme interests[6]							
	Shares owned outright	Unvested shares not subject to performance[1]	Unvested shares subject to performance	Unvested share options subject to performance[2]	Notional shares held[3]	Total scheme interests	Shareholding guideline (% of salary	Current shareholding (% of salary)[4]	Guideline met
Executive Directors									
Guy Gittins	-	465,754	-	6,883,891	-	7,349,645[5]	250%	16%	No
Chris Hough	140,000	457,134	-	-	-	457,134	200%	45%	No
Former Executive Directors									
Nic Budden[5]	454,660	-	-	-	537,481	537,481	Lower of 250% and holding on cessation	23%	Yes
Richard Harris[5]	276,106	-	-	-	-	-	Lower of 200% and holding on cessation	27%	Yes
Patrick Franco[5]	20,000	479,117	-	-	236,002	715,119	Lower of 200% and holding on cessation	27%	Yes
Non-Executive Directors									
Nigel Rich	1,119,963	-	-	-	-	-	-	-	-
Alan Giles	150,000	-	-	-	-	-	-	-	-
Sheena Mackay	90,000	-	-	-	-	-	-	-	-
Peter Rollings	183,105	-	-	-	-	-	-	-	-
Rosie Shapland	20,000	-	-	-	-	-	-	-	-

1 Unvested shares not subject to performance are shares granted under the RSP and Salary Substitute Restricted Shares.

2 Since the lapse of shares under the 2017 Share Option Plan, no unvested share options subject to performance remain outstanding except for a buyout award to compensate Guy Gittins for the forfeiture of incentive arrangements held with his previous employer, Chesterton Global Limited. The LTIP buyout award has a face value of £2.5 million and is subject to a performance requirement for the share price of an Ordinary Share to be at least 70 pence for any 30 consecutive days during the vesting period. The number of Ordinary Shares granted equivalent to £2.5 million has been calculated using an Ordinary Share price of 36.32 pence per share being the average of the closing Ordinary Share prices over the three Dealing Days preceding 30 May 2022, the date that it was announced that Guy Gittins would be the incoming Chief Executive Officer.

3 Notional shares held are the number of deferred notional shares carried forward at the end of year three of the BBP scheme (31 December 2022).

4 Based on the share price on 31 December 2022 of 29.7p. Includes shares owned outright, shares which have vested but which remain subject to a holding period and/or clawback, unvested Salary Substitute Restricted Share awards (on a net of tax basis) and unvested RSP awards (on a net of tax basis).

5 Shares owned outright as at the date of resignation from the Board.

6 No options were exercised by Directors in the year. There are no vested but unexercised options as at 31 December 2022.

External appointments

No Executive Directors hold any external appointments.

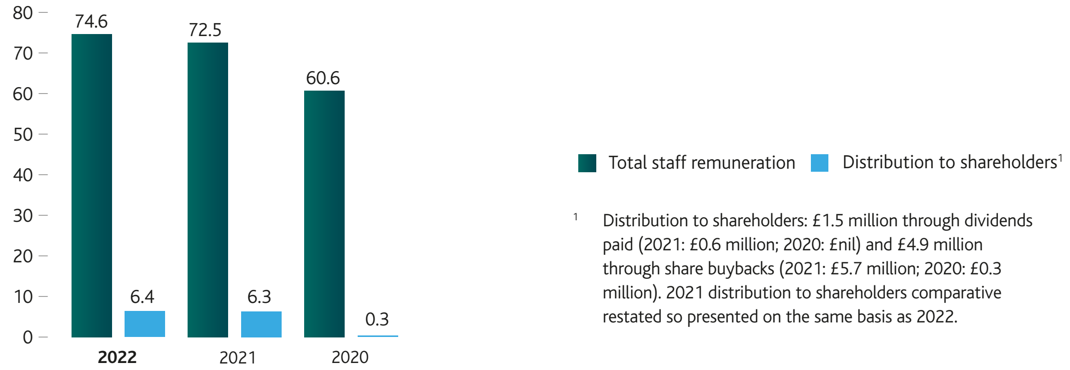
Relative importance of spend on pay

The chart on the following page (PAGE 126) shows the Group's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

Relative importance of spend on pay (£m)



[1] Distribution to shareholders: £1.5 million through dividends paid (2021: £0.6 million; 2020: £nil) and £4.9 million through share buybacks (2021: £5.7 million; 2020: £0.3 million). 2021 distribution to shareholders comparative restated so presented on the same basis as 2022.

Additional information

The following table sets out the other elements of the Annual Report on Remuneration and where in the Directors' remuneration report they can be found (where relevant).

Element	Page
No long-term incentive plan award vested for performance ending in the 2022 financial year (audited)	PAGE 96
How we will apply the Policy in 2023	PAGE 99 TO 102
Payments for loss of office (audited)	PAGE 126 AND 127
No payments to former Directors during the 2022 financial year (audited)	n/a

Outgoing Executive Director remuneration arrangements and payments for loss of office

Former CEO remuneration arrangements

As set out in the Annual Statement from the Remuneration Committee Chairman, Nic Budden, the Former CEO stepped down from his role, and departed the Company, effective 30 May 2022. The table below sets out Nic Budden's leaver remuneration arrangements, in line with the provisions of our Remuneration Policy, and as disclosed at the time of his departure. The treatment of Nic Budden's pay on termination is in line with the approved Remuneration Policy.

Element of remuneration	Treatment
Base salary	Paid monthly until the date of departure.
Pension and benefits	As per the employment contract.
Payment in Lieu of Notice ("PILON")	On cessation, Nic Budden was eligible for a payment in lieu of notice in respect of 12 months of salary (£579,600). Payments delivered monthly and subject to mitigation if he becomes employed elsewhere.
In-flight Salary Substitute Restricted Shares	Salary substitute shares held on cessation (277,985 shares) in relation to the 12 months from 1 April 2022 were forfeited. The 20% of salary sacrificed between 1 April 2022 and 30 May 2022 was re-paid in cash for the period worked.
2017 SOP award[1]	Awards lapsed on the vesting date of 16 May 2022 due to the performance conditions not being met.
2022 BBP	Nic Budden was eligible for an annual bonus in respect to the 2022 financial year. Performance conditions were measured at the normal measurement date, and the outcome pro-rated for the period worked during the financial year, as set out on PAGE 95. As set out on PAGE 96, amounts earned (£249,228) were paid into the BBP at the normal time in early 2023. 50% of the account balance was paid in cash in February 2023 (£207,593), with the remaining balance released in shares at the end of 2023 (in line with original payout profile). The Committee considered this appropriate to reflect his continued contribution for the proportion of the year served.
Value in the BBP account	On the basis that the plan account balance reflects prior years achievement, the Committee has determined that the plan account will continue to be payable according to the original payout profile, subject to malus or clawback for up to two years post payment.
In-flight RSP awards	All in-flight RSP awards, all of which have not vested, will be forfeited, in line with the Remuneration Policy. The Committee seeks to minimise the cost to shareholders in the event of departures and so considered the forfeiture of these awards appropriate.

[1] The Share Option Plan (SOP) was introduced in 2017 for Executive Directors and Senior Management.

Former COO remuneration arrangements

As set out in the Annual Statement from the Remuneration Committee Chairman, Patrick Franco, the Former COO stepped down from the Board on 1 April 2022, and departed the Company on 30 April 2022. The table below sets out Patrick Franco's leaver remuneration arrangements, in line with the provisions of our Remuneration Policy. The treatment of Patrick Franco's pay on termination is in line with the approved Remuneration Policy.

Element of remuneration	Treatment
Base salary	Paid monthly until the date of departure.
Pension and benefits	As per the employment contract.
Payment in Lieu of Notice ("PILON")	On cessation, Patrick Franco was eligible for a payment in lieu of notice in respect of 11 months of salary (£279,950). Payments delivered monthly and subject to mitigation if he becomes employed elsewhere. Patrick Franco also received a redundancy payment of £15,000 on cessation.
2017 SOP award[1]	Patrick Franco retained his 2017 Share Option Plan (SOP) and 2017 Dividend Bonus Award Scheme, subject to the applicable terms and conditions of the governing rules. Awards lapsed on the vesting date of 16 May 2022 due to the performance conditions not being met.
2022 BBP	Patrick Franco was eligible for an annual bonus in respect to the 2022 financial year. Performance conditions were measured at the normal measurement date (as set out on PAGE 95), and the outcome was pro-rated for the period worked during the financial year. As per the single figure table, £65,661 was earnt under the BBP for the period of which Patrick Franco was an Executive Director. An additional £21,887 was earnt for the one-month period to 30 April where Patrick Franco remained an employee. As set out on PAGE 96, amounts earnt (£87,548) were paid into the BBP at the normal time in early 2023. 50% of the account balance was paid in cash in February 2023 (£80,209), with the remaining balance released in shares at the end of 2023 (in line with original payout profile). The Committee considered this appropriate to reflect his continued contribution for the proportion of the year served.
Value in the BBP account	On the basis that the plan account balance reflects prior years achievement, the Committee has determined that the plan account will continue to be payable according to the original payout profile, subject to malus or clawback for up to two years post payment.
In-flight RSP awards	Awards will be pro-rated to reflect the cessation of employment (such pro-rated awards being options over 354,675 ordinary shares in respect of the 2020 RSP Award and options over 124,442 ordinary shares in respect of the 2021 RSP Award). RSP awards retained by Patrick Franco are subject to the original vesting and holding periods. The Committee determined this appropriate to reflect the individual's contribution to the business during his period of employment.
2022 RSP	Not eligible to receive a 2022 RSP grant.

[1] The Share Option Plan (SOP) was introduced in 2017 for Executive Directors and Senior Management.

Former CFO remuneration arrangements

As set out in the Annual Statement from the Remuneration Committee Chairman and last year's report, Richard Harris stepped down from his role as CFO, effective 1 April 2022. The table below sets out Richard's leaver remuneration arrangements, in line with the provisions of our Remuneration Policy. Richard received no payments for loss of office.

Element of remuneration	Treatment
Base salary	Paid monthly until the date of departure.
Pension and benefits	As per the employment contract.
2019 SOP award[1]	Forfeited, in line with the Remuneration Policy.
2021 BBP	Any bonus that is due will be paid into the individual's BBP account. 70% of this plan account was paid in cash in the February payroll (£167,100). The balance in the BBP account is forfeited, in line with the Remuneration Policy.
2022 BBP	Not eligible to receive an annual bonus with respect to 2022 given the timing of his departure during the year.
In-flight RSP awards	All in-flight RSP awards, all of which have not vested, will be forfeited, in line with the Remuneration Policy. The Committee seeks to minimise the cost to shareholders in the event of departures and so considered the forfeiture of these awards appropriate.
2022 RSP	Not eligible to receive a 2022 RSP grant.

[1] The Share Option Plan (SOP) was introduced in 2017 for Executive Directors and Senior Management.

/ DIRECTORS' REMUNERATION REPORT CONTINUED

2022 ANNUAL REPORT ON REMUNERATION CONTINUED

2023 Non-Executive Director fees

Details of the Policy on Non-Executive Director fees are set out in the table below:

Implementation in 2023
Chairman and Non-Executive Director fees are as follows:
Chairman fee: £150,000 (paid £100,000 in cash and £50,000 in shares at the prevailing market price) (2022: £150,000 with £50,000 paid in shares at the prevailing market price)
Senior Independent Director fee: £5,000, payable with effect from 9 May 2023
Non-Executive Director base fee: £63,000 (2022: £63,000)
Chair of Audit Committee incremental fee: £10,000 (2022: £10,000)
Chair of Remuneration Committee incremental fee: £10,000 (2022: £10,000)
Chair of ESG Committee incremental fee: £5,000 (2022: £10,000). Note that the ESG Committee was established in 2021, and the corresponding Chair fee was introduced from 1 January 2022

Service contracts

The Executive Directors are employed under contracts of employment with Foxtons Group plc. The principal terms of the Executive Directors' service contracts are as follows. The service contracts of the Executive Directors are not of a fixed duration and therefore have no unexpired terms.

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Guy Gittins	CEO	5 September 2022	12 months	12 months
Chris Hough	CFO	1 April 2022	12 months	12 months
Nic Budden[1]	Former CEO	1 July 2014	12 months	12 months
Richard Harris[2]	Former CFO	24 June 2019	12 months	12 months
Patrick Franco[3]	Former COO	1 October 2019	12 months	12 months

1 Nic Budden stepped down as CEO on 30 May 2022.

2 Richard Harris stepped down as CFO on 1 April 2022.

3 Patrick Franco resigned as COO on 1 April 2022 and departed the Company on 30 April 2022.

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment	Date of appointment/ last reappointment at AGM	Notice period
Nigel Rich	1 October 2021	15 June 2022	3 months
Sheena Mackay	14 September 2017	15 June 2022	3 months
Alan Giles	1 June 2019	15 June 2022	3 months
Rosie Shapland	5 February 2020	15 June 2022	3 months
Peter Rollings	1 December 2021	15 June 2022	3 months

Who are the Committee's advisers?

The Remuneration Committee received advice on Executive remuneration from PwC, following appointment by the Remuneration Committee as independent adviser in 2019. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. PwC's fees charged for the provision of independent advice to the Committee during the year were £91,715 (2021: £35,150). Other than in relation to advice on remuneration, PwC provides support to management in relation to tax compliance, internal audit and ad-hoc tax and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

Shareholder voting at the Group's AGMs

The table below sets out the results of the most recent shareholder votes on the Directors' Remuneration Policy (2020 AGM) and the advisory vote on the 2022 Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration at the 2022 AGM on 15 June 2022.

	Percentage of votes cast		Number of votes cast		
Resolution	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Approve the Directors' Remuneration Policy	78.41%	21.59%	217,451,038	59,873,876	8,986
Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration	84.19%	15.81%	177,291,386	33,305,883	5,013,820

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

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

Alan Giles OBE
Chairman of the Remuneration Committee
6 March 2023

/ DIRECTORS' REPORT

Corporate governance

A report on corporate governance and the Group's compliance with the UK Corporate Governance Code is set out on PAGES 62 TO 75 and forms part of this report by reference.

The Board of Directors

The members of the Board of Directors and their biographical details are shown on PAGES 64 AND 65 and are incorporated into this report by reference. On 30 May 2022 it was announced that Guy Gittins would be appointed as CEO with effect from 5 September 2022. Peter Rollings was appointed as Interim CEO when Nic Budden stepped down with effect from 30 May 2022.

