Foxtons Group plc
INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2020
28 JULY 2020

Foxtons Group plc, London's leading estate agent, today announces its financial results for the half year ended 30 June 2020.

Overview

Covid-19 and the associated measures implemented by the Government to control its spread had a significant impact on the business during the first half of 2020, but a strong Group operational response considerably mitigated the impact of lockdown on profitability. In particular, despite the closure of all branches during the period 23 March 2020 to 30 May 2020 and the restrictions of the Coronavirus Bill on the housing market, the hard work of our dedicated employees, centralised business model and integrated technology platforms all enabled the Group to deliver relatively resilient revenues and take swift actions on cost to protect profitability.

Financial summary and highlights

Half year ended 30 June	**2020**	2019[1]
Group revenue	**£40.4m**	£51.8m
Group adjusted operating loss[2]	**(£2.4m)**	(£0.9m)
Group statutory loss before tax	**(£4.3m)**	(£2.5m)
Net free cash inflow/(outflow)[3]	**£5.7m**	(£3.5m)
Basic loss per share	**(1.8p)**	(0.9p)
Interim dividend per share	**-**	-
Net cash[3]	**£40.5m**	£14.5m

- Group revenue declined by 22% to £40.4m (2019: £51.8m):
  - Lettings revenue: £25.7m (2019: £32.4m); down 21% (including £1.4m tenant fee impact).
  - Sales revenue: £11.1m (2019: £15.4m); down 28%.
  - Mortgage broking revenue: £3.6m (2019: £4.0m); down 9%.
- Group adjusted operating loss of £2.4m (2019: £0.9m). Lower revenues of £11.4m were largely mitigated by a £10.0m reduction in operating costs, which included £3.8m of wages claimed under the Coronavirus Job Retention Scheme (CJRS) passed through to furloughed employees and £1.0m of other Government support.
- Net cash of £40.5m at 30 June 2020 (31 December 2019: £15.5m). This reflects the proceeds from the successful equity placing in April 2020 and proactive cash flow management through the period. Despite there being deferred lease payments of £4.3m and deferred VAT payments of £3.5m, both to be settled over the next 18 months, the Group has sufficient liquidity and flexibility to manage through should there be a prolonged period of disruption whilst continuing to invest in long term growth opportunities.
- No interim dividend for this financial period in line with previously disclosed dividend policy.

Operational highlights

- We reacted swiftly to lockdown measures by temporarily closing branches and moving effectively to remote working and virtual viewings; the health and safety and wellbeing of our customers and employees remain our key priority. We continue to scenario plan for a variety of trading conditions and have processes in place to effectively manage Covid-19 developments as they arise.
- The flexibility and adaptability of our business model combined with our strong lettings and sales infrastructure ensures we are well-placed to capitalise as the London market recovers; digital developments such as over 2,500 virtual viewings launched during lockdown and a 85% increase in 'My Foxtons' portal traffic demonstrates the power of our digital service model, safeguarding future growth opportunities.
- Our branches fully re-opened on 1 June 2020; with over 85% of our employees now back at work providing a full service experience to customers within a Covid-19 secure environment.
- In February 2020, the Group acquired London Stone Properties Limited, a high quality independent estate agent, primarily focussed on lettings in South East London. The acquisition forms part of the Group's stated strategy to acquire high-quality lettings books.

- Employees have reacted positively to market conditions since re-opening and continue to drive a strong culture of sales and service.

Trading since re-opening our branches

During the 8 weeks following the re-opening of our branches on 1 June 2020 we have seen steady improvement in activity across key areas of the business:

- Good recovery in lettings applicant numbers, listings and commissions, with lettings commissions over the 4 weeks of June down 12% and over the 4 weeks of July down 3% against the prior year.
- Sales commissions over the 4 weeks of June were down 44% and over the 4 weeks of July were down 32% against the prior year. The sales commission pipeline has strengthened since re-opening and is now broadly in line with last year. Short term future sales activity is further supported by the Government's Stamp Duty relief effective from 8 July 2020.

Commenting on the results, Nic Budden, CEO, said:

"At Foxtons we have always recognised that our people are the key to our success and never has this been more apparent than during the Covid-19 pandemic. I am extremely proud of our colleagues across the entire business as they have continued to deliver exceptional service to our customers through truly unprecedented conditions. This would not have been possible without our best in class technology, which enabled us to support customers remotely as they navigated the challenges of national lockdown.

"In addition, management's rapid response to protect the business for the future with a range of measures, including our successful £22m capital raising, will ensure that we will emerge from this crisis with the capability and financial strength to thrive.

"Before lockdown we were seeing first signs of a recovery from the prolonged downturn in London, however the market has been profoundly affected by the Covid-19 pandemic and it is still unclear what the long-term impact of the virus will be. There is a long road ahead, but we remain confident in London's resilience and ability to bounce back from this crisis as one of the most attractive property markets in the world.

"With the determined action that we have taken to ensure financial and operational flexibility, as well as ensuring the safety of our employees and customers, we remain confident that Foxtons is well-placed to capitalise as the market recovers. In such challenging times, we are committed to delivering the best results for our customers."

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The Group will host a conference call today at 9.00am (BST) for analysts and investors - dial in details: UK: +44 (0)330 336 9411, US: +1 323-994-2093, Confirmation code: 6562699. There will also be a replay of the call available for 5 days: UK: +44 (0) 207 660 0134; US: +1 719-457-0820

The presentation will be webcast live. To access you will be required to pre-register using the following link: https://globalmeet.webcasts.com/starthere.jsp?ei=1345005&tp_key=8960669019

[1] The 30 June 2019 comparative income statement has been restated to reflect the change in the Group's lettings commission revenue recognition policy made in the second half of 2019 and explained in the Group's 2019 Annual Report and Accounts. The restatement increased 2019 revenue by £0.7m with a corresponding decrease in the reported loss before tax. Refer to Note 1 for further details of the change in policy.