With a new Chairman, CEO and wider management team in place, Alan Giles and Sheena Mackay decided not to stand for re-election at the 2023 AGM. The Board appointed two new Directors, Annette Andrews and Jack Callaway, as successors to Alan Giles and Sheena Mackay.

Appointment and replacement of Directors

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

Directors' indemnity and compensation for loss of office

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 connection with the discharge of their duties as a Director of the Company and its subsidiaries. In addition, Directors and Officers of the Company and its subsidiaries are covered by Directors' and Officers' liability insurance, which gives appropriate cover for legal action brought against the Directors.

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on PAGES 110 TO 112.

Engagement with stakeholders

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

Employee engagement and equal opportunities policy

The Company provides employees with information on the Group's performance and on matters concerning them on a regular basis. The Board engages with employees through formal and informal channels including the Employee Engagement Committee (EEC), as set out on PAGES 55 AND 115.

Considerable value is placed on the involvement of employees, which is reflected in the principles of Foxtons' corporate practices and related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment. Foxtons operates an equal opportunities policy that aims to ensure that all employees are treated fairly and without favour or prejudice throughout selection, recruitment, training, development and promotion. The Group's policies and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

The details of wider workforces pay policies and the alignment of incentives operated by the Group are set out on PAGE 114.

Further information on the Group's approach to diversity, inclusion and career progression are contained in the Strategic Report on PAGES 52 TO 56. Refer to PAGE 115 for details of how the Board engages with employees.

Share capital

At 31 December 2022, there were 330,097,758 ordinary shares of £0.01 each in issue. 25,954,957 ordinary shares were held in Treasury. Each ordinary share carries one vote; therefore, the total voting rights in issue at 31 December 2022 were 304,142,801. As at 6 March 2023, the date of this report, the Company held 26,283,806 shares in Treasury and the total voting rights in issue were 303,813,952.

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

The Company was granted a general authority by its shareholders at the 2022 AGM to allot shares up to 33.33% of the Company's issued share capital. The Company also received authority to allot shares for cash on a non-pre-emptive basis up to 5% of the Company's issued share capital. These authorities will expire at the conclusion of the 2023 AGM or 30 June 2023.

A resolution will be proposed at the 2023 AGM to renew the general authority to allot shares up to 33.33% of the Company's issued share capital. In addition, as recommended by the Pre-Emption Group's revised Statement of Pre-emption Principles (as published in November 2022), the Company will propose Special Resolutions at the 2023 AGM to seek shareholder authority to disapply pre-emption rights of up to 10% of issued share capital and a further 10% of issued share capital in relation to the financing of a share issue in connection with an acquisition or specified capital investment.

The Company was granted authority by its shareholders at the 2022 AGM to purchase up to 31,731,559 of its ordinary shares, being 10% of the issued share capital. This authority will expire at the conclusion of the 2023 AGM or 30 June 2023.

During the year, the Company announced the commencement of two share buyback programmes and purchased 14,829,261 of its ordinary shares, having an aggregate nominal value of £148,293, for a total consideration of £4,912,141. The total number of shares purchased and held in treasury (as at 31 December 2022) represented 7.86% of the Company's issued share capital as at 31 December 2022. These shares were purchased through Numis Securities Limited at an average price of 33.1 pence. All the shares purchased under the share buyback programmes are held in treasury. As at 6 March 2023, the date of this report, the Company has purchased a total of 15,158,110 of its ordinary shares, having an aggregate nominal value of £151,581, for a total consideration of £5,021,156. The total number of shares purchased and held in treasury (as at 6 March 2023) represented 7.96% of the Company's issued share capital as at 6 March 2023.

In order to retain flexibility, the Company will propose a resolution at the 2023 AGM to renew the Company's authority to purchase up to 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority, which will lapse at the conclusion of the AGM on 9 May 2023.

Dividends

In line with the Company's policy, the Directors are recommending the payment of a final dividend on its ordinary shares for the year ended 31 December 2022 of 0.7 pence per ordinary share (2021: 0.27 pence). Subject to the approval of shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 31 May 2023 to shareholders on the register at the close of business on 14 April 2023. The ex-dividend date will be 13 April 2023.

Major shareholdings

The table below shows notifications received by the Company in accordance with DTR 5 during financial year ended 31 December 2022. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Institution	Voting rights at 31 Dec 2022	% of capital at 31 Dec 2022
Platinum Investment Management Limited	30,441,089	9.62%
3G Capital Management LLC	21,710,000	7.10%
Hosking Partners LLP	19,827,349	6.35%
Converium Capital Master Fund LP	9,333,202	3.01%
Australian Retirement Trust	9,389,457	3.00%
Credit Suisse London Nominees	8,509,181	2.69%

As at 6 March 2023, the date of this report, the Company had received the following additional notifications:

Institution	Voting rights	% of capital
Azvalor Asset Management	9,513,579	3.13%

Rights and obligations attaching to shares

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

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

The Foxtons Group Employee Benefit Trust is an Employee Benefit Trust which holds ordinary shares in the Company in trust for employees within the Group. The Trustee of the Trust has the power to exercise the rights and powers incidental to, and to act in relation to, the ordinary shares subject to the Trust in such manner as the Trustee in its absolute discretion thinks fit. The Trustee of the Employee Benefit Trust has waived its rights to dividends on ordinary shares held by the Trust as these have not yet vested unconditionally in employees. Details of the ordinary shares held by the Trust can be found in Note 22 of the financial statements.

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

Significant agreements

With the exception of the revolving credit facility agreement with Barclays Bank plc, which may be terminated by Barclays and all outstanding loans declared immediately due and payable following a change of control, the Group is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Group.

Streamlined Energy and Carbon Reporting and Task Force on Climate-Related Financial Disclosures

Information on the Group's Streamlined Energy and Carbon Reporting and Task Force on Climate-Related Financial Disclosures is set out in the Strategic Report on PAGES 42 TO 49 and forms part of this report by reference.

/ DIRECTORS' REPORT CONTINUED

Risk management and internal controls

The Board has carried out a robust assessment of the Group's principal and emerging risks as set out on PAGES 32 TO 35 of the Strategic Report.

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

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the consolidated financial statements. Furthermore, Note 23 of the financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The Directors believe the Group has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements due to its existing, and forecast, availability of cash resources. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of the Group's budgeted cash flows and related assumptions and in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published by the FRC in September 2014.

Auditor

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

BDO LLP, the external auditor of the Group, has advised of its willingness to continue in office and a resolution to reappoint them as auditor and the authority for their remuneration to be determined by the Audit Committee will be proposed at the 2023 AGM. Further details on how the objectivity and independence of the auditor is safeguarded and assessed can be found in the report of the Audit Committee on PAGE 88.

Information presented in other sections of this report

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

Section	Listing Rule Requirement	Location	Page
12 and 13	Shareholder waivers of dividends and future dividends	Directors' Report	131

Political Donations

No political donations were made or political expenditure incurred for 2022 (2021: nil).

AGM

The Company's AGM will take place at 10am on 9 May 2023 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 and attendance arrangements, accompanies the Annual Report and Accounts and can also be found on the Group's website at www.foxtonsgroup.co.uk.

Post balance sheet events and future developments

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

Details of the Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report on PAGES 1 TO 61 and form part of this report by reference.

On behalf of the Board

Guy Gittins
Chief Executive Officer
6 March 2023

Chris Hough
Chief Financial Officer

/ DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and UK adopted International Financial Reporting Standards (IFRS) and have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company of the profit or loss of the Group for that period.

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

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

Guy Gittins
Chief Executive Officer
6 March 2023

Chris Hough
Chief Financial Officer

/ INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC

Opinion on the financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended.
- The Group financial statements have been properly prepared in accordance with UK adopted international accounting standards.
- The Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006.
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Foxtons Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, notes to the financial statements, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity and notes to the Parent Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors on 13 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 December 2020 to 31 December 2022. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of the appropriateness of the approach and model used by the Directors when performing their going concern assessment, including the following procedures:
  - Subjected the going concern model to checks of the mechanical accuracy of the underlying formulae in both the base case and reverse stress test case.
  - Challenged the Directors on the accuracy of substantial non-profit cash flows and regular operating profit derived cash movements within the going concern model (including working capital, capital expenditure, taxes and acquisition consideration) by agreement to supporting documentation where available.
  - Checked the covenant compliance calculations built into the going concern assessment model to ensure this was calculated accurately and complied with the financial covenants built into the revolving credit facility agreement.
  - Agreed the opening cash balance for 2023 to the audited consolidated statement of financial position.
- An evaluation and challenge of the underlying data and key assumptions used to make the assessment (focussing on revenue growth rates, Group profitability and the timing and quantum of significant future cash flows). Challenge over assumptions included:
  - Key assumptions (revenue growth, costs and profitability) challenged to supporting evidence and initiatives with business segment leaders within the Group.
  - Alignment of revenue growth estimates noted above against market research (both corroborative and contradictory) to determine the reasonableness of the estimates made and the likelihood of the reverse stress test output occurring.
  - Evaluation of the Directors' historic forecasts against the achieved actuals for the year ended 31 December 2022 to establish the accuracy with which cash flows have been budgeted.
- Additionally, we reviewed and challenged the results of the Directors' stress testing, to assess the reasonableness of economic assumptions in light of the impact of the current economic environment and potential future sales market volatility on the Group's solvency and liquidity position. Our review was benchmarked against our view on the achievability of the forecast assumptions for revenue growth noted above (from market research performed), together with our consideration of post-year end revenue performance against budget.
- We considered the availability of the revolving credit facility within the reverse stress test case as noted above based on covenant compliance calculations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview

		2022	2021
Coverage[1]	100% (2021: 95%) of Group profit before tax 98% (2021: 100%) of Group revenue 97% (2021: 99%) of Group total assets		
Key audit matters	1. Impairment risk due to potential non-achievability of cash flows underlying the brand asset value in use.	✓	X
	2. Impairment risk due to the use of inaccurate assumptions included within the weighted average cost of capital ('WACC') used in the brand asset value in use.	✓	X
	3. Valuation of the indefinite life brand asset.	X	✓
	Key audit matter 3, "Valuation of the indefinite life brand asset", has been replaced with key audit matters 1 and 2 on account of the disaggregation of the brand asset into two discrete risks on the implementation of ISA 315 (Revised 2019).		
Materiality	*Group financial statements as a whole* £1m (2021: £980k) based on 0.71% (2021: 0.75%) of revenue.		

[1] These are entities which have been subject to a full scope audit by the Group engagement team. These measures depict the consolidated total of the Group including both continuing and discontinued operations.

/ INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of Management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Significant components:

Component	Nature of entity	Type of work performed
Foxtons Limited	Estate agency services (Sales and Lettings)	Full scope audit
Foxtons Group plc	Parent entity (including consolidation journals)	Full scope audit

Non-significant components:

Other than the two significant components noted above, there were 14 other components within the Group which formed part of our Group audit.

The following three non-significant components were subjected to a full scope audit on account of them being part of a non-small Group and being entities that do not avail themselves of a parental guarantee from audit under s479A of the Companies Act 2006:

Component	Nature of entity	Type of work performed
Foxtons Intermediate Holdings Limited	Intermediate holding entity	Full scope audit
Foxtons Operational Holdings Limited	Intermediate holding entity	Full scope audit
Alexander Hall Associates Limited	Mortgage broking services	Full scope audit

All 11 of the remaining non-significant components were subjected to desktop review procedures. All audit work on all entities (significant and non-significant) was undertaken by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment risk due to potential non-achievability of cash flows underlying the brand asset value in use.	The Group has a historical brand asset of £99 million (2021: £99 million) which has an indefinite useful economic life and is therefore subject to a mandatory annual impairment review under IAS 36. The audit of the cash flow assumptions included within the impairment review of the indefinite life brand asset is considered to be a significant risk as it requires consideration of value in use of the business as a whole and includes a high level of Management estimation uncertainty in relation to the following two key areas: • Management's assessment of future cash flows from the estate agency business, which include assessment of revenue growth across the two business segments and business profitability (incorporating both short term movements in 2023 and mid-term movements in 2024-2027). • Management's assessment of the long-term growth rate applied to the cash flows into perpetuity. The level of audit work required on the challenge of Management's judgements over future growth make this a key audit matter.	Our audit work on the challenge of achievability of cash flows within the indefinite life brand asset included the following procedures: • Reconciled the cash flows from the impairment review model to internal plans approved by the Board-approved internal strategic plan. • Challenged the key revenue assumptions within the model to supporting evidence, including, inspection of support for internal growth-driving actions, and benchmarking the achievability of key growth metrics (including expected market volumes and unit pricing in both the lettings and sales market) to both corroborative and contradictory external market intelligence. • Challenged Management's assumptions around the future costs within the model, including the inspection of inflation rates applied to cost budgets for future years together with reconciling to growth observed in costs from 2021 to 2022. We also reconciled the model to confirm that future (uncommitted) cost savings had not been incorporated into the model since these are prohibited by IAS 36. • Reconciled the rental cash flows to the gross lease liabilities audited as part of our audit work on leases. • We reconciled the long-term growth rate used to discount the cash flows into perpetuity back to long term growth indices expected within the UK residential housing sector to external sources. **Key observations:** Based on our audit procedures, we consider Management's judgments in respect of the impairment review cash flow assumptions to be reasonable and achievable.
Impairment risk due to the use of inaccurate assumptions included within the weighted average cost of capital ('WACC') used in the brand asset value in use.	The preparation of the value in use model to support the brand asset impairment review under IAS 36 as above requires the use of a WACC to discount the cash flows to their net present value. The WACC encompasses a number of more complex judgments including: • A "beta" rate sourced from a judgemental basket of market comparators. • A number of more judgemental premia including a small stock premium together with a risk premium. The audit of these judgements requires significant input by the Group's management and audit challenge, together with the use of valuation experts to corroborate or contradict the sourcing of key elements within the WACC (both factual and judgemental), making it a key audit matter.	Our audit work included the following procedures on the WACC rate used to discount the cash flows in the brand value in use model: • Challenged the completeness of the market peer Group against which the beta for the Group was derived by considering other listed entities offering significant estate agency services. • Checked the reasonableness of the discount rate (all input assumptions) derived by Management with the assistance of BDO's valuations experts (who were determined under Auditing Standards to be sufficiently independent of the Group and competent to perform this work), including corroboration of WACC inputs to supporting data sources. • Reconciled the small stock premium included in the WACC to relevant Valuations Handbooks and inspected the sensitivity within the WACC that would be created from moving between different brackets of this assumption range. • Challenged the attribution by Management of an additional risk premium to the WACC in relation to the risk of non-achievability of key growth assumptions included within the cash flows of the value in use model by obtaining typical risk premia ranges from BDO valuation experts and considering Management's risk premium to be at a reasonable point on this range. **Key observations:** Based on our audit procedures, we consider Management's judgments in respect of the WACC to be reasonable.

/ INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Materiality	1,000	980	900	532
Basis for determining materiality	0.75% of budgeted revenues (equating to 0.71% of final audited revenues).	0.75% of budgeted revenues (equating to 0.74% of final audited revenues).	90% of Group materiality	54% of Group materiality
Rationale for the benchmark applied	We consider revenue to be the most appropriate materiality benchmark as it provides a more stable measure of year-on-year performance and is a key performance indicator for the Group.	We consider revenue to be the most appropriate materiality benchmark as it provides a more stable measure of year-on-year performance and is a key performance indicator for the Group.	The Parent Company does not trade. Materiality was set at a percentage of group materiality given the assessment of aggregation risk.	The Parent Company does not trade. Materiality was set at a percentage of group materiality given the assessment of aggregation risk.
Performance materiality	700	637	630	346
Basis for determining performance materiality	70% of Group materiality	65% of Group materiality	70% of Parent Company materiality	65% of Parent Company materiality

Performance materiality

The basis of computing performance materiality is as follows:

Year	**2022**	2021
Performance materiality level	70% of relevant materiality level	65% of relevant materiality level
Reasoning	• Continued low level of historic and anticipated misstatements and brought forward uncorrected misstatements. • Continued rationalisation in complex estimates in the Group, reflecting a lower level of Management judgement across the Group financial statements.	• Low level of historic and anticipated misstatements and brought forward uncorrected misstatements. • Management's attitude to identified misstatements. • Limited complexity of the accounting estimates and judgements within the Group.

Component materiality

We set materiality for each component of the Group based on a percentage of between 10% and 90% (2021: between 10% and 81%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £93,000 to £900,000 (2021: from £95,000 to £801,000). In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £40,000 (2021: £35,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on PAGE 86. • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on PAGES 36 TO 37.
Other Code provisions	• Directors' statement on fair, balanced and understandable as set out on PAGE 88. • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on PAGE 132. • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems as set out on PAGE 87. • The section describing the work of the Audit Committee as set out on PAGE 84.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	In our opinion, based on the work undertaken in the course of the audit: • The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements. • The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • 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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • Certain disclosures of Directors' remuneration specified by law are not made; or • We have not received all the information and explanations we require for our audit.

/ INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework, the Companies Act 2006 and UK Corporate Governance Code, the Listing Rules of the FCA and the relevant tax compliance regulations. We addressed these risks through completion of relevant disclosure checklists applied to the key financial statements areas listed above and inspection of the claims listing maintained by Management, together with obtaining direct correspondence from the Group's legal advisers.
- We considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate. These include compliance with FCA regulations, the Estate Agents Act 1979, the Money Laundering Regulations 2007, the Proceeds of Crime Act, and the Data Protection Act.
- We understood how the Group is complying with those frameworks by making enquiries of Management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with Management from across the Group to understand where they have considered there was a susceptibility to fraud. Such areas that were considered to be susceptible were as follows:
  1) Impairment review of brand assets (achievability of cash flows and WACC used to discount those cash flows) given significant judgement involved in forecasting and incentive to ensure impairment review results in no impairment being recorded (see separate documentation of Key Audit Matters further up in this report which explains how this was addressed).
  2) Break clause dates being consistent between the internal revenue recognition system and the underlying tenancy documentation supporting the transaction, manipulation of which could affect revenue recognition and performance-related pay linked to this.
- We communicated relevant identified laws and regulations and potential fraud risks to the engagement team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We obtained an understanding of the processes and controls that the Group has established to address the risk identified with Management override of control, or that otherwise prevent, deter and detect fraud, and how Management monitors those processes and controls.
- Our procedures included journal entry testing with a focus on large or unusual transactions based on our knowledge of the business; enquiries with Alexander Hall's Risk Compliance and Technology Director (to ascertain the extent of any potential compliance breaches or potential claims lodged by customers of the FCA regulated mortgage broking business), the Legal and Compliance Director, and Group Management.
- Third-party confirmations were obtained directly from the Group's external legal counsel to assess the completeness of claims and legal matters made available to us.

The engagement partner assessed the audit team as collectively holding the appropriate competence and capabilities to identify and/or recognise non-compliance with laws and regulations. Where appropriate, additional specialists were involved as members of engagement team discussions to direct the audit procedures toward identifying irregularities as above. No matters concerning non-compliance with laws and regulations were required to be communicated with the engagement team.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street, London, W1U 7EU

6 March 2023

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

/ CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

Continuing operations	Notes	2022 £'000	2021 £'000
Revenue	2	**140,322**	126,475
Direct operating costs		**(49,011)**	(47,933)
Other operating costs		**(77,471)**	(70,954)
Operating profit		**13,840**	7,588
Other losses		**(35)**	(26)
Finance income	5	**137**	37
Finance costs	5	**(2,003)**	(2,046)
Profit before tax from continuing operations		**11,939**	5,553
Tax charge	6	**(2,377)**	(6,893)
Profit/(loss) for the year from continuing operations		**9,562**	(1,340)
Discontinued operations			
Loss after tax for the year from discontinued operations	7	**(435)**	(4,826)
Profit/(loss) for the year attributable to shareholders of the Company		**9,127**	(6,166)
Earnings/(loss) per share			
From continuing operations			
Basic earnings/(loss) per share	9	**3.0p**	(0.4p)
Diluted earnings/(loss) per share	9	**3.0p**	(0.4p)
From continuing and discontinued operations			
Basic earnings/(loss) per share	9	**2.9p**	(1.9p)
Diluted earnings/(loss) per share	9	**2.8p**	(1.9p)
Adjusted results			
From continuing operations			
Adjusted operating profit[1,4]	2	**13,909**	8,942
Adjusted earnings for the purposes of adjusted earnings per share[2,4]	9	**9,609**	6,176
Adjusted basic earnings per share[3,4]	9	**3.1p**	1.9p
Adjusted diluted earnings per share[3,4]	9	**3.0p**	1.9p

1 Adjusted operating profit is an APM and is reconciled to statutory profit before tax in Note 2. Adjusted operating profit from continuing operations is presented before charging £0.07 million of adjusted items (2021: £1.4 million) as set out in Note 4.

2 Adjusted earnings for the purposes of adjusted earnings per share from continuing operations is presented before charging £0.05 million of adjusted items including associated tax credits (2021: £1.5 million) and £nil million of non-cash deferred tax accounting remeasurement charges (2021: £6.1 million), as set out in Note 9.

3 Adjusted basic and diluted earnings per share from continuing operations is an APM and is reconciled to statutory earnings per share in Note 9.

4 Further details of the APMs are provided in Note 27.

/ CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Profit/(loss) for the year attributable to shareholders of the Company		**9,127**	(6,166)
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss (net of tax):			
Changes in fair value of equity instruments at FVOCI	14	**(3,711)**	40
Other comprehensive (loss)/income for the period		**(3,711)**	40
Total comprehensive income/(loss) for the period		**5,416**	(6,126)
Total comprehensive income/(loss) attributable to shareholders of the Company arising from:			
Continuing operations		**5,851**	(1,340)
Discontinued operations		**(435)**	(4,786)
		5,416	(6,126)

/ CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	10	**26,050**	17,716
Other intangible assets	10	**109,309**	107,269
Property, plant and equipment	11	**10,692**	9,652
Right-of-use assets	12	**42,570**	43,832
Contract assets	18	**1,688**	899
Investments	14	**6**	3,317
Deferred tax assets	6	**1,386**	1,744
		191,701	184,429
Current assets			
Trade and other receivables	16	**16,016**	16,011
Contract assets	18	**5,688**	3,657
Current tax assets		**745**	303
Cash and cash equivalents		**12,027**	19,374
Assets classified as held for sale	7	**-**	7,412
		34,476	46,757
Total assets		**226,177**	231,186
Current liabilities			
Trade and other payables	17	**(16,694)**	(14,485)
Lease liabilities	12	**(10,708)**	(8,825)
Contract liabilities	18	**(9,745)**	(8,231)
Provisions	19	**(1,506)**	(342)
Liabilities classified as held for sale	7	**-**	(7,412)
		(38,653)	(39,295)
Net current (liabilities)/assets		**(4,177)**	7,462
Non-current liabilities			
Lease liabilities	12	**(35,753)**	(39,258)
Contract liabilities	18	**(289)**	(1,141)
Provisions	19	**(1,765)**	(1,486)
Deferred tax liabilities	6	**(27,049)**	(26,504)
		(64,856)	(68,389)
Total liabilities		**(103,509)**	(107,684)
Net assets		**122,668**	123,502
Equity			
Share capital	20	**3,301**	3,301
Merger reserve	21	**20,568**	20,568
Other reserves	21	**2,653**	2,653
Own shares reserve	22	**(10,993)**	(6,059)
Retained earnings		**107,139**	103,039
Total equity		**122,668**	123,502

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 6 March 2023. Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

/ CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share Capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		**3,301**	**20,568**	**2,653**	**(6,059)**	**103,039**	**123,502**
Profit for the year attributable to shareholders of the Company		**-**	**-**	**-**	**-**	**9,127**	**9,127**
Changes in fair value of equity instruments at FVOCI	14	**-**	**-**	**-**	**-**	**(3,711)**	**(3,711)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**5,416**	**5,416**
Dividends	8	**-**	**-**	**-**	**-**	**(1,487)**	**(1,487)**
Own shares acquired in the period	22	**-**	**-**	**-**	**(4,941)**	**-**	**(4,941)**
Credit to equity for share-based payments	26	**-**	**-**	**-**	**-**	**178**	**178**
Settlement of share incentive plan		**-**	**-**	**-**	**7**	**(7)**	**-**
Balance at 31 December 2022		**3,301**	**20,568**	**2,653**	**(10,993)**	**107,139**	**122,668**

	Notes	Share Capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		3,301	20,568	2,653	(374)	108,308	134,456
Profit for the year attributable to shareholders of the Company		-	-	-	-	(6,166)	(6,166)
Changes in fair value of equity instruments at FVOCI	14	-	-	-	-	40	40
Total comprehensive loss for the year		-	-	-	-	(6,126)	(6,126)
Dividends	8	-	-	-	-	(583)	(583)
Own shares acquired in the period	22	-	-	-	(5,697)	-	(5,697)
Credit to equity for share-based payments	26	-	-	-	-	1,452	1,452
Settlement of share incentive plan		-	-	-	12	(12)	-
Balance at 31 December 2021		3,301	20,568	2,653	(6,059)	103,039	123,502

/ CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Operating activities			
Operating profit from continuing operations	2	**13,840**	7,588
Operating loss from discontinued operations	7	**(414)**	(5,051)
Operating profit from continuing and discontinued operations		**13,426**	2,537
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	11, 12	**12,197**	13,047
Amortisation of intangible assets	10	**1,551**	1,652
Held for sale impairment	7	**-**	3,227
Gain on disposal of the discontinued operations	7	**(180)**	-
Net (reversal of impairment)/impairment of property, plant and equipment and right-of-use assets	4	**(310)**	468
Investment in associate impairment	4	**-**	681
Gain on disposal of property, plant and equipment, right-of-use assets and intangibles		**(73)**	(1,367)
Increase in provisions		**1,055**	245
Cash settlement of share incentive plan		**(7)**	-
Share-based payment charges		**178**	1,471
Operating cash flows before movements in working capital		**27,837**	21,961
Increase in receivables		**(2,108)**	(2,062)
Increase in payables		**862**	3,756
Cash generated by operations		**26,591**	23,655
Income taxes paid		**(2,659)**	(179)
Net cash from operating activities		**23,932**	23,476
Investing activities			
Interest received		**137**	15
Proceeds on disposal of property, plant and equipment	11	**53**	154
Proceeds on disposal of associate and investments	14	**-**	160
Purchases of property, plant and equipment	11	**(2,953)**	(1,976)
Purchases of intangibles	10	**(755)**	(2)
Purchases of investments	14	**(400)**	(3,000)
Acquisition of subsidiaries (net of cash acquired)	13	**(8,490)**	(11,451)
Disposal of discontinued operations	7	**(3,715)**	-
Net cash used in investing activities		**(16,123)**	(16,100)
Financing activities			
Dividends paid	8	**(1,487)**	(583)
Interest paid		**(38)**	(21)
Repayment of lease liabilities	12	**(12,686)**	(15,228)
Sub-lease receipts		**281**	258
Purchase of own shares	22	**(4,941)**	(5,697)
Net cash used in financing activities		**(18,871)**	(21,271)
Net decrease in cash and cash equivalents		**(11,062)**	(13,895)
Cash and cash equivalents at beginning of year[1] comprised:		**23,089**	36,984
Cash and cash equivalents at end of the year (continuing operations)		**19,374**	36,984
Cash included in assets held for sale at end of the year (discontinued operations)	7	**3,715**	-
Cash and cash equivalents at end of year[1] comprised:		**12,027**	23,089
Cash and cash equivalents at end of the year (continuing operations)		**12,027**	19,374
Cash included in assets held for sale at end of the year (discontinued operations)	7	**-**	3,715

[1] Group balances, which include cash related to continuing and discontinued operations.

/ NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 General information

Foxtons Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, 'the Group') is the provision of services to the residential property market in the UK.

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

1.2 Compliance with International Financial Reporting Standards

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2021 and 2022.

1.3 Basis of preparation

These financial statements have been prepared on the historical cost basis as modified by items held at fair value through other comprehensive income. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

1.4 Basis of consolidation

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

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

1.5 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

1.6 Going concern

Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing which determines the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. At 31 December 2022, the Group held a cash and cash equivalents balance of £12.0 million (2021: £19.4 million, excluding £3.7 million of cash classified as held for sale), had no external borrowings and an undrawn £5.0 million rolling credit facility ('RCF') which expires in June 2024.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES CONTINUED

Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have reviewed the Group's cash flow forecasts which have been stress tested using a reverse stress scenario which incorporates a severe deterioration in market conditions.