[2] Adjusted operating profit/(loss) is defined as profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items. The Group's alternative performance measures (APMs) are defined and purpose explained within Note 15.

[3] 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). Net cash is defined as cash and cash equivalents less external borrowings.

PERFORMANCE AT A GLANCE

Half year ended 30 June	2020	2019	Change
Income statement			
Group revenue	**£40.4m**	£51.8m	(22.2%)
Group adjusted operating loss[1]	**(£2.4m)**	(£0.9m)	(£1.5m)
Group adjusted operating loss margin[1]	**(5.8%)**	(1.7%)	(410 bps)
Group statutory loss before tax	**(£4.3m)**	(£2.5m)	(£1.8m)
Loss per share			
Basic and fully diluted loss per share	**(1.8p)**	(0.9p)	(0.9p)
Adjusted loss per share[1]	**(1.6p)**	(0.8p)	(0.8p)
Dividends			
Interim dividend per share	**-**	-	-
Cash and cash flow			
Period end cash balance	**£45.5m**	£14.5m	£31.0m
Net cash[1]	**£40.5m**	£14.5m	£26.0m
Net cash from operating activities	**£8.5m**	£2.6m	£5.9m
Net free cash inflow/(outflow)[1]	**£5.7m**	(£3.5m)	£9.2m
Financial key performance indicators[2]			
Lettings revenue	**£25.7m**	£32.4m	(20.8%)
Lettings volumes	**7,952**	9,265	(14.2%)
Average revenue per lettings transaction	**£3,229**	£3,499	(7.7%)
Sales revenue	**£11.1m**	£15.4m	(28.2%)
Sales volumes	**858**	1,194	(28.1%)
Revenue per sales transaction	**£12,906**	£12,934	(0.2%)
Mortgage broking revenue	**£3.6m**	£4.0m	(9.2%)
Mortgage volumes	**2,066**	2,099	(1.6%)
Average revenue per mortgage transaction	**£1,744**	£1,889	(7.7%)

[1] These measures are APMs used by the Group and are defined and purpose explained within Note 15.

[2] Average revenue per branch and average revenue per employee were presented as key performance indicators in the Group's 2019 Annual Report and Accounts. These metrics are not considered to be relevant at the half year reporting date and therefore have not been presented.

CHIEF EXECUTIVE'S REVIEW

Summary

The business performance in the first 11 weeks of the year was in line with the Board's expectations and strong growth in the sales pipeline during January and February had started to flow through into revenues in March. However, adherence to the UK Government's necessary Covid-19 safety measures severely impacted the London residential property market. On a quarterly basis, Q1 trading was marginally affected, with both lettings revenue (including the impact of the tenant fee ban) and mortgage revenue down 5% versus prior year and sales revenue flat. Q2 Group revenues were significantly impacted being 38% below the prior year, with lettings, sales and mortgage revenues falling 34%, 53% and 14% respectively.

Overall, this meant first half Group revenue was £40.4m (2019: £51.8m) of which revenue from lettings was £25.7m (2019: £32.4m), revenue from sales was £11.1m (2019: £15.4m) and revenue from mortgage broking was £3.6m (2019: £4.0m).

This was a resilient performance within the context of the market and testament to the flexibility and adaptability of our business model that allowed the Group to switch seamlessly to effective remote working. Our industry-leading technology has meant we have continued to support customers online and over the telephone, with over 2,500 virtual viewings launched during the lockdown period. The Group is well-positioned to deal with any future Covid-19 related restrictions should they arise.

Swift management action in response to Covid-19 also enabled us to protect cash flow, profitability and long-term employment. The CJRS provided the Group with the flexibility to furlough 750 employees by the end of March and the majority of these employees remained on furlough until our branches re-opened on 1 June 2020. Since re-opening, furloughed employees have been gradually brought back to work and we currently have over 85% of our employees at work providing a full service experience to our customers within a Covid-19 secure environment. We will continue to closely manage staffing levels in line with business activity.

Management worked quickly to reduce discretionary expenditure as far as possible across the business. The vast majority of employees earning a basic salary of over £40,000, including all Executive Directors and Non-Executive Directors, took a voluntary 20% pay reduction for April and May when our branches were closed.

Tight financial discipline throughout the period, in addition to the successful placing of 19.9% equity capital in April, has enabled the Group to maintain sufficient liquidity and flexibility to support the business through the worst of the market impact. As a result, the Group remains in a strong financial position with a net cash balance of £40.5m at 30 June 2020. We are well-positioned to capitalise on the recovery of the residential market in London and are pursuing the acquisition of additional lettings books as we expect further market consolidation in London as a result of the Covid-19 crisis.

Group adjusted operating loss was £2.4m (2019: £0.9m) in the first half as reductions in the Group's cost base largely offset the reductions in revenue.

Lettings

Part of the strategic rationale for shifting the Group's focus towards lettings over recent years was driven by the market's inherent resilience and strong structural drivers of demand. Lettings now represents 64% of Group revenues and this has proven vital to supporting the business during the current period as lower sales volumes continue to be exacerbated by Covid-19. Our 'My Foxtons' portal and mobile application enabled us to continue to serve landlords and tenants safely and expertly during the lockdown with end-to-end online transactional capabilities.

Although new deal volumes in lettings dropped significantly during lockdown, recurring renewal and property management income helped mitigate the impact on total revenues. Whilst there continues to be uncertainty over the speed of recovery as tenants remain cautious, forward looking metrics indicate new tenancy volumes will continue to build. Our lettings stock levels are approximately 50% above the same period last year ahead of the Q3 peak rental season, however, the level of demand in Q3 from students and corporate relocations remains to be seen given the economic environment and ongoing Covid-19 disruption. In the current environment we are confident that our outstanding proposition to landlords and strong compliance culture leave us well-positioned for any challenges that may lie ahead.