The reverse stress scenario incorporates a severe reduction in trading from April 2023 to December 2023 against plan, reflecting a 30% reduction in sales market transactions and a 12% reduction in Lettings units compared to 2022. For context, a 30% reduction in sales market transactions would see transactions return to levels seen in 2009 after the Global Financial Crisis.

In the unlikely event of the reverse stress scenario, the Group forecasts to be in compliance with the required RCF covenants (refer to Note 23 for details of the covenants), but would be required to fully draw down on the RCF and would enter into a negative net cash position in March 2024. Under such a scenario, additional mitigating action could be taken to protect liquidity such as raising additional funds, seeking agreement to defer lease payments and reducing discretionary spend.

1.7 Adoption of new and revised standards

Several amendments and interpretations apply for the first time in 2022, but do not have a material impact on the consolidated financial statements:

Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements to IFRS Accounting Standards 2018-2020 Cycle

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* *Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

1.8 Revenue recognition

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

Rendering of services

Under IFRS 15 'Revenue from Contracts with Customers', a five step process is taken for recognising revenue from contracts with customers. The process consists of: 1) Identifying the contract(s) with a customer; 2) Identifying the performance obligations in the contract; 3) Determining the transaction price; 4) Allocating the transaction price to the performance obligation(s); and 5) Recognising revenue when a performance obligation has been satisfied.

The Group generates revenue from customers, the majority of which are based in the UK, from three main revenue streams: Lettings; Sales; and Financial Services. The point at which transfer of control of services to customers for each performance obligation is deemed to be met, and consequently the revenue recognition point for each performance obligation, is in line with the criteria outlined below.

Lettings revenue streams

Revenue is recognised as follows for the following Lettings revenue streams:

(i) Commission for securing a letting for the landlord

The Group satisfies its performance obligation at the point the letting is secured and recognises initial Lettings commission at this point. The initial Lettings commission is determined by applying the contractual commission percentages to the value of the rental over the non-cancellable period. Once the non-cancellable period has passed, and the contract can be terminated in accordance with the break clause, the contract is accounted for as a rolling contract with optional renewals.

Contract assets represent the accrual of revenue beyond amounts invoiced for contracts where invoicing only covers part of the non-cancellable contract period, and contract liabilities represent amounts invoiced for contracts where invoicing has extended past the non-cancellable contract period.

This commission is recognised over time in line with the contract between the Group and the landlord which has been determined to be a cancellable contract, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the Group refunds any initial commissions paid by the landlord on a pro-rata basis.

(ii) Commission for collecting rent on behalf of the landlord

Commission for rent collection services is recognised over the life of the contract on a straight-line basis which is in line with the satisfaction of the performance obligation, measured using a mark-up on the estimated costs allocated to the provision of the service.

(iii) Commission for managing the letting on behalf of the landlord

Property management services are recognised over the life of the contract on a straight-line basis which is in line with the satisfaction of the performance obligation.

Sales revenue streams

Revenue is recognised as follows for the following Sales revenue streams:

(i) Commission for residential property sales

Commission earned on residential property sales is recognised at a point in time upon the exchange of contracts for such sales.

(ii) Commission for residential off-plan property sales

For contracts relating to new homes sold off-plan, the Group's commission is variable and dependent on the off-plan sale successfully completing. At the point of exchange of contract, management makes an assessment of the amount and probability of revenue expected to be received.

Variable consideration is estimated using the expected value methodology to predict the amount of consideration the Group will be entitled to. The estimate is determined with reference to historical and forecast information. Estimates are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty is subsequently resolved. Constraints are determined with reference to factors outside the Group's control and the length of time between point of exchange of contracts and completion of the sale.

Financial Services revenue streams

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

Interest income

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

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES CONTINUED

1.9 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period and any adjustments in respect to prior periods. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax

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

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

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

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

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

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

1.10 Goodwill and goodwill impairment

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

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

1.11 Other intangible assets

Intangible assets, other than goodwill that are acquired by the Group (the acquired Foxtons brand, software and customer contracts), are stated at cost less accumulated amortisation and impairment losses. The brand is considered to have an indefinite economic life because of the institutional nature of the brand and the Group's commitment to develop and enhance its value. The carrying value of the brand is subject to an annual impairment review, and adjusted to its recoverable amount if required. Amortisation of customer contracts and software is included within other operating costs in the consolidated income statement, and is recognised on a straight-line basis as follows:

Customer contracts and relationships	Estimated life of the contracts/relationships
Software	20% straight-line

1.12 Property, plant and equipment

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

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

Leasehold improvements	Over the term of the lease (lease terms remaining 0-12 years)
Fixtures, fittings and equipment	Between 20% and 25% straight-line
Motor vehicles	25% straight-line

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

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

1.13 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (excluding goodwill, refer to section 1.10 for details of the goodwill impairment policy) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

1.14 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases for low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

a) **Lease liability:** The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

   Lease payments included in the measurement of the lease liability primarily comprise fixed lease payments.

   The lease liability is presented across separate lines (current and non-current) in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

   The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets.

b) **Right-of-use assets:** Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES CONTINUED

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other operating costs in the consolidated income statement.

The Group as lessor

The Group acts as an intermediate sub-lessor for certain properties. The Group accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1.15 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is equal to their fair value. Cash and cash equivalents excludes client monies since these funds belong to tenants (refer to Note 25 for details of the client monies held by the Group).

1.16 Financial instruments

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

a) Financial assets

The financial assets held by the Group are classified, at initial recognition, and subsequently measured at amortised cost or at fair value through other comprehensive income (OCI). All financial assets are recognised and derecognised on a trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs.

For purposes of subsequent measurement, the financial assets held by the Group are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

All financial assets, other than cash and cash equivalents and investments classified as fair value through OCI, are measured at amortised cost using the effective interest rate (EIR) method, except for short-term receivables when the recognition of interest would be immaterial, and are subject to impairment.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established an ECL model that is based on its historical credit loss experience, adjusted for forward-looking market factors specific to the debtors and the economic environment.

Investments in unlisted shares

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as fair value through OCI (unless held for trading). The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are recognised through OCI.

Dividends on these investments are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group recognises its non-listed equity investments as fair value through OCI.

b) Financial liabilities and equity

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

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the EIR method, with interest expense recognised on an effective yield basis.

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

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

Provisions

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

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

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

A provision for restructuring is recognised when management has a formal plan for the restructuring that identifies that portion of the business and principal locations that will be affected in detail and timing, and has raised an expectation among those affected that it will proceed with the restructuring.

Equity instruments

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

1.17 Non-current assets held for sale and discontinued operations

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

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

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

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

1.18 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 26.

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

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES CONTINUED

1.19 Alternative performance measures (APMs)

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for factors which affect IFRS measures, to aid users in understanding the Group's performance. The Group's APMs are defined, explained and reconciled to the nearest statutory measure within Notes 2 and 27.

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

Adjusted items

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

1.20 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements in applying the group's accounting policies

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below.

- **Useful economic life of the brand intangible asset**

The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings Limited on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. This judgement continues to be appropriate noting the Group's intention and the ability to maintain the brand intangible asset so that there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows. Refer to Note 10 for further consideration of the carrying value of the brand intangible asset.

Key sources of estimation uncertainty

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

- **Impairment of intangibles with an indefinite life**

Determining whether intangibles with an indefinite life are impaired requires an estimation of the value in use of the CGUs to which intangible assets with an indefinite life (i.e. the Foxtons brand) have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. The carrying amount of the Foxtons brand is £99 million. The key source of estimation uncertainty relates to the forecast cash flows used to determine the value in use. Sensitivity analysis is provided in Note 10.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Board is the Chief Operating Decision Maker ('CODM') in accordance with the requirements of IFRS 8 'Operating Segments'.

The operating and reportable segments of the Group are (i) Lettings; (ii) Sales; and (iii) Financial Services.

(i) Lettings generates commission from the letting and management of residential properties and income from interest earned on tenants' deposits.

(ii) Sales generates commission on sales of residential property.

(iii) Financial Services generates commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Certain changes have been made to the segmental disclosures in the period. The relevant changes are summarised below:

- Corporate costs that are managed on a Group basis, and cannot be reasonably attributed directly to the operating activities of the Group's operating segments, are no longer allocated to the operating segments. Corporate costs are now presented within a separate column of the segmental disclosure as 'Corporate costs'.
- Since the Lettings and Sales segments operate out of the same premises and share support services, a significant proportion of costs are apportioned between the segments. The cost allocation methodology used to allocate shared costs between the Lettings and Sales segments has been updated to better reflect the cost consumed by each of the segments.
- The prior period comparatives have been restated to enable fair comparability against the current year's segmental results.
- The Financial Services segment, previously referred to as the 'Mortgage Broking' segment, has been renamed in the period. The renaming of the segment is reflective of the segment providing a range of financial services.

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

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 10.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 27.

Contribution and contribution margin

Contribution is defined as revenue less direct operating costs (being salary costs of front office staff and costs of bad debt). Contribution margin is defined as contribution divided by revenue. These measures indicate the profitability and efficiency of the segments before the allocation of shared costs.

Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined in Note 1), finance income, finance cost and other gains/losses. Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. As explained in Note 27, these measures are used by the Board to measure delivery against the Group's strategic priorities, to allocate resource and to assess segmental performance.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2. BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUED

Segment revenues and results

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2022:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate Costs £'000	Group Total £'000
Revenue		**86,918**	**43,182**	**10,222**	**n/a**	**140,322**
Contribution	27	64,788	22,040	4,483	n/a	91,311
Contribution margin	*27*	*74.5%*	*51.0%*	*43.9%*	*n/a*	*65.1%*
Adjusted operating profit/(loss)	27	**17,989**	**(3,231)**	**1,767**	**(2,616)**	**13,909**
Adjusted operating profit/(loss) margin	*27*	*20.7%*	*(7.5%)*	*17.3%*	*n/a*	*9.9%*
Adjusted items	4					(69)
Operating profit						**13,840**
Other losses						(35)
Finance income	5					137
Finance cost	5					(2,003)
Profit before tax						**11,939**

D&G Sales (disposed 11 February 2022) is presented as a discontinued operation. Refer to Note 7 for further details.

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate Costs £'000	Group Total £'000
Depreciation and amortisation (excluding acquired intangibles)	(7,747)	(4,859)	(101)	-	(12,707)
Amortisation from acquired intangibles	(913)	(128)	-	-	(1,041)
Total	**(8,660)**	**(4,987)**	**(101)**	**-**	**(13,748)**

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

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate Costs £'000	Group Total £'000
Revenue		74,342	42,673	9,460	n/a	126,475
Contribution	27	51,685	22,799	4,058	n/a	78,542
Contribution margin	*27*	*69.5%*	*53.4%*	*42.9%*	*n/a*	*62.1%*
Adjusted operating profit/(loss)	27	9,780	534	1,539	(2,911)	8,942
Adjusted operating profit/(loss) margin	*27*	*13.2%*	*1.3%*	*16.3%*	*n/a*	*7.1%*
Adjusted items	4					(1,354)
Operating profit						7,588
Other losses						(26)
Finance income	5					37
Finance cost	5					(2,046)
Profit before tax						5,553

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate Costs £'000	Group Total £'000
Depreciation and amortisation (excluding acquired intangibles)	(7,315)	(5,276)	(119)	-	(12,710)
Amortisation from acquired intangibles	(877)	-	-	-	(877)
Total	(8,192)	(5,276)	(119)	-	(13,587)

3. INCOME AND EXPENSES

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

	Notes	2022 £'000	2021 £'000
Short term leases	12	**1,503**	1,328
Depreciation of property, plant and equipment	11	**2,063**	2,269
Depreciation of right-of-use assets	12	**10,134**	9,913
Amortisation (excluding acquired intangibles)	10	**510**	528
Amortisation from acquired intangibles	10	**1,041**	877
Adjusted items	4	**69**	1,354
(Gain)/loss on disposal of property, plant and equipment, right-of-use assets and intangibles		**(90)**	148
Impairment loss on trade receivables and contract assets		**933**	114
Employee costs	3	**74,841**	74,112

Auditor's remuneration

The remuneration of the auditor is split as follows:

	2022 £'000	2021 £'000
The audit of the Company	**275**	203
The audit of the Company's subsidiaries	**100**	90
Total audit fees	**375**	293
Audit-related assurance services	**40**	33
Other assurance services	**5**	5
Total non-audit fees	**45**	38

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on PAGE 88. No services were provided pursuant to contingent fee arrangements.

Employee numbers and costs

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

	2022 Number of employees	2021 Number of employees
Fee earning staff	**746**	744
Administrative and support staff	**455**	417
	1,201	1,161

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

	2022	2021
Wages and salaries	**65,802**	64,399
Social security costs	**7,835**	7,226
Share-based payments	**329**	1,581
Defined contribution pension costs	**875**	906
	74,841	74,112

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

	2022	2021
Wages and salaries	**1,903**	2,476
Short term non-monetary benefits	**43**	59
Share-based payments	**210**	1,168
Pension benefits	**40**	77
	2,196	3,780

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

4. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin and adjusted earnings per share exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 27. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2022 £'000	2021 £'000
Property related credit[1]	**(439)**	(908)
Branch asset (reversal) / impairment charge[2]	**(310)**	468
Impairment of interest in associate[3]	**-**	681
Transaction related costs[4]	**199**	633
Reorganisation costs[5]	**619**	480
	69	1,354

1 Property related credit relates to the net of a charge relating to re-estimation of the provision for adjusted items, a net gain on the disposal of IFRS 16 balances and other charges relating to vacant property.

2 The branch impairment reversal mainly relates to plant, property and equipment £181k (2021: impairment charge of £181k) and right-of-use assets £129k (2021: impairment charge of £287k) as disclosed in Note 11 and 12 respectively.

3 The impairment of interest in associate relates to an impairment of the carrying value of an interest in associate.

4 Transaction related costs relate to costs involved with the acquisition of IMM Properties Limited (2021: for the acquisition of Douglas & Gordon Estate Agents Limited).

5 Net cost of Executive reorganisation.

Net cash outflow from adjusted items during the year totalled £1.4 million (2021: £1.0 million).