During the period we also passed the anniversary of the tenant fee ban, which impacted revenues in the first half by £1.4m. We remain committed to not transferring this cost onto landlords and have absorbed the full £4.1m annualised impact.

Sales

As reported previously, strong and steady growth in the Group's sales commission pipeline during the first two months of the year had started to flow through to revenues in March 2020.

During the lockdown, sales activity was severely constrained with sales revenue 61% lower over the course of April and May compared to the prior year, with exchanges primarily relating to properties which went under offer prior to the lockdown. Over the course of June 2020, as the housing market reopened, revenue improved to be 41% lower than the comparative period, as pent-up demand started to flow through and the sales commission pipeline started to re-build. Despite the ongoing impact of Covid-19 on the residential sales market, we remain confident in the long-term attractiveness of the London residential market. The Government's strategy to support the housing sector by increasing the threshold for Stamp Duty relief is expected to benefit all home movers, as well as having a positive multiplier effect on the economy.

Trust is vital during periods of financial uncertainty and our number one position in the London market shows that customers continue to turn to Foxtons when it comes to buying or selling a home. Our high service model and expert workforce will continue to deliver for customers during these challenging times.

Mortgage broking

Mortgage broking has held up well during the period, supported by a 10% increase in remortgages as new mortgage volumes declined. Our ability to find the appropriate mortgage solution for our customers is proving more important than ever. Customers place even greater value on our professional mortgage advice during periods of uncertainty and we are supporting our customers to navigate a market that has reduced mortgage availability and increased complexity.

Outlook

The Group has so far been able to weather the severe disruption to trading caused by the lockdown. We are pleased with the way the business and, in particular, our employees have dealt with the difficult conditions of the last few months. Their expertise and dedication, combined with our long-term investments in technology and strong financial position mean we are well-placed for the future.

We remain cautious about the impact Covid-19 will have on the London residential sales and lettings markets in the months to come, but we are well-prepared both to deal with any further Covid-19 restrictions should they arise and also to capitalise on any market recovery.

Nic Budden
Chief Executive Officer

FINANCIAL REVIEW

Overview

Group revenue fell by 22% to £40.4m (2019: £51.8m), with revenue from lettings down 21%, revenue from sales down 28%, and revenue from mortgage broking down 9%.

Group adjusted operating loss was £2.4m (2019: £0.9m). Given the significant impact on revenue in the period, the Group took significant cost action to mitigate the impact of Covid-19 on profitability. Management sought to minimise all discretionary expenditure during the period, with 20% pay reductions for all Directors and the vast majority of employees, reductions in employee commissions earnt, reduced marketing expenditure and a broad range of other initiatives contributing to savings of £5.2m in the period.

The reduction in the cost base was also supported by £3.8m of wages claimed under the CJRS and passed through to furloughed employees and £1.0m via rates relief/business interruption grants, for which estate agents are eligible in the 2020/21 tax year. The Group currently has over 85% of employees at work, with usage of the CJRS being gradually phased out – as a result, the pass through of wages claimed under the scheme will be significantly lower in the second half of the year. The Group will continue to benefit from rates relief through to the end of March 2021.

Taking both the management actions and Government support/relief into account, the cost base in the first half of the year was £10.0m lower than prior year.

The Group's statutory loss before tax was £4.3m (2019: £2.5m).

At 30 June the Group held a net cash balance of £40.5m (31 December 2019: £15.5m). The Group's £5m revolving credit facility (RCF) was fully drawn in March 2020 as a precautionary measure in response to the uncertain financial conditions that prevailed at the time. The Group has subsequently repaid the RCF in full in July 2020 and retains access to the facility if required in the future.

Summary income statement

Half year ended 30 June	**2020 £m**	2019 £m	Change
Group revenue	**40.4**	51.8	(22.2%)
Group contribution[1]	**24.9**	33.2	(25.2%)
Group adjusted operating loss[1]	**(2.4)**	(0.9)	(1.5)
Adjusted items	**(0.8)**	(0.4)	(0.4)
Net finance costs	**(1.1)**	(1.2)	0.1
Group statutory loss before tax	**(4.3)**	(2.5)	(1.8)
Basic loss per share	**(1.8p)**	(0.9p)	(0.9p)
Dividend per share	-	-	-

[1] These measures are APMs. Measures are defined and purpose explained within Note 15.

Revenue

The Group consists of three operating segments: Lettings, sales and mortgage broking.

£m	**H1 2020**	H1 2019	Change
Lettings	**25.7**	32.4	(20.8%)
Sales	**11.1**	15.4	(28.2%)
Mortgage broking	**3.6**	4.0	(9.2%)
Group revenue	**40.4**	51.8	(22.2%)

Lettings

Lettings revenues fell by 5% during Q1 2020, broadly level with last year excluding the impact of the tenant fee ban. During Q2 2020, lettings revenues were 34% lower than the prior year at £11.7m (2019: £17.8m) primarily due to a reduction in new tenancy revenue. Lettings renewal revenue and ongoing property management revenues provided resilience to the lettings business. The lettings business is seasonal and the Group is well placed to capitalise on any market recovery with strong stock levels going into the peak lettings season.

Sales

Sales revenue was flat during Q1 2020 at £7.1m with the value of the sales commission pipeline building to be more than 20% higher than the prior year. During Q2 2020, sales volumes were severely disrupted by the lockdown restrictions with revenues 53% lower compared to the prior year at £3.9m (2019: £8.3m). The average revenue per transaction remained flat in the first half at £12.9k (2019: £12.9k) and the average price of properties sold increased marginally to £556k (2019: £544k).

Mortgage broking

Mortgage broking revenue fell by 9% to £3.6m (2019: £4.0m). This reduction reflects a decline in new mortgages attributable to the significantly reduced sales volumes noted above, partially offset by growth in remortgages.

Resilience through the cycle

Our balance of business enables the Group to withstand fluctuations in the property market thereby providing protection from the potentially volatile sales market. During H1 2020 the lettings business has contributed 64% (2019: 62%) of the Group's revenue, which has provided stability in the current volatile trading environment.

% of total revenue	**H1 2020**	H1 2019
Lettings	**64%**	62%
Sales	**27%**	30%
Mortgage broking	**9%**	8%
	100%	100%

Profitability

Contribution, contribution margin, adjusted operating profit/(loss) and adjusted operating profit/(loss) margin are APMs management uses to monitor the profitability of the Group and operating segments. The Group's APMs are defined and purpose explained in Note 15.

Contribution and contribution margin

Contribution is revenue less direct salary costs and cost of bad debt. Group contribution has decreased to £24.9m (2019: £33.2m) as a result of reduced sales and lettings revenue.

Group contribution margin decreased to 62% (2019: 64%). Direct salary costs were carefully managed in the period through the use of the CJRS with headcount adjusted to reflect market conditions, whilst ensuring the level and quality of staffing was appropriate for the levels of business activity.

	H1 2020 £m	**H1 2020 margin**	H1 2019 £m	H1 2019 margin
Lettings	**18.4**	**71.6%**	23.5	72.5%
Sales	**4.9**	**43.9%**	7.9	50.9%
Mortgage broking	**1.6**	**44.9%**	1.8	46.9%
Group contribution	**24.9**	**61.6%**	33.2	64.1%

Adjusted operating profit/(loss) and adjusted operating profit/(loss) margin

Adjusted operating loss for the period was £2.4m (2019: £0.9m). This measure has replaced adjusted EBITDA as the measure by which resource allocation and segment performance is monitored. For the purposes of segmental reporting, shared costs are allocated between the lettings business and the sales business with reference to their relative headcount.

	H1 2020 £m	**H1 2020 margin**	H1 2019 £m	H1 2019 margin
Lettings	**2.0**	**7.8%**	2.0	6.2%
Sales	**(4.8)**	**(43.4%)**	(3.5)	(22.5%)
Mortgage broking	**0.4**	**12.5%**	0.6	15.5%
Group	**(2.4)**	**(5.8%)**	(0.9)	(1.7%)

Adjusted items

A net £0.8m (2019: £0.4m) adjusted items charge relating to branch impairments and property restructure costs has been incurred in the period.

Statutory loss before tax

The statutory loss before tax in the period was £4.3m (2019: £2.5m) after charging:

- Direct operating costs of £15.5m (2019: £18.6m) and shared costs of £20.2m (2019: £27.1m)
- Depreciation of £6.3m (2019: £6.4m) and amortisation of £0.4m (2019: £0.3m)
- Share-based payment charge of £0.5m (2019: £0.4m)
- Adjusted items charges of £0.8m (2019: £0.4m)
- Other losses: nil (2019: Other losses of £0.1m)
- Net finance costs of £1.1m (2019: £1.2m)

Taxation

The Group has a low risk approach to its tax affairs. All business activities of Foxtons operate within the UK and are UK tax registered and fully compliant. The Group does not have any complex tax structures in place and does not engage in any aggressive tax planning or tax avoidance schemes. The Group always sets out to be transparent, open and honest in its dealings with tax authorities. The Group received a tax refund of £0.3m in the period (2019: £0.1m tax refund).

Loss per share

Basic and fully diluted loss per share was 1.8p (2019: 0.9p) driven by reduced profitability. Adjusted loss per share was 1.6p (2019: 0.8p).

Cash and cash flow

The Group held net cash, excluding lease liabilities, of £40.5m at 30 June 2020 (31 December 2019: £15.5m). The Group's cash position at 30 June 2020 has benefited by £7.7m as a result of Government Covid-19 related support/relief, of which £3.5m relates to deferred VAT payments to be settled prior to 31 March 2021. Net free cash inflow of £5.7m (2019: £3.5m outflow), driven by the deferral of £4.3m of lease payments following agreements with lease providers as a result of the Covid-19 disruption and VAT payments of £3.5m, both to be settled over the next 18 months.

	H1 2020 £m	H1 2019 £m
Operating cash inflow before movements in working capital	**4.6**	5.5
Working capital inflow/(outflow)	**3.6**	(3.0)
Income taxes refund	**0.3**	0.1
Net cash from operating activities	**8.5**	2.6
Repayment of IFRS 16 lease liabilities	**(2.7)**	(5.9)
Net cash generated/(used) in investing activities[1]	**(0.1)**	(0.2)
Net free cash inflow/(outflow)	**5.7**	(3.5)

[1] Excluding the acquisition of subsidiaries (net of any cash acquired)

Acquisitions

On 28 February 2020, the Group acquired 100% of the share capital of London Stone Properties Limited and its subsidiary London Stone Property Sales Limited (collectively "London Stone"), a high quality independent estate agent, primarily focussed on lettings and property management based in South East London.

Consideration of £4.4m was settled in cash. Net assets fair valued at £2.2m (including £2.5m of cash) were purchased, in addition to £1.4m of customer contract intangibles and £0.8m of goodwill being recognised upon acquisition. From the date of acquisition, London Stone contributed £0.5m of revenue and £0.3m of profit to the Group's performance from 28 February 2020 to 30 June 2020.

Other balance sheet positions

Within the 30 June 2020 trade and other payables balance of £12.6m (2019: £13.0m), is a VAT payable balance of £3.5m which has been deferred under HMRC's Covid-19 VAT deferral scheme due for repayment prior to the 31 March 2021 deadline.

Within the 30 June 2020 total lease liability balance of £56.5m (2019: £59.0m) there are £3.6m of property and vehicle IFRS 16 lease payments which have been deferred to future periods. The deferrals have been agreed with the Group's lease providers and will be settled over the next 18 months.