5. FINANCE INCOME AND COSTS

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

	2022 £'000	2021 £'000
Finance income		
Interest income on cash and cash equivalents	**85**	13
Interest income on leasing arrangements	**52**	24
Total finance income	**137**	37
Finance costs		
Other interest payable	**(38)**	(21)
Interest on lease liabilities	**(1,965)**	(2,025)
Total finance costs	**(2,003)**	(2,046)
Net finance cost	**(1,866)**	(2,009)

6. TAXATION

Recognised in the group income statement

The components of the tax charge recognised in the Group income statement are:

	2022 £'000	2021 £'000
Current tax		
Current period UK corporation tax	**2,078**	176
Adjustment in respect of prior periods	**82**	(18)
Total current tax charge	**2,160**	158
Deferred tax		
Origination and reversal of temporary differences	**376**	344
Impact of change in tax rate	**(12)**	6,060
Adjustment in respect of prior periods	**(147)**	(44)
Total deferred tax charge	**217**	6,360
Tax charge on profit on ordinary activities from continuing and discontinued operations	**2,377**	6,518
Discontinued operations tax credit	**-**	375
Tax charge on profit on ordinary activities from continuing operations	**2,377**	6,893

Corporation tax for the year ended 31 December 2022 is calculated at 19% (2021: 19%) of the estimated taxable profit for the period.

The March 2021 Spring Budget announced an increase in the UK corporate tax rate from 19% to 25%, from 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets/liabilities have been recognised at 25% to the extent they are expected to unwind after 1 April 2023. In the year ended 31 December 2021 the impact of the change in tax rate has been adjusted out of earnings for the purposes of calculating adjusted earnings per share due to its distortive nature, refer to Note 9.

Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 19% (2021: 19%), because of the following factors:

	2022 £'000	2021 £'000
Profit before tax from continuing operations	**11,939**	5,553
Tax at the UK corporation tax rate (see above)	**2,268**	1,055
Tax effect of expenses that are not deductible	**354**	495
Other differences - share options	**242**	161
Adjustment in respect of previous periods	**(65)**	(62)
Impact on deferred tax of change in tax rate	**(12)**	6,060
Recognition of a deferred tax asset	**(410)**	(816)
Tax charge on profit on ordinary activities	**2,377**	6,893
Effective tax rate	**19.9%**	124.1%

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

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £8k (2021: £20k credit) and relates to deferred tax arising on share-based payment schemes.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. TAXATION CONTINUED

Deferred tax

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

	2022 £'000	2021 £'000
Deferred tax assets	1,386	1,744
Deferred tax liabilities	(27,049)	(26,504)
Net deferred tax	(25,663)	(24,760)

Deferred tax liabilities relate to the intangible assets of the Foxtons brand and purchased customer contracts and relationships, which have an indefinite life and a range of definite lives respectively. The deferred tax liability relating to the Foxtons brand will not reverse unless the Foxtons brand is impaired or sold by the Group, and the deferred tax liability relating to purchased customer contracts and relationships will unwind over the range of amortisation periods of the respective assets.

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

	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 31 December 2020	254	87	1,563	(19,379)	(17,475)
(Charge)/credit to profit or loss	4	(165)	(96)	(6,103)	(6,360)
Charge to equity	-	(20)	-	-	(20)
Additions through business combinations	(48)	(28)	123	(1,022)	(975)
Transfer to held for sale assets	-	-	70	-	70
At 31 December 2021	**210**	**(126)**	**1,660**	**(26,504)**	**(24,760)**
(Charge)/credit to profit or loss	**(205)**	**301**	**(452)**	**139**	**(217)**
Charge to equity	**-**	**8**	**-**	**-**	**8**
Additions through business combinations	**(10)**	**-**	**-**	**(684)**	**(694)**
At 31 December 2022	**(5)**	**183**	**1,208**	**(27,049)**	**(25,663)**

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

A deferred tax asset totalling £1.2 million (2021: £1.7 million) has been recognised in relation to tax losses brought forward. This relates to gross £4.9 million (2021: £3.6m) of unused non-trade deficits in Foxtons Intermediate Holdings Limited at 31 December 2022. 2021 included gross £1.7 million of unused trading losses in Foxtons Limited and £1.1 million in Foxtons Group Plc, but these have been fully utilised during 2022. Any losses expected to be utilised after April 2023 have been revalued at 25%.

Foxtons Intermediate Holdings Limited has £32.3 million of unused losses (2021: £38.4 million) for which a deferred tax asset has not been recognised on the basis that it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

The deferred tax asset on changes in fair value of equity instruments at FVOCI of £3.7 million has not been recognised as there is no foreseeable capital gain against which this capital loss can be offset against.

7. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

On 1 March 2021, the Group acquired 100% of the share capital of Douglas & Gordon Estate Agents Limited and its subsidiary companies (collectively, 'D&G Group'), thereby obtaining control.

On 10 November 2021, the Board approved the integration of the Douglas & Gordon ('D&G') Lettings business into the Foxtons network and the simultaneous disposal of the D&G Sales business to Lochlan Holdings Limited ('Lochlan'), a company owned by the CEO of Douglas & Gordon Limited.

On 10 February 2022, the shareholders of the Company approved the disposal of the D&G Sales business, which was a related party transaction under the Listing Rules, via an ordinary resolution at a General Meeting.

On 11 February 2022, the D&G Lettings customer contracts and relationships were transferred from Douglas & Gordon Limited to Foxtons Limited by way of a distribution in specie at net book value. Immediately after the transfer, the D&G Sales business, including branch and head office leases, was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan for nominal consideration of £2.

The sale of the D&G Sales business resulted in a pre-tax gain on disposal of £0.2m, following a held-for-sale impairment charge of £3.2m recognised in the year ended 31 December 2021.

In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the D&G Sales business, a disposal group, has been presented as a discontinued operation in both the current year and the prior year.

Discontinued operations: Income statement

The following results of the operations classified as a discontinued operation have been eliminated from the Group's continuing operations results, and are shown as a single line item in the consolidated income statement.

	2022			2021		
	Before adjusted items £'000	Adjusted items £'000	After adjusted items £'000	Before adjusted items £'000	Adjusted items £'000	After adjusted items £'000
Revenue	579	-	579	6,842	-	6,842
Direct operating costs	(347)	-	(347)	(2,855)	-	(2,855)
Other operating costs	(826)	-	(826)	(5,811)	-	(5,811)
Adjusted operating loss	(594)	-	(594)	(1,824)	-	(1,824)
Gain on sale of the discontinued operation	-	180	180	-	-	-
Held for sale impairment loss	-	-	-	-	(3,227)	(3,227)
Operating loss	(594)	180	(414)	(1,824)	(3,227)	(5,051)
Other losses	-	-	-	-	-	-
Finance income	-	-	-	1	-	1
Finance costs	(21)	-	(21)	(151)	-	(151)
Loss before tax	(615)	180	(435)	(1,974)	(3,227)	(5,201)
Tax credit	-	-	-	375	-	375
Loss for the year from discontinued operations attributable to shareholders of the Company	(615)	180	(435)	(1,599)	(3,227)	(4,826)

	2022		2021	
Loss per share	Before adjusted items	After adjusted items	Before adjusted items	After adjusted items
Basic and diluted loss per share from discontinued operations	(0.1p)	(0.2p)	(0.5p)	(1.5p)

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE CONTINUED

Discontinued operations: Cash flows

The net cash flows incurred by discontinued operations are as follows:

	2022 £'000	2021 £'000
Net cash outflow from operating activities	(458)	(1,045)
Net cash outflow from investing activities	(3,715)	(172)
Net cash outflow from financing activities	(18)	(1,117)
Net cash outflow	**(4,191)**	(2,334)

Assets held for sale

The major classes of assets and liabilities of the disposal group classified as held for sale as at 31 December 2021 are as follows:

	2022 £'000	2021 £'000
Intangible assets	-	19
Property, plant and equipment	-	906
Investments	-	234
Right-of-use assets	-	4,605
Trade and other receivables	-	1,160
Cash and cash equivalents	-	3,715
Assets classified as held for sale	-	10,639
Held for sale impairment charge	-	(3,227)
Assets classified as held for sale (net of impairment charge)	-	7,412
Trade and other payables	-	(1,941)
Current tax liabilities	-	(131)
Deferred tax liabilities	-	(70)
Provisions	-	(770)
Lease Liabilities	-	(4,500)
Liabilities classified as held for sale	-	(7,412)
Net assets classified as held for sale (net of impairment charge)	-	-

8. DIVIDENDS

	2022 £'000	2021 £'000
Final dividend for the year ended 31 December 2021: 0.27p (31 December 2020: nil) per ordinary share	856	-
Interim dividend for the year ended 31 December 2022: 0.20p (31 December 2021: 0.18p) per ordinary share	631	583
	1,487	583

For 2022, the Board has proposed a final dividend of 0.7p per ordinary share (£2.1 million) to be paid on 31 May 2023.

9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the earnings for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary share awards into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share awards granted to employees.

	Continuing operations		Total Group (continuing and discontinued operations)	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	9,562	(1,340)	9,127	(6,166)
Adjusted for:				
Adjusted items (including associated taxation)[1]	47	1,456	(133)	4,683
Deferred tax remeasurement (due to UK corporation tax rate change)	-	6,060	-	6,060
Adjusted earnings for the purposes of adjusted earnings per share	9,609	6,176	8,994	4,577

Number of shares	2022	2021	2022	2021
Weighted average number of ordinary shares for the purposes of basic earnings per share	314,818,812	324,045,184	314,818,812	324,045,184
Effect of potentially dilutive ordinary shares	5,824,398	4,647,390	5,824,398	4,647,390
Weighted average number of ordinary shares for the purpose of diluted earnings per share	320,643,210	328,692,574	320,643,210	328,692,574
Earnings/(loss) per share (basic)[2]	3.0p	(0.4p)	2.9p	(1.9p)
Earnings/(loss) per share (diluted)[2]	3.0p	(0.4p)	2.8p	(1.9p)
Adjusted earnings per share (basic)	3.1p	1.9p	2.9p	1.4p
Adjusted earnings per share (diluted)	3.0p	1.9p	2.8p	1.4p

1 Adjusted items relating to continuing operations of £69k (2021: £1,354k) per Note 4, and associated tax credit of £22k (2021: £102k charge), resulting in an after tax charge of £47k (2021: £1,456k). Adjusted items relating to discontinued operations of £180k credit (2021: £3,227k charge) per Note 7, less £nil associated tax charge (2021: £nil), resulting in an after tax credit of £180k (2021: £3,227k charge).

2 The 2021 diluted loss per share is equal to the basic loss per share due to the potentially dilutive share awards resulting in a reduction in the loss per share and being anti-dilutive.

Refer to Note 7 for the calculation of the loss per share for discontinued operations.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. GOODWILL AND OTHER INTANGIBLE ASSETS

2022	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2022	27,535	99,000	2,607	-	9,143	138,285
Additions	-	-		755	-	755
Disposals	-	-	(363)	-	-	(363)
Acquired through business combinations (refer to Note 13)	8,334	-	-	-	2,898	11,232
At 31 December 2022	35,869	99,000	2,244	755	12,041	149,909
Accumulated amortisation and impairment losses						
At 1 January 2022	9,819	-	1,589	-	1,892	13,300
Amortisation	-	-	510	-	1,041	1,551
Disposal	-	-	(301)	-	-	(301)
At 31 December 2022	9,819	-	1,798	-	2,933	14,550
Net carrying value						
At 31 December 2022	26,050	99,000	446	755	9,108	135,359
At 1 January 2022	17,716	99,000	1,018	-	7,251	124,985

2021	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2022	21,239	99,000	2,607	-	3,770	126,616
Additions	-		2	-	-	2
Acquired through business combinations	6,296	-	23	-	5,373	11,692
(refer to Note 13)	-	-	(25)	-	-	(25)
At 31 December 2021	27,535	99,000	2,607	-	9,143	138,285
Accumulated amortisation and impairment losses						
At 1 January 2022	9,819	-	1,067	-	768	11,654
Amortisation	-	-	528	-	1,124	1,652
Disposal	-	-	-	-	-	-
Transfer to assets held for sale	-	-	(6)	-	-	(6)
At 31 December 2021	9,819	-	1,589	-	1,892	13,300
Net carrying value						
At 31 December 2021	17,716	99,000	1,018	-	7,251	124,985
At 1 January 2021	11,420	99,000	1,540	-	3,002	114,962

Annual impairment review

a) Carrying value of goodwill and intangible assets with indefinite lives

The carrying values of goodwill and intangible assets with indefinite lives are summarised below. These assets have been subject to an annual impairment review.

	2022 £'000	2021 £'000
Lettings goodwill	26,050	17,716
Brand asset - Sales and Lettings	99,000	99,000
	125,050	116,716

- Lettings goodwill is allocated to the Lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the values in use relating to the Lettings and Sales CGUs. This grouping represents the lowest level at which management monitors the brand internally and reflects the way in which the brand asset is viewed, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

The Group tests goodwill and the indefinite life brand asset annually for impairment, or more frequently if there are indicators of impairment, in accordance with IAS 36 'Impairment of Assets'.

The Group has determined the recoverable amount of each CGU from value in use calculations. The value in use calculations use cash flow projections from formally approved budgets and forecasts covering a five-year period, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate to the CGUs.

Following the annual impairment review performed as at 30 September 2022, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

The assumptions used in the annual impairment review are detailed below:

- **Cash flow assumptions**

  The key assumptions in determining the cash flows are expected changes in Lettings and Sales volumes throughout the forecast period, together with likely changes to associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of observable trends and expectations of future changes in the market.

- **Long-term growth rates**

  To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2021: 2%) into perpetuity.

  The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates and external long-term growth forecasts.

- **Discount rates**

  In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's weighted average cost of capital (WACC) and is calculated using a capital asset pricing model and incorporates lease debt held under IFRS 16. The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

  The pre-tax discount rate used to discount Lettings cash flows used in the assessment of Lettings goodwill is 16.0% (2021: 11.5%). The pre-tax discount rate used to discount aggregated Sales and Lettings cash flows used in the assessment of the brand asset is 16.0% (2021: 11.5%). The year-on-year increase in the discount rate is attributable to market changes in WACC inputs, primarily the risk free rate.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. GOODWILL AND OTHER INTANGIBLE ASSETS CONTINUED

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying values of goodwill and the brand asset are sensitive to reasonably possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying values. Lettings goodwill showed significant headroom against all sensitivity scenarios, while the brand asset is sensitive to reasonably possible changes in key assumptions.