The Group completed an equity placing in April 2020 resulting in net proceeds of £21.1m. A total of 54,993,367 ordinary shares were issued at a total premium to nominal value of £21.5m and £0.9m of incremental transaction costs were incurred, resulting in a net total premium of £20.6m that has been recognised as a merger reserve.

Capital allocation policy

At the time of the placing in April 2020, we highlighted that the net proceeds would be used to repay in full the RCF and to provide sufficient liquidity and flexibility to support the business through the anticipated disruption from Covid-19. To date, we have been able to navigate the lockdown period and the subsequent opening-up of the housing market with minimal impact on cash flow. That said, it is unclear how the pandemic will continue to affect the residential sales and lettings markets in London over the coming months and it is important to retain sufficient liquidity to manage through this uncertainty.

Beyond working capital needs we intend to use our cash to continue to fund investment in the organic development of the business, both people and technology, and to prioritise lettings book acquisitions. The strong performance we have seen from the London Stone acquisition, with lettings revenue growing by 3% over the four months of ownership compared to the prior year, despite the impact of Covid-19, gives us the confidence to make further similar investments which we believe will generate high rates of return on investment and healthy payback periods. The recurring nature of the acquired lettings books improves the Group's resilience during fluctuations in the residential sales market.

Should sufficiently attractive lettings acquisitions not emerge we would then consider returning cash excess to working capital needs to shareholders.

Dividend

The Group's core dividend policy is to return 35-40% of profit after tax to shareholders as an ordinary dividend. In the first half of the year the Group made a loss after tax and therefore no dividend will be paid.

Post balance sheet events

There are no post balance sheet events to report.

Treasury policies and objectives

The Group's treasury policy is designed to reduce financial risk. Financial risk for the Group is low as:

- the Group is in a net cash position;
- the Group is entirely UK-based with no foreign currency risks; and
- surplus cash balances are held with major UK based banks.

As a consequence of the above, the Group has not had to enter into any financial instruments to protect against risk. The Group has access to a £5m RCF which expires in June 2022.

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.

Richard Harris

Chief Financial Officer

PRINCIPAL RISKS

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

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

The principal risks table below sets out the risks facing the business at the date of this report analysed between external and internal factors. These 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.

At half year 2020, the Group has reviewed the Group's principal risks in light of Covid-19. The principal risks are considered to be consistent with those set out on pages 38 to 41 of the 2019 Annual Report and Accounts except for the addition of the Covid-19 risk described below. The impact of the Group's existing principal risks have been reviewed and updated to take into account Covid-19 where required. A summary of the principal risks is provided below.

External risk factors

Risk	Impact on Group
Covid-19	As set out in the Chief Executive's review on pages 4 and 5, the Group's performance has been significantly impacted by Covid-19. Although transaction volumes are slowly recovering following the Covid-19 lockdown, the pandemic has introduced additional uncertainty to the future market outlook and continues to impact the operations of the Group. Whilst the Group has mitigations in place to protect the business and stakeholders, Covid-19 has introduced a number of uncertainties: • Covid-19 continues to impact the UK economy and consumer confidence, which is expected to have an adverse impact on residential property transaction levels in the short to medium term. The speed and extent of recovery is difficult to predict and therefore there is a high degree of uncertainty in the market outlook; • in the event of future local lockdowns, there is a risk that the Group's offices and branches may have to temporarily close and customer facing activities would be restricted due to remote working arrangements. Property viewings would be required to switch to virtual viewings which may not be as effective as in person viewings; and • there is an ongoing Covid-19 health and safety risk which has to be carefully and responsibly managed to ensure the ongoing safety of our employees and customers.
Market risk	Prior to Covid-19, the Group continued to be impacted by the prolonged downturn in the London sales market and the very low transaction levels experienced in 2019. The key factors currently contributing to the market risk are summarised below: • affordability, which in turn may reduce transaction levels; • a reduction in London's standing as a major financial city caused by the macro-economic and political environment, including the UK's decision to leave the EU; • the market being reliant on the availability of mortgage finance, a deterioration in which may adversely affect the Group; and • the market being impacted by changes in Government policy such as changes in stamp duty taxes or increased regulation in the lettings market. In July 2020 UK Government announced

	an increase in the stamp duty threshold in order to stimulate an accelerated recovery in the UK housing market. This favourable change in the UK stamp duty regime mitigates some of the risk in the short term. Covid-19 has introduced additional market risk and operational risk the impact of which is summarised separately above.
Competitor challenge	Foxtons operates in a highly competitive marketplace. New or existing competitors could develop new services or methods of working including online and hybrid agents which could give them a competitive advantage over Foxtons.
Compliance with the legal and regulatory environment	Breaches of laws or regulations could lead to financial penalties and reputational damage. The mortgage broking division is authorised and regulated by the FCA and could be subject to sanctions for non-compliance.

Internal risk factors

Risk	Impact on Group
IT systems and cyber risk	Foxtons 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.
People	There is a risk that Foxtons may not be able to recruit or retain sufficient staff to achieve its operational objectives as competition for talent increases due to challenging market conditions.
Reputation and brand	Foxtons is a strong, single network brand with a reputation of delivering exceptional service. Our reputation and brand provides a competitive advantage and is critical to maintaining and growing market share. There is a risk our reputation and brand could be damaged through negative press coverage due to customer service falling below expectations, or actions of the Group being considered to be inappropriate. In the current Covid-19 environment the Group has placed even more emphasis on compliance with safety guidelines and industry compliance, however there is a risk that such precautions are not fully effective. This could adversely impact our ability to retain and attract new customers and damage the future prospects of the business.

FORWARD LOOKING STATEMENTS

This interim results announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Foxtons Group plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements are based on the Directors' current views and information known to them at 27 July 2020. The Directors do not make any undertakings to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Nothing in this statement should be construed as a profit forecast.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
(b) The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
(c) The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Nic Budden
Chief Executive Officer
27 July 2020

Richard Harris
Chief Financial Officer
27 July 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2020

Continuing operations	Notes	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019[1] (unaudited) £'000
Revenue	2	**40,350**	51,831
Direct operating costs		**(15,478)**	(18,585)
Other operating costs		**(28,021)**	(34,488)
Operating loss		**(3,149)**	(1,242)
Other losses		**(32)**	(55)
Finance income		**78**	67
Finance costs		**(1,192)**	(1,300)
Loss before tax		**(4,295)**	(2,530)
Tax (charge)/credit	3	**(1,152)**	165
Loss and total comprehensive loss for the period		**(5,447)**	(2,365)
Loss per share			
Basic and diluted (pence per share)	5	**(1.8)**	(0.9)
Adjusted (pence per share)[2]	5	**(1.6)**	(0.8)

[1] The 30 June 2019 comparative income statement has been restated to reflect the change in the Group's lettings commission revenue recognition policy made in the second half of 2019 and explained in the Group's 2019 Annual Report and Accounts. The restatement increased revenue for the 6 months ended 30 June 2019 by £0.7m with a corresponding decrease in the reported loss before tax. Refer to Note 1 for further details of the change in policy.

[2] Adjusted loss per share is an APM and is reconciled to statutory loss per share in Note 5.

The notes on pages 18 to 29 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (unaudited) £'000**	30 June 2019[1] (unaudited) £'000	31 December 2019 (audited) £'000
Non-current assets				
Goodwill	6	**10,100**	9,349	9,349
Other intangible assets	6	**102,074**	101,248	100,995
Property, plant and equipment		**11,428**	15,082	13,020
Right-of-use assets	7	**47,854**	57,854	51,404
Contract assets		**759**	703	564
Interest in associate and investments		**1,239**	1,265	1,274
Deferred tax assets		**2,859**	1,507	2,056
		176,313	187,008	178,662
Current assets				
Trade and other receivables		**11,589**	16,020	13,424
Contract assets		**1,061**	139	969
Current tax assets		**-**	82	342
Cash and cash equivalents	9	**45,545**	14,516	15,482
		58,195	30,757	30,217
Total assets		**234,508**	217,765	208,879
Current liabilities				
Trade and other payables		**(12,581)**	(13,042)	(10,479)
Borrowings	9	**(5,000)**	-	-
Lease liabilities	7	**(12,780)**	(11,788)	(9,690)
Current tax liabilities		**(154)**	-	-
Provisions		**(611)**	(1,419)	(1,426)
Contract liabilities		**(6,272)**	(4,963)	(6,255)
		(37,398)	(31,212)	(27,850)
Net current assets/(liabilities)		**20,797**	(455)	2,367
Non-current liabilities				
Lease liabilities	7	**(43,755)**	(47,235)	(46,174)
Contract liabilities		**(1,211)**	(1,650)	(1,295)
Provisions		**(1,174)**	-	(949)
Deferred tax liabilities		**(19,066)**	(16,830)	(16,830)
		(65,206)	(65,715)	(65,248)
Total liabilities		**(102,604)**	(96,927)	(93,098)
Net assets		**131,904**	120,838	115,781
Equity				
Share capital	11	**3,301**	2,751	2,751
Merger reserve	12	**20,568**	-	-
Other reserves	12	**2,653**	2,653	2,653
Own shares held		**(56)**	(774)	(56)
Retained earnings		**105,438**	116,208	110,433
Total equity		**131,904**	120,838	115,781

[1] The 30 June 2019 comparative balance sheet has been restated to reflect the change in the Group's lettings commission revenue recognition policy made in the second half of 2019 and explained in the Group's 2019 Annual Report and Accounts. Refer to Note 1 for further details of the change in policy.

The notes on pages 18 to 29 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 6 months ended 30 June 2020 were approved by the Board on 27 July 2020.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2020

	Notes	**Share capital £'000**	**Own shares held £'000**	**Merger reserve £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2020		**2,751**	**(56)**	**-**	**2,653**	**110,433**	**115,781**
Loss and total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(5,447)**	**(5,447)**
Dividends	4	**-**	**-**	**-**	**-**	**-**	**-**
Share issuance	11	**550**	**-**	**20,568**	**-**	**-**	**21,118**
Credit to equity for share-based payments		**-**	**-**	**-**	**-**	**452**	**452**
Balance at 30 June 2020 (unaudited)		**3,301**	**(56)**	**20,568**	**2,653**	**105,438**	**131,904**

	Notes	Share capital £'000	Own shares held £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2,751	(720)	-	2,653	118,640	123,324
Loss and total comprehensive loss for the period		-	-	-	-	(2,365)	(2,365)
Dividends	4	-	-	-	-	-	-
Own shares acquired in the period		-	(54)	-	-	-	(54)
Credit to equity for share-based payments		-	-	-	-	381	381
Settlement of share incentive plan		-	-	-	-	(448)	(448)
Balance at 30 June 2019 (unaudited)[1]		2,751	(774)	-	2,653	116,208	120,838

	Notes	Share capital £'000	Own shares held £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019		2,751	(720)	-	2,653	118,640	123,324
Loss and total comprehensive loss for the period		-	-	-	-	(7,775)	(7,775)
Dividends	4	-	-	-	-	-	-
Own shares acquired in the period		-	(54)	-	-	-	(54)
Credit to equity for share-based payments		-	-	-	-	735	735
Settlement of share incentive plan		-	718	-	-	(1,167)	(449)
Balance at 31 December 2019		2,751	(56)	-	2,653	110,433	115,781

[1] Retained earnings as at 30 June 2019 have been restated to reflect the change in the Group's lettings commission revenue recognition policy made in the second half of 2019 and explained in the Group's 2019 Annual Report and Accounts. The retained earnings balances as at 1 January 2019 and 31 December 2019 are as presented in the 2019 Annual Report and Accounts. Refer to Note 1 for further details of the change in policy.