The key assumption in the brand impairment assessment is the forecast revenues for the Lettings and Sales businesses. The carrying value of the brand asset is not highly sensitive to changes in discount rates or long-term growth rates.

The impairment model indicates brand asset headroom of £71.1 million (2021: £65.7 million) or 38% (2021: 36%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard. Sales revenue is to decline in 2023 before fully recovering by 2026, resulting in a compound average growth rate (CAGR) of 3.2% over the forecast period. Lettings revenue is assumed to grow at a CAGR of 4.3% over the forecast period, excluding future Lettings portfolio acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue CAGR over the forecast period reduces from 3.9% to 2.1%. Under a reasonable possible downside scenario, in which Sales revenue only fully recovers by 2027, Lettings revenue growth is limited to 2.2% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £1.2 million.

11. PROPERTY, PLANT AND EQUIPMENT

2022	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	**35,061**	**11,335**	**38**	**17**	**46,451**
Additions	**998**	**759**	**-**	**1,196**	**2,953**
Acquired through business combinations	**52**	**22**	**-**	**-**	**74**
Disposals	**(445)**	**(895)**	**(24)**	**-**	**(1,364)**
At 31 December 2022	**35,666**	**11,221**	**14**	**1,213**	**48,114**
Accumulated depreciation and impairment losses					
At 1 January 2022	**26,781**	**9,986**	**32**	**-**	**36,799**
Depreciation	**1,599**	**460**	**4**	**-**	**2,063**
Disposals	**(411)**	**(826)**	**(22)**	**-**	**(1,259)**
Reversal of impairment	**(181)**	**-**	**-**	**-**	**(181)**
At 31 December 2022	**27,788**	**9,620**	**14**	**-**	**37,422**
Net carrying value					
At 31 December 2022	**7,878**	**1,601**	**-**	**1,213**	**10,692**
At 1 January 2022	**8,280**	**1,349**	**6**	**17**	**9,652**

Assets with a net book value of £88k were disposed of during the year. Proceeds of £53k gave rise to a loss on disposal of £35k.

2021	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2021	34,796	10,321	187	-	45,304
Additions	500	1,456	3	17	1,976
Acquired through business combinations	609	337	1	-	947
Disposals	(234)	(295)	(153)	-	(682)
Transfer to assets held for sale	(610)	(484)	-	-	(1,094)
At 31 December 2021	35,061	11,335	38	17	46,451
Accumulated depreciation and impairment losses					
At 1 January 2021	25,053	9,521	182	-	34,756
Depreciation	1,789	639	2	-	2,430
Disposals	(154)	(74)	(152)	-	(380)
Impairment charge	181	-	-	-	181
Transfer to assets held for sale	(88)	(100)	-	-	(188)
At 31 December 2021	26,781	9,986	32	-	36,799
Net carrying value					
At 31 December 2021	8,280	1,349	6	17	9,652
At 1 January 2021	9,743	800	5	-	10,548

12. LEASES

Group as a lessee

The Group has lease contracts for its head office, branches and for motor vehicles used in its operations. With the exception of short-term leases, each lease is recognised on the balance sheet with a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Generally, the right-of-use assets can only be used by the Group, unless there is a contractual right for the Group to sub-lease the asset to another party. The Group is also prohibited from selling or pledging the leased assets as security.

Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the year are outlined below:

	Property £'000	**Motor vehicles £'000**	**Total £'000**
At 1 January 2021	40,723	3,721	44,444
Additions	4,642	4,931	9,573
Acquired through business combinations	4,633	732	5,365
Lease modifications	551	-	551
Disposals	(426)	(166)	(592)
Depreciation	(7,383)	(3,234)	(10,617)
Impairment charge	(287)	-	(287)
Assets transferred to held for sale	(4,044)	(561)	(4,605)
At 31 December 2021	**38,409**	**5,423**	**43,832**
Additions	**6,346**	**2,218**	**8,564**
Acquired through business combinations	**569**	**30**	**599**
Lease modifications	**138**	**-**	**138**
Disposals	**(154)**	**(404)**	**(558)**
Depreciation	**(7,018)**	**(3,116)**	**(10,134)**
Net impairment reversal/(charge)	**163**	**(34)**	**129**
At 31 December 2022	**38,453**	**4,117**	**42,570**

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

12. LEASES CONTINUED

Lease liabilities

The carrying amounts of lease liabilities recognised and the movements during the year are outlined below:

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2021	47,147	4,411	51,558
Additions	4,642	4,931	9,573
Acquired through business combinations	4,765	732	5,497
Lease modifications	(310)	-	(310)
Disposals	(514)	(168)	(682)
Interest charge	2,015	160	2,175
Payments	(11,173)	(4,055)	(15,228)
Liabilities transferred to held for sale	(3,964)	(536)	(4,500)
At 31 December 2021	**42,608**	**5,475**	**48,083**
Additions	**6,279**	**2,218**	**8,497**
Acquired through business combinations	**777**	**103**	**880**
Lease modifications	**138**	**-**	**138**
Disposals	**-**	**(416)**	**(416)**
Interest charge	**1,839**	**126**	**1,965**
Payments	**(9,452)**	**(3,234)**	**(12,686)**
At 31 December 2022	**42,189**	**4,272**	**46,461**
Current	**8,103**	**2,605**	**10,708**
Non-current	**34,086**	**1,667**	**35,753**

During the year ended 31 December 2021 the difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.9 million, is recognised as an adjusted item as disclosed in Note 4.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £12.7 million were made (2021: £15.2 million) and the remaining net movement of £11.1 million (2021: £11.8 million) was non-cash in nature.

At the balance sheet date, continuing operations had outstanding commitments for future minimum lease payments which fall due as follows:

	2022 £'000	2021 £'000
Maturity analysis - contractual undiscounted cash flows from continuing operations		
Within one year	**11,671**	11,491
In the second to fifth years inclusively	**30,147**	31,306
After five years	**10,598**	13,023
	52,416	55,820

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), in line with the IFRS 16 short-term lease exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2022, the Group had a commitment of less than £0.1 million in relation to short-term leases.

Amounts recognised in the profit or loss

The following are the amounts recognised in profit or loss during the year, in respect of the leases held by the Group as a lessee:

	2022 £'000			2021 £'000		
	Continuing operations	**Discontinued operations**	**Total Group**	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	**10,134**	**-**	**10,134**	9,913	704	10,617
Net (reversal of impairment)/impairment of right-of-use assets	**(129)**	**-**	**(129)**	287	-	287
Interest expense on lease liabilities	**1,965**	**21**	**1,986**	2,025	150	2,175
Expenses relating to short-term leases	**1,503**	**-**	**1,503**	1,328	179	1,507
Total amount recognised in profit or loss	**13,473**	**21**	**13,494**	13,553	1,033	14,586

The group as an intermediate lessor

Finance lease receivables

The Group is an intermediate lessor for various lease arrangements considered to be finance sub-leases. The amounts recognised in the profit or loss during the year are outlined below:

	2022 £'000	2021 £'000
Finance income under finance sub-leases recognised in the period	**52**	24

At the balance sheet date, third parties had outstanding commitments due to the Group for future undiscounted minimum lease payments, which fall due as follows:

	2022 £'000	2021 £'000
Within one year	**320**	190
In the second to fifth years inclusive	**890**	580
After five years	**470**	150
	1,680	920

13. BUSINESS COMBINATIONS

On 25 May 2022 the Group acquired 100% of the share capital of the following independent London estate agents which are primarily focused on providing Lettings and Property Management services:

- IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co').
- Stones Residential Holdings Limited and its subsidiary Stones Residential (Stanmore) Limited (collectively 'Stones Residential').

The acquisitions are in line with the Group's strategy of acquiring high quality businesses with strong lettings portfolios.

A purchase price allocation exercise has been completed which identified £2.9 million of acquired intangible assets relating to customer contracts and relationships between the two business combinations, which are identifiable and separable, and will be amortised over 7 - 10 years. £8.3 million of goodwill has arisen on the acquisitions and is primarily attributable to synergies, new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated for impairment testing purposes to the Lettings CGU which is expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

From the date of acquisition, the business combinations contributed £3.6 million of revenue and £0.4 million of profit before tax to the Group's performance for the year. If the combination had taken place at the beginning of the year, revenue for the period would have been £3.0 million higher and profit before tax would have increased by £0.2 million, excluding future synergies and amortisation of acquired intangible assets.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

13. BUSINESS COMBINATIONS CONTINUED

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the combined acquired entities as at the date of acquisition are disclosed below. The fair value of the identifiable assets and liabilities are estimated by taking into consideration all available information at the reporting date.

	Gordon & Co £'000	Stones Residential £'000	Total £'000
Assets			
Acquired intangible assets recognised on acquisition	2,307	591	2,898
Property, plant and equipment	63	11	74
Right-of use assets	498	101	599
Cash and cash equivalents	55	176	231
Trade and other receivables	274	24	298
Contract assets	82	61	143
	3,279	964	4,243
Liabilities			
Trade and other payables	(689)	(128)	(817)
Contract liabilities	-	(5)	(5)
Lease liabilities	(709)	(171)	(880)
Current tax liability	(25)	(12)	(37)
Deferred tax liability	(541)	(153)	(694)
Provisions	(338)	(50)	(388)
	(2,302)	(519)	(2,821)
Total identifiable net assets at fair value	977	445	1,422
Goodwill arising on acquisition	6,591	1,743	8,334
Fair value of consideration transferred	7,568	2,188	9,756

The fair value of the combined trade receivables amounts to less than £0.1m. The gross amount of combined trade receivables is less than £0.1m and it is expected that the full contractual amounts can be collected.

The acquired lease liabilities were measured using the present value of the remaining lease payments as at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, less any acquisition related adjustments.

The deferred tax liabilities mainly comprises the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition.

Purchase consideration

	Gordon & Co £'000	Stones Residential £'000	Total £'000
Amount settled in cash	6,260	1,961	8,221
Contingent cash consideration	1,308	227	1,535
Fair value of consideration transferred	7,568	2,188	9,756

Gross purchase consideration was £9.8 million, with £8.2 million paid in May 2022. Consideration paid in the period, net of cash acquired, was £8.0 million and is included in cash flows from investing activities. As part of the purchase agreement with the previous owners of both Gordon & Co and Stones Residential, an estimated £1.5 million of contingent cash consideration will be due from the Group based on the outcome of a number of agreed contingencies and payable in tranches within the first 12 months of ownership. This contingent consideration of £1.5million is included within trade and other payables.

Prior period acquisitions

As disclosed in the 2021 Annual Report, the Group completed the acquisition of Douglas & Gordon Estate Agents Limited and its subsidiary companies Douglas & Gordon Limited, Douglas & Gordon (2) Limited and Royston Estate Agents Limited (collectively, 'D&G Group'). Further consideration of £0.5million was paid during the period representing the settlement of deferred consideration, recognised within trade and other payables as at 31 December 2021.

Analysis of cash flows on acquisition

	Total £'000
Cash consideration	(8,221)
Cash acquired in subsidiaries	231
Current year acquisitions of subsidiaries, net of cash acquired	(7,990)
Deferred consideration paid in relation to prior year acquisitions	(500)
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(8,490)
Transaction costs of the acquisitions (included in cash flows from operating activities)	(301)
Net cash flow on acquisitions	(8,791)

14. INVESTMENTS

As at 31 December 2022, the investment balance was £6k (2021: £3.3 million), with the movement relating to the revaluation of equity investments classified and measured at fair value through other comprehensive income (FVOCI).

	2022 £'000	2021 £'000
At 1 January	3,317	317
Acquired through business combinations	-	194
Additions	400	3,000
Movement in fair value	(3,711)	40
Assets transferred to held for sale	-	(234)
At 31 December	6	3,317

At 1 January 2022 the Group held two minority holdings in PD Innovations Limited (trading as Boomin) and Global Property Ventures Limited (trading as Zero Deposits), both unlisted entities and Level 3 FVOCI financial assets. At 31 December 2022, the fair value of both investments has been determined to be £nil. In relation to PD Innovations Limited, on 31 October 2022 the company announced that it had entered voluntary liquidation after failing to secure additional funding. The fair value of the investments were written down to £6k, resulting in a £3.7 million fair value loss recognised in other comprehensive income. Refer to Note 23 for information about methods and assumptions used in determining fair value.

15. SUBSIDIARIES

Investments in subsidiaries as at 31 December 2022 are summarised below:

Name	Place of incorporation and operation	Principal activity	Proportion of ownership interest held in ordinary shares %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited[1]	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	Financial services	100%	100%
Alexander Hall Direct Limited	United Kingdom	Dormant	100%	100%
London Stone Properties Limited	United Kingdom	Estate agency	100%	100%
London Stone Properties Sales Limited	United Kingdom	Estate agency	100%	100%
Pillars Estates Limited	United Kingdom	Estate agency	100%	100%
Aston Rowe Holdings Limited	United Kingdom	Holding company	100%	100%
Aston Rowe Limited	United Kingdom	Estate agency	100%	100%
Foxtons Ruby Limited[2]	United Kingdom	Holding company	100%	100%
Stones Residential Holdings Limited	United Kingdom	Holding company	100%	100%
Stones Residential (Stanmore) Limited	United Kingdom	Estate agency	100%	100%
IMM Properties Limited	United Kingdom	Estate agency	100%	100%
IMM Properties Investments Limited	United Kingdom	Holding Company	100%	100%

1 Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.
2 Previously Douglas & Gordon Estate Agents Limited.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

15. SUBSIDIARIES CONTINUED

All subsidiaries, with the exception of Alexander Hall Associates Limited, have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Alexander Hall Associates Limited registered office is 137-144 High Holborn, London WC1V 6PL.

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company number
London Stone Properties Limited	06431946
London Stone Properties Sales Limited	09653811
Pillars Estates Limited	09181847
Aston Rowe Holdings Limited	13016901
Aston Rowe Limited	07734524
Foxtons Ruby Limited	09903325
Stones Residential Holdings Limited	08823115
Stones Residential (Stanmore) Limited	04141139
IMM Properties Limited	04078132
IMM Properties Investments Limited	05070828

The Company will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 December 2022 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, the Company will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 480 of the Act.

Name	Company number
Alexander Hall Direct Limited	03790471

16. TRADE AND OTHER RECEIVABLES

	2022 £'000	2021 £'000
Trade receivables	11,708	10,870
Less: Expected credit loss allowance	(3,019)	(2,053)
Net trade receivables	8,689	8,817
Prepayments	4,742	4,405
Other receivables	2,585	2,789
	16,016	16,011

Trade receivables without a significant financing component are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any associated expected credit loss allowance. Credit losses are measured at the present value of all cash shortfalls.

Trade receivables are considered past due once they have passed their contracted due date. Amounts invoiced to customers on exchange of sales contracts or signing of Lettings contracts are due immediately.

Impairment of trade receivables

For Sales, the vast majority of our receivables are received directly from the conveyancing solicitor working on behalf of the seller from completion monies. These processes facilitate the prompt collection of receivables. For Lettings, the vast majority of receivables are collected through rental payments from tenants, which are generally used to recover commission receivables prior to being paid away to landlords.

The Group applies the simplified IFRS 9 approach in measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer type with shared credit risk characteristics. The expected credit loss rates are based on the corresponding historical credit losses over an appropriate period, taking into account the different grouping of customers, and are adjusted to reflect current and forward looking macroeconomic factors affecting the customers' ability to settle the amounts outstanding. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. The Group does not hold any collateral or other credit enhancements over any of its trade receivables, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

A summary of the Group's trade receivables and credit loss allowances is set out below.

31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Gross carrying amount (£'000)	4,524	1,668	899	807	3,810	11,708
Expected credit loss rate	2%	8%	12%	16%	68%	26%
Expected credit loss allowance (£'000)	(72)	(127)	(111)	(133)	(2,576)	(3,019)

31 December 2021	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Gross carrying amount (£'000)	5,145	1,470	654	519	3,082	10,870
Expected credit loss rate	1%	5%	10%	14%	58%	19%
Expected credit loss allowance (£'000)	(58)	(79)	(63)	(73)	(1,780)	(2,053)

The movement in the expected credit loss allowance is set out below.

	Expected credit loss allowance £'000
At 31 December 2020	(2,015)
Amounts acquired through business combinations	(173)
Amounts provided for during the period	(164)
Amounts utilised during the period	66
Amounts transferred to held for sale assets	233
At 31 December 2021	(2,053)
Amounts provided for during the period	(1,027)
Amounts utilised during the period	61
At 31 December 2022	(3,019)

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value. Trade debtor days at the year end were 23 days (2021: 27 days).

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

17. TRADE AND OTHER PAYABLES

	2022 £'000	2021 £'000
Trade creditors	**4,017**	2,928
Social security and other taxes	**2,915**	2,971
VAT	**401**	1,148
Contingent and deferred consideration	**1,516**	500
Accruals	**6,181**	6,342
Other creditors	**1,664**	596
	16,694	14,485

The Directors consider that the carrying amount of trade payables approximates fair value. The average trade creditor days as at 31 December 2022 were 26 days (2021: 24 days).

18. CONTRACT ASSETS AND LIABILITIES

Contract assets

At 31 December 2022, the Group recognised contract assets of £7.4 million (2021: £4.6 million), as summarised and explained below.

	2022 £'000	2021 £'000
Lettings: Unbilled commission	**7,241**	4,320
Sales: Off plan new homes commission	**135**	236
	7,376	4,556

- **Lettings: Unbilled commission**
  Commission for securing a letting for the landlord representing unbilled commission revenue due to the Group for the non-cancellable contract period.
- **Sales: Off plan new homes commission**
  As explained in Note 1, commissions for sales of new homes purchased off-plan is treated as variable consideration under IFRS 15. For these contracts, it is necessary to constrain the consideration to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The table below summarises the movement in the contract assets in the period.

	2022 £'000	2021 £'000
At 1 January	**4,556**	2,003
Contract assets recognised in revenue	**7,151**	2,894
Contract assets invoiced	**(4,403)**	(2,103)
Acquired through business combination	**143**	1,955
Movement in expected credit loss provision	**(71)**	(193)
At 31 December	**7,376**	4,556

Contract liabilities

At 31 December 2022, the Group recognised contract liabilities of £10.0 million (2021: £9.4 million) as summarised and explained below.

	2022 £'000	2021 £'000
Lettings: Securing a letting for the landlord	**7,934**	6,942
Lettings: Rent collection service	**1,448**	1,352
Other amounts deferred	**652**	1,078
	10,034	9,372

A contract liability is created when charges are raised for future periods during which either the landlord or tenant will have the ability to cancel the contract. During the cancellable period, the liability is reduced and revenue is realised for the duration that the deal remains uncancelled. If the deal is cancelled, the liability reduces to zero and the deferred revenue is reversed to commission refunds.

- **Lettings: Securing a letting for the landlord**
  As explained in Note 1, the contracts the Group holds with landlords are considered to be 'cancellable contracts' under IFRS 15, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the landlord is refunded any initial amounts paid to the Group on a pro-rata basis.

  The contract liabilities relate to contracts where charges have been raised for future periods where the landlord has the ability to cancel the contracts.
- **Lettings: Rent collection service**
  The contract liabilities relate to charges raised in advance of rent collection performance obligations being satisfied. The remaining performance obligations will be performed over the course of the remaining tenancy period which is estimated to be 9 months.
- **Other amounts deferred**
  Other amounts deferred' relate to the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer or where the Group has a constructive obligation to a customer.

The table below splits the current and non-current classification of contract assets and contract liabilities with reference to when the asset or liability is expected to crystallise.

	2022 £'000	2021 £'000
Current contract assets	**5,688**	3,657
Non-current contract assets	**1,688**	899
Total contract assets	**7,376**	4,556
Current contract liabilities	**9,745**	8,231
Non-current contract liabilities	**289**	1,141
Total contract liabilities	**10,034**	9,372

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. PROVISIONS

	Provision for adjusted items £'000	Other provisions £'000	Total £'000
At 1 January 2022	**1,793**	**35**	**1,828**
Increase in provision	**1,136**	**1,441**	**2,577**
Acquired through business combinations	**-**	**388**	**388**
Reversal of provision	**(291)**	**-**	**(291)**
Utilisation of provision	**(1,224)**	**(7)**	**(1,231)**
At 31 December 2022	**1,414**	**1,857**	**3,271**

	Provision for adjusted items £'000	Other provisions £'000	Total £'000
At 1 January 2021	1,531	52	1,583
Increase in provision	848	-	848
Acquired through business combinations	-	770	770
Reversal of provision	(236)	(17)	(253)
Utilisation of provision	(350)	-	(350)
Liabilities transferred to held for sale	-	(770)	(770)
At 31 December 2021	1,793	35	1,828

The balances are analysed as follows:

	2022 £'000	2021 £'000
Current	**1,506**	342
Non-current	**1,765**	1,486
	3,271	1,828

Provision for adjusted items

This provision relates to the rates, service charges and other unavoidable costs under onerous leases relating to branches that were no longer required. The provision is based on the present value of unavoidable costs payable during the lease term, after taking into account amounts expected to be recovered through sub-lease arrangements. The provision has an expected life of up to five years (2021: six years).

During the period a net provision charge of £0.8 million (2021: £0.6 million) has been recognised as adjusted items. Refer to Note 4 for further details.

Other provisions

These provisions include legal provisions, dilapidation provisions relating to the ongoing branch portfolio and other onerous provisions that are incurred in the ordinary course of business. Movement in the year mainly relates to dilapidation provisions.

20. SHARE CAPITAL

	2022 £'000	2021 £'000
Authorised, allotted, issued and fully paid: Ordinary shares of £0.01 each	**-**	-
At 1 January and 31 December	**3,301**	3,301

As at 31 December 2022 the Company had 330,097,758 ordinary shares (2021: 330,097,758).

21. MERGER RESERVE AND OTHER RESERVES

	2022 £'000	2021 £'000
Merger reserve	**20,568**	20,568
Capital redemption reserve	**71**	71
Other capital reserve	**2,582**	2,582
	23,221	23,221

During the period, there were no movements in either the merger reserve, capital redemption or other capital reserve. Refer to Note 34 for further details of the other capital reserve.

22. OWN SHARES RESERVE

	2022 £'000	2021 £'000
Balance at 1 January	**6,059**	374
Acquired during the year	**4,941**	5,697
Utilised during the year	**(7)**	(12)
Balance at 31 December	**10,993**	6,059

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term share incentive schemes (see Note 26). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2022 was 88,427 (2021: 2,775).

During the year 14,829,261 (2021: 10,461,898) shares with a total value of £4,940,806 (2021: £5,696,622) have been repurchased by the Company through two share buyback programmes and are held in treasury at 31 December. The number of ordinary shares held by the Company at 31 December 2022 was 25,940,609 (2021: 11,125,696).

23. FINANCIAL INSTRUMENTS

Categories of financial instruments

The categories of financial instruments, including contact assets and liabilities, held by the Group are as follows:

	2022 £'000	2021 £'000
Financial assets		
FVOCI financial assets	**6**	3,317
Cash and cash equivalents	**12,027**	19,374
Financial assets recorded at amortised cost	**18,650**	16,162
Financial liabilities		
Financial liabilities recorded at amortised cost	**(21,967)**	(18,386)
Lease liabilities	**(46,461)**	(48,083)

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

Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of the financial instruments held:

Level 1 - Quoted market prices

Level 2 - Valuation techniques (market observable)

Level 3 - Valuation techniques (non-market observable)

The Group held £6k of Level 3 financial instruments relating solely to unlisted shares in Global Property Ventures Limited at 31 December 2022 (2021: £3.3 million related to unlisted shares in PD Innovations Limited and Global Property Ventures Limited).

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

23. FINANCIAL INSTRUMENTS CONTINUED

Capital risk management

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

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

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

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2022, the threshold was £252k (2021: £231k), for which the entity is in compliance.

Gearing ratio

The Group's gearing ratio, calculated as net debt divided by equity, at each period end is as follows:

	2022 £'000	2021 £'000
Net debt[1]	-	-
Equity	122,668	123,502
Gearing ratio	-	-

1 Net debt is defined as external borrowings less cash and cash equivalents. At 31 December 2022 and 31 December 2021 the Group is in a net cash position and therefore a nil position is reflected above.

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

Financial risk management

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

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see Note 25).

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments (cash and cash equivalents and client monies) 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 2022 would increase/decrease by £1.2 million/£1.2 million (2021: increase/decrease by £1.0 million/£0.1 million).

Credit risk management

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

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

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

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

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

Client monies (see Note 25) are held with financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the government guarantees amounts of up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

Liquidity risk management

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

Additionally, the Group has access to a £5.0 million RCF (2021: £5.0 million) due to expire in June 2024. There was no drawdown on the facility throughout the year ended 31 December 2022 or 31 December 2021. The Group expects to renew the facility, or access a similar facility, following expiry to manage liquidity risk.

The availability of the RCF is subject to an interest cover ratio covenant and a leverage ratio covenant, both of which are measured on a pre-IFRS 16 basis and tested at 30 June and 31 December. The interest cover ratio (ratio of consolidated EBITDA to finance costs) must be no less than 4 times and the leverage covenant ratio (ratio of consolidated total net debt to consolidated EBITDA) must be no more than 1.75 times. The Group has been in compliance with covenants throughout the period.

The Group's non-derivative financial liabilities consist of trade and other payables, contract liabilities and lease liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be unwound on those liabilities.

31 December 2022	Carrying amounts £'000	Contractual cash flows £'000	Within 1 year £'000	1- 2 years £'000	2-3 years £'000	3-4 years £'000	After 4 years £'000
Trade and other payables	**(13,378)**	**(13,378)**	**(13,378)**	**-**	**-**	**-**	**-**
Contract liabilities[1]	**(8,589)**	**(8,589)**	**(8,189)**	**(385)**	**(14)**	**(1)**	**-**
Lease liabilities	**(46,461)**	**(52,416)**	**(11,671)**	**(9,522)**	**(8,514)**	**(6,918)**	**(15,791)**
	(68,428)	**(74,383)**	**(33,238)**	**(9,907)**	**(8,528)**	**(6,919)**	**(15,791)**

31 December 2021	Carrying amounts £'000	Contractual cash flows £'000	Within 1 year £'000	1- 2 years £'000	2-3 years £'000	3-4 years £'000	After 4 years £'000
Trade and other payables	(10,366)	(10,366)	(10,366)	-	-	-	-
Contract liabilities[1]	(8,020)	(8,020)	(6,878)	(1,034)	(106)	(2)	-
Lease liabilities	(48,083)	(55,820)	(11,491)	(10,146)	(7,940)	(7,092)	(19,151)
	(66,469)	(74,206)	(28,735)	(11,180)	(8,046)	(7,094)	(19,151)

1 This amount excludes £1.4 million (2021: £1.4 million) of non-contractual contract liabilities.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

24. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: 'Related Party Disclosures'. The definition of key management personnel extends to the Directors of the Company.

	2022 £'000	2021 £'000
Short-term employee benefits	1,946	2,535
Post-employment benefits	40	77
Share-based payments	210	1,168
	2,196	3,780

Other transactions

As set out in Note 7, on 11 February 2022, the D&G Sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO and Lochlan Holdings Limited constituting related parties.

25. CLIENT MONIES

At 31 December 2022, client monies held within the Group in approved bank accounts amounted to £112.4 million (31 December 2021: £100.2 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated balance sheet. Foxtons Limited's terms and conditions provide that any interest income received on these deposits accrues to the Company and is recognised in line with the accounting policy set out in Note 1.8.

Client funds are protected by the FSCS under which the government guarantees amounts up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

26. SHARE-BASED PAYMENTS

An income statement charge of £0.3 million (2021: £1.6 million) has been incurred in relation to the Group's equity-settled share option schemes and the equity element of the Bonus Banking Plan. National Insurance contributions payable in connection with the schemes granted is treated as a cash-settled transaction.

Equity-settled share option schemes

The Group had four share option schemes in operation during the period.

a) Restricted Share Plan (RSP) Awards

The Company introduced the RSP awards in 2020 for Executive Directors and Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to service conditions, vest over a three year period, and the holding period subsequent to the vesting date is two years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions.

During the year, 1,775,417 share awards (2021: 2,012,591) with a fair value of £0.7 million (2021: £1.2 million) were awarded.

b) Salary Substitute Restricted Share Awards

The Company introduced salary substitute restricted share awards in 2022 for Executive Directors and Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to service conditions, vest over a three year period for Executive Directors and two years for Senior Management, with a two year holding period for the Executive Directors. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions.