The notes on pages 18 to 29 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2020

	Notes	**Six months to 30 June 2020 (unaudited) £'000**	Six months to 30 June 2019[1] (unaudited) £'000
Operating activities			
Operating loss		**(3,149)**	(1,242)
Adjustments for:			
Other losses		**-**	(55)
Depreciation of property, plant and equipment and right-of-use assets		**6,262**	6,383
Branch asset impairments		**1,420**	587
Gain on disposal of property, plant and equipment and right-of-use assets		**(173)**	(244)
Amortisation of intangible assets		**389**	278
Decrease in provisions		**(590)**	(130)
Share-based payment charges		**473**	392
Cash settlement of share incentive plan		**-**	(448)
Operating cash flows before movements in working capital		**4,632**	5,521
Decrease/(increase) in receivables		**1,662**	(5,048)
Increase in payables		**1,848**	2,048
Cash generated by operations		**8,142**	2,521
Income taxes received		**339**	130
Net cash from operating activities		**8,481**	2,651
Investing activities			
Interest received		**54**	33
Proceeds on disposal of property, plant and equipment		**94**	63
Proceeds on disposal of investments		**57**	-
Purchases of property, plant and equipment		**(208)**	(153)
Purchases of intangibles		**(29)**	(116)
Purchases of investments		**-**	(31)
Acquisition of subsidiaries (net of cash acquired)	10	**(1,913)**	-
Net cash used in investing activities		**(1,945)**	(204)
Financing activities			
Dividends paid	4	**-**	-
Interest paid		**(56)**	(30)
Repayment of lease liabilities		**(2,707)**	(5,934)
Sub-lease income received		**173**	160
Purchase of own shares		**-**	(54)
Net proceeds from issue of ordinary share capital	11	**21,117**	-
Proceeds from external borrowings	9	**5,000**	-
Net cash from/(used in) financing activities		**23,527**	(5,858)
Net increase/(decrease) in cash and cash equivalents		**30,063**	(3,411)
Cash and cash equivalents at beginning of period		**15,482**	17,927
Cash and cash equivalents at end of period		**45,545**	14,516

[1] The comparative cash flow statement has been restated to reflect the change in the Group's lettings commission revenue recognition policy made in the second half of 2019 and explained in the Group's 2019 Annual Report and Accounts. There has been no impact of the policy change on the previously reported 30 June 2019 closing cash balance.

The notes on pages 18 to 29 form part of this condensed consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL REPORT

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 Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority, and with IAS 34 'Interim Financial Reporting', as adopted by the European Union. Unless otherwise stated, the accounting policies applied, and the judgements, estimates and assumptions made in applying these policies, are consistent with those described in the Group's Annual Report and Accounts 2019 and in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 do not constitute statutory accounts as defined in sections 435 (1) and (2) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 have been reported upon by the Group's auditor and have been delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis of matter and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Financial Review. The Financial Review also includes a summary of the Group's financial position and its cash flows.

1.3 Going concern

At 30 June 2020, the Group was in a net cash position of £40.5m, consisting of £45.5m of cash and cash equivalents, net of £5.0m of external borrowings following the drawdown of the RCF in March 2020 as part of the Group's Covid-19 response. 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 for reasonable possible changes in trading performance as a result of a deterioration in market conditions, with specific consideration given to the ongoing impact of Covid-19.

On 17 April 2020, the Group announced the successful completion of a non-pre-emptive placing of ordinary shares raising gross proceeds of £22.0m. As part of the placing, the Group analysed a broad range of potential scenarios, primarily based on assumptions for the residential sales and lettings markets in London to recover to more normal levels of activity. The proceeds provide the Group with sufficient liquidity and flexibility through a reasonable worst case scenario and will help the Group exit in a strong financial position in the event of less pessimistic outcomes.

The Covid-19 pandemic has significantly impacted trading in 2020, with both demand and supply in sales and lettings being adversely affected by the lockdown. In response, management rapidly undertook a number of actions in order to minimise the impact of the lockdown on cash flow.

These actions included utilising the Government's Coronavirus Job Retention Scheme, temporary salary reductions across employees and all Directors, agreeing temporary flexibility and payment deferral with some of the Group's landlords and its vehicle leasing company and reducing discretionary spend.

In addition to the above actions taken by management, the Group is eligible for rates relief in the financial year 2020/21 and it has been agreed VAT payments due between March and June 2020 will be deferred and settled prior to March 2021.

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 operational existence for the foreseeable future. The assessment has taken into consideration the Group's financial position, the availability of the RCF due to expire in June 2022 (which the Group repaid in full on 8 July 2020), recent trading performance and the outcome of reverse stress testing.

1.4 New standards, interpretations and amendments adopted by the Group

The accounting policies applied in these interim statements are the same as those applied in the Group's 2019 Annual Report and Accounts.

As explained in the Group's 2019 Annual Report and Accounts, in the second half of 2019 the Group updated its lettings commission revenue recognition policy following a post-implementation review of IFRS 15. Lettings commission is now accounted for under IFRS 15's 'cancellable contracts' guidance, compared to the previous policy which accounted for the contracts as variable consideration. The new policy has been applied under the IFRS 15 transition provisions from 1 January 2018 (the date at which IFRS 15 became effective).

The 30 June 2019 income statement and balance sheet have been restated, including the relevant notes to the financial statements, to reflect the new policy, resulting in an increase in profit before tax of £0.7m and a £0.3m decrease in net assets. At 30 June 2019, the following balance sheet lines have been restated to reflect the change in policy:

- recognition of contract assets of £0.8m; recognition of contract liabilities of £6.6m; and an additional deferred tax asset of £0.1m. and
- offsetting this, the previously reported 30 June 2019 deferred revenue and lettings refund liability of £5.4m has been derecognised.