During the year 1,169,028 share awards (2021: nil) with a fair value of £0.5 million (2021: £nil) were awarded.

c) LTIP Buyout Award

Upon joining the business Guy Gittins, CEO, was awarded an LTIP buyout award to compensate for the forfeiture of incentive arrangements from his previous employer. The awards were granted on appointment as nil cost options that vest three years after the grant date in 2025. The vesting of the award is subject to a performance requirement for the Foxtons share price to be at least 70p for any 30 consecutive days during the vesting period. If this condition is not met, the award will lapse in full.

The inputs into the Monte Carlo models used in determining the fair value of the LTIP buyout award were as follows:

	2022 award
Weighted average share price	35.40p
Weighted average exercise price	52.38p
Expected volatility	54.02%
Expected life	3 years
Risk-free rate	3.00%
Expected dividend yield	1.33%

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

d) Share Option Plan (SOP)

The Company introduced a SOP in 2017 for Executive Directors and Senior Management. The awards were made in three tranches in 2017 and 2019 in the form of an option with an option price of 105.67p and 52.38p respectively. The awards were subject to a total shareholder return (TSR) performance condition and vest over a five-year period.

The performance period for the awards granted in 2017 ended in May 2022, the TSR vesting conditions were not met and therefore the none of the awards vested. The 2019 award was forfeited due to the Director leaving office. At the end of the period there are no outstanding share options in relation to the SOP.

Outstanding share options

Details of the share options in relation to the RSP, the RSA, the LTIP buyout award and the legacy RSIP scheme outstanding during the year are as follows.

	2022		2021	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	17,196,760	69.98p	15,227,648	79.03p
Granted during the period	9,828,336	nil	2,012,591	nil
Forfeited during the period	(6,005,747)	nil	-	-
Lapsed during the period	(11,540,120)	104.28	-	-
Exercised during the period	(14,348)	nil	(43,478)	nil
Outstanding at the end of the period	9,464,881	nil	17,196,761	69.98p
Exercisable at the end of the period	114,528	nil	128,876	nil

The options outstanding at 31 December 2022 had a weighted average remaining contractual life of nine years (2021: six years). The entire balance of share options outstanding at the end of the period have a nil cost exercise price (2021: 11,240,120 share options with an exercise price of 105.67p; 300,000 share options with an exercise price of 52.38p, the balance had a nil exercise price).

Employer's National Insurance contributions are accrued, where applicable, at the rate of 13.8% (2021: 13.8%) which management expects to be the prevailing rate at the time the options are exercised.

/ NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. SHARE-BASED PAYMENTS CONTINUED

Equity-settled share bonus payment schemes

Bonus Banking Plan (BBP)

In 2020 the Company introduced a performance-related bonus scheme, BBP, for Executive Directors whereby the bonus amount paid is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded in cash annually depending on the achievement of performance measures that are also determined annually.

The BBP scheme runs in three year performance cycles, with each cycle vesting over a four-year period in shares. A contribution will be made by the Company into the participant's plan account following the end of each plan year. The scheme pays out 50% of the cumulative balance annually for the first three years of the plan, with 100% of the residual value paid out at the end of the four-year period. Refer to the Directors' Remuneration Report on PAGE 106 for further information.

The fair value of shares awarded under these schemes is based on the Group's 30-day average share price in the period up to the end of the financial year in which the shares were granted.

	2022 Number of awards
Outstanding at beginning of period	455,766
Granted during the period	494,718
Forfeited during the period	(177,002)
Exercised during the period	-
Outstanding at the end of the period	773,482

At 31 December 2022 the awards had an average remaining life of one year (2021: two years). There is no exercise price for these awards. The weighted average fair value of awards at 31 December 2022 was £0.39 per share (2021: £0.44). Of the awards outstanding at the end of the period, nil were exercisable.

27. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

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

The definition, purpose and how the measures are reconciled to statutory measures are set out below.

The Group reports the following APMs:

a) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains and adjusted items (defined within Note 1). This measure is reported to the Board for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit is profit before tax.

Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. This APM is a key performance indicator of the Group and is used to measure the delivery of the Group's strategic priorities.

Refer to Note 2 for a reconciliation between profit before tax and adjusted operating profit and for the inputs used to derive adjusted operating profit margin.

b) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. Contribution margin is defined as contribution divided by revenue. Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between continuing operations revenue and contribution is presented below.

31 December 2022	Lettings £'000	Sales £'000	Financial Services £'000	Consolidated £'000
Revenue	86,918	43,182	10,222	140,322
Less: Direct operating costs	(22,130)	(21,142)	(5,739)	(49,011)
Contribution	64,788	22,040	4,483	91,311
Contribution margin	74.5%	51.0%	43.9%	65.1%

31 December 2021	Lettings £'000	Sales £'000	Financial Services £'000	Consolidated £'000
Revenue	74,342	42,673	9,460	126,475
Less: Direct operating costs	(22,657)	(19,874)	(5,402)	(47,933)
Contribution	51,685	22,799	4,058	78,542
Contribution margin	69.5%	53.4%	42.9%	62.1%

c) Adjusted earnings per share

Adjusted earnings per share is defined as earnings per share excluding adjusted items and any significant remeasurements of deferred tax balances as a result of UK corporate tax rate changes.

The measure is derived by dividing profit after tax, adjusted for adjusted items and the impact of remeasuring deferred tax balances as a result of UK corporate tax rate changes, by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held. This APM is a measure of management's view of the Group's underlying earnings per share.

The closest equivalent IFRS measure is earnings per share. Refer to Note 9 for a reconciliation between earnings per share and adjusted earnings per share.

d) Net free cash flow

Net free cash flow is defined as net cash from operating activities less repayment of IFRS 16 lease liabilities and net cash generated/used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchase of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2022 £'000	2021 £'000
Net cash from operating activities	23,932	23,476
Less: Repayment of IFRS 16 lease liabilities	(12,686)	(15,228)
Net cash from operating activities, after repayment of IFRS 16 lease liabilities	11,246	8,248
Investing activities:		
Interest received	137	15
Proceeds on disposal of property, plant and equipment	53	154
Proceeds on disposal of investments	-	160
Purchases of property, plant and equipment	(2,953)	(1,976)
Purchases of intangibles	(755)	(2)
Net cash used in investing activities	(3,518)	(1,649)
Net free cash flow	7,728	6,599

e) Net cash/(debt)

Net cash is defined as cash and cash equivalents less external borrowings and excludes IFRS 16 lease liabilities. The definition of the measure is consistent with the definition of the leverage ratio covenant attached to the Group's RCF and therefore monitored internally for the purposes of covenant compliance. A reconciliation of the measure is presented below.

	2022 £'000	2021 £'000
Cash and cash equivalents	12,027	19,374
Less: External borrowings	-	-
Net cash	12,027	19,374

28. EVENTS AFTER THE REPORTING PERIOD

On 3 March 2023, the Group acquired the entire issued share capital of Atkinson McLeod Limited, a London lettings agent, for a consideration of £7.4 million, adjusted for current assets less total liabilities at completion. The consideration was fully satisfied in cash, with £0.7 million of consideration deferred for the twelve months.

Unaudited revenue and operating profit for the twelve months to 31 March 2022 was £3.1 million and £0.9 million respectively. Gross assets at 31 March 2022 were £2.5 million.

Given the proximity of the transaction to the announcement of the Group's financial statements, a full purchase price allocation exercise has not yet been completed and the valuation of the assets acquired will be assessed prior to the next reporting date.

/ PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 £'000	2021 £'000 (restated)
Non-current assets			
Investment in subsidiaries	31	**38,354**	38,266
Deferred tax asset		**38**	349
		38,392	38,615
Current assets			
Trade and other receivables[1]	32	**40,094**	38,795
Cash and cash equivalents		**1,999**	3,311
		42,093	42,106
Current liabilities			
Trade and other payables	33	**(11,451)**	(8,909)
		(11,451)	(8,909)
Net current assets		**30,642**	33,197
Net assets		**69,034**	71,812
Equity			
Share capital	20	**3,301**	3,301
Merger reserve	34	**20,568**	20,568
Other reserves	34	**2,653**	2,653
Own shares reserve	22	**(10,993)**	(6,059)
Retained earnings[1]		**53,505**	51,349
Equity attributable to owners of the Company		**69,034**	71,812

[1] Retained earnings, and trade and other receivables, as at 31 December 2021 have been restated by £3.7 million to correct a misclassification of dividend income received which was recognised within trade and other receivables. The Company's net assets as at 31 December 2021 have consequently increased by £3.7 million to £71.8 million, and the Company's previously disclosed loss for the year of £2.2 million has been restated to a profit of £1.5 million. The restatement has no impact on the Group's consolidated financial statements.

The Company reported a profit for the financial year ended 31 December 2022 of £3.5 million (2021: £1.5 million (restated)).

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 6 March 2023.

Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

/ PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		**3,301**	**(6,059)**	**20,568**	**2,653**	**51,349**	**71,812**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**-**	**3,480**	**3,480**
Dividends	**8**	**-**	**-**	**-**	**-**	**(1,487)**	**(1,487)**
Own shares acquired in the period	**22**	**-**	**(4,941)**	**-**	**-**	**-**	**(4,941)**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**82**	**82**
Capital contribution given relating to share-based payments		**-**	**-**	**-**	**-**	**88**	**88**
Settlement of share incentive plan		**-**	**7**	**-**	**-**	**(7)**	**-**
Balance at 31 December 2022		**3,301**	**(10,993)**	**20,568**	**2,653**	**53,505**	**69,034**

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		3,301	(374)	20,568	2,653	48,959	75,107
Profit and total comprehensive income for the year[1]		-	-	-	-	1,515	1,515
Dividends	8	-	-	-	-	(583)	(583)
Own shares acquired in the period	22	-	(5,697)	-	-	-	(5,697)
Credit to equity for share-based payments		-	-	-	-	202	202
Capital contribution given relating to share-based payments		-	-	-	-	1,268	1,268
Settlement of share incentive plan		-	12	-	-	(12)	-
Balance at 31 December 2021		3,301	(6,059)	20,568	2,653	51,349	71,812

[1] Retained earnings, and trade and other receivables, as at 31 December 2021 have been restated by £3.7 million to correct a misclassification of dividend income received which was recognised within trade and other receivables. The Company's net assets as at 31 December 2021 have consequently increased by £3.7 million to £71.8 million, and the Company's previously disclosed loss for the year of £2.2 million has been restated to a profit of £1.5 million. The restatement has no impact on the Group's consolidated financial statements.

At 31 December 2022, retained earnings were fully distributable.

/ NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

29. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2021 and 2022. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Basis of preparation

The Company's financial statements are prepared in accordance with the Companies Act 2006 and FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

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 operation for a period of at least 12 months from the date of approval of the financial statements. The assessment has taken into consideration the Company's financial position, liquidity requirements and reasonably possible changes in performance and outlook. Accordingly, they have adopted the going concern basis in preparing the financial statements. Refer to Note 1 for a full description of the Directors' considerations made in respect to the Group's going concern assessment.

30. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the financial year. The Company's profit for the year was £3.5 million (2021: £1.5 million (restated)).

The Company has two employees at 31 December 2022 (2021: five).

The auditor's remuneration for audit and other services is disclosed in Note 3 to the consolidated financial statements.

31. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings were as follows:

	£'000
At 31 December 2020	36,998
Capital contribution arising from share-based payments	1,268
At 31 December 2021	**38,266**
Capital contribution arising from share-based payments	**88**
At 31 December 2022	**38,354**

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

The subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in Note 15 of the consolidated financial statements.

32. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:	**2022 £'000**	2021 £'000
Amounts owed by subsidiary undertakings	**40,023**	38,728[1]
Prepayments and accrued income	**71**	67
	40,094	38,795

[1] Retained earnings, and trade and other receivables, as at 31 December 2021 have been restated by £3.7 million to correct a misclassification of dividend income received which was recognised within trade and other receivables. The Company's net assets as at 31 December 2021 have consequently increased by £3.7 million to £71.8 million, and the Company's previously disclosed loss for the year of £2.2 million has been restated to a profit of £1.5 million. The restatement has no impact on the Group's consolidated financial statements.

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand.

33. TRADE AND OTHER PAYABLES

Amounts falling due within one year:	**2022 £'000**	2021 £'000 (restated)
Amounts owed to subsidiary undertakings	**(10,034)**	(7,776)
Accruals	**(1,417)**	(1,133)
	(11,451)	(8,909)

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

34. MERGER RESERVE AND OTHER RESERVES

Balance at 1 January and 31 December:	**2022 £'000**	2021 £'000 (restated)
Merger reserve	**20,568**	20,568
Other capital reserve	**2,582**	2,582
Capital redemption reserve	**71**	71
	23,221	23,221

Prior to the Company's initial public offering, a ratchet mechanism reduced the number of shares in issue resulting in a reduction in share capital and transfer to the other capital reserve.

/ INFORMATION FOR SHAREHOLDERS

Company registration number

07108742

Registered and head office

Foxtons Group plc, Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE

2023 Financial calendar

2022 financial year end	31 December 2022
Year end trading update	26 January 2023
Preliminary announcement	7 March 2023
Publish Annual Report and Accounts	30 March 2023
First quarter trading update	20 April 2023
Annual General Meeting	9 May 2023
Interim period end	30 June 2023
Announcement of interim results	27 July 2023
Third quarter trading update	26 October 2023

Corporate website

You can access the corporate website at www.foxtonsgroup.co.uk. The Foxtons Group plc website provides useful information including annual and half year reports, results announcements and presentations, share price data and financial news.

Shareholder enquires

For shareholder enquiries please contact our Registrars, Link Group. For general enquiries please call Link Group's Customer Support Centre on: 0371 664 0300 (lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales), or alternatively email: shareholderenquiries@linkgroup.co.uk.

Electronic communications

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email. To register for electronic communications, visit www.foxtonsshares.co.uk. Please note, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

Useful contacts

Company secretary

Link Company Matters Limited
6th Floor
65 Gresham Street
London
EC2V 7NQ

Registrar

Link Group
10th Floor
Central Square
29 Wellington Street
Leeds
LS1 4DL

Legal adviser

Dickson Minto
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Principal bankers

Barclays Bank plc
Churchill Place
Canary Wharf
London
E14 5HP

Stockbrokers

Numis Securities
45 Gresham Street
London
EC2V 7BF

Singer Capital Markets
1 Bartholomew Lane
London
EC2N 2AX

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Foxtons Group plc
Building One
Chiswick Park
566 Chiswick High Road
London W4 5BE