Contract assets represent the accrual of revenue beyond amounts invoiced for contracts with no break clause, where invoicing only covers part of the contract period, and contract liabilities represent amounts invoiced for contracts with a break clause, where invoicing has extended past the break clause point.

1.5 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. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Within the period the Group has introduced three new APMs: Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and net cash/(debt). These new APMs, and existing APMs, have been defined and purpose explained within Note 15.

Adjusted operating profit/(loss) replaces adjusted EBITDA as the measure by which resource allocation and segment performance is monitored. Following the application of IFRS 16, adjusted operating profit/(loss) is considered to be a superior measure to adjusted EBITDA since the new measure includes the depreciation of IFRS 16 right-of-use assets and therefore the costs related to the Group's leased assets are appropriately captured with a profitability APM.

Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and adjusted profit/(loss) 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.

1.6 Critical accounting judgements and key sources of estimation uncertainty

The Group's critical accounting judgements and key sources of estimation uncertainty are consistent with those described in the Group's 2019 Annual Report and Accounts.

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 Directors are the chief operating decision-makers in accordance with the requirements of IFRS 8 'Operating segments'.

The operating and reportable segments of the Group are (i) lettings, (ii) sales and (iii) mortgage broking.

(i) Lettings earns commission from the letting and management of residential properties and income from interest earned on tenants' deposits.

(ii) Sales segment generates commission on sales of residential property.

(iii) Mortgage broking receives commission from the arrangement of mortgages and related products under contracts with financial service providers and receives administration fees from clients.

Since the sales and lettings segments operate out of the same premises and share support services, a significant proportion of costs have to be apportioned between the segments. The basis of apportionment used is headcount in each segment.

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 6.

Adjusted operating profit/(loss) and adjusted operating profit/(loss) margin

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance cost, other gains/losses and adjusted items. As explained in Note 15, this measure replaces adjusted EBITDA and is used by the Directors for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit/(loss) margin is used to measure the delivery of the Group's strategic priorities.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2020:

2020	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	**25,675**	**11,073**	**3,602**	**40,350**
Contribution[1]	**18,394**	**4,859**	**1,619**	**24,872**
Contribution margin[1]	**71.6%**	**43.9%**	**44.9%**	**61.6%**
Adjusted operating profit/(loss)	**1,996**	**(4,806)**	**450**	**(2,360)**
Adjusted operating profit/(loss) margin	**7.8%**	**(43.4%)**	**12.5%**	**(5.8%)**
Finance income				**78**
Finance cost				**(1,192)**
Other losses				**(32)**
Adjusted items[2]				**(789)**
Loss before tax				**(4,295)**

[1] Contribution and contribution margin are defined in Note 15.

[2] The Group incurred a £0.8m charge (H1 2019: £0.4m charge) in respect of adjusted items relating to branch impairments and property restructure costs.

The following is an analysis of the Group's revenue and results by reportable segment for the half year ended 30 June 2019. This comparative analysis has been restated under the Group's new segmental reporting measures, adjusted operating profit/(loss) and adjusted operating profit/(loss) margin:

2019	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	32,423	15,443	3,965	51,831
Contribution[1]	23,519	7,868	1,859	33,246
Contribution margin[1]	72.5%	50.9%	46.9%	64.1%
Adjusted operating profit/(loss)	1,996	(3,467)	614	(857)
Adjusted operating profit/(loss) margin	6.2%	(22.5%)	15.5%	(1.7%)
Finance income				67
Finance cost				(1,300)
Other losses				(55)
Adjusted items				(385)
Loss before tax				(2,530)

[1] Contribution and contribution margin are defined in Note 15.

3. TAXATION

The components of the income tax charge/(credit) recognised in the Group income statement are:

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000
Current tax charge	**-**	-
Deferred tax charge/(credit)	**1,152**	(165)
Income tax charge/(credit)	**1,152**	(165)

In the Spring Budget 2020, the Government announced that the previously enacted decrease in the corporate tax rate from 19% to 17% from 1 April 2020 would no longer go ahead and that rates would remain at 19% for the foreseeable future. As IFRS requires that deferred tax be measured at tax rates that have been substantively enacted at the reporting date, the Group's deferred tax balances have been remeasured at 19% and the impact has been reflected within the interim financial statements.

4. DIVIDENDS

As the Group did not make a profit after tax, in line with the policy, the Board has taken the decision to not pay an interim dividend (H1 2019: nil interim dividend).

5. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The Company's dilutive potential ordinary shares are in respect of share options granted to employees.

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000
Loss for the purposes of basic and diluted earnings per share being loss for the period	**(5,447)**	(2,365)
Adjust for:		
Adjusted items[1]	**730**	290
Adjusted loss	**(4,717)**	(2,075)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**300,734,042**	274,859,980
Effect of dilutive potential ordinary shares	**-**	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**300,734,042**	274,859,980
Basic and diluted loss per share (in pence per share)	**(1.8)**	(0.9)
Adjusted loss per share (in pence per share)	**(1.6)**	(0.8)

[1]Net adjusted items charge of £789k (2019: £385k), less associated tax of £59k (2019: £95k), resulting in an after tax charge of £730k (2019: £290k).

As the Group made a loss in the first six months of both 2019 and 2020, the diluted loss per share is equal to the basic loss per share, due to the potentially dilutive share options resulting in a reduction in the loss per share and are therefore anti-dilutive.

6. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets of £112.2m comprises:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Goodwill	**10,100**	9,349	9,349
Brand	**99,000**	99,000	99,000
Software	**1,706**	2,125	1,922
Customer contracts	**1,368**	123	73
Other intangible assets	**102,074**	101,248	100,995
Goodwill and other intangible assets	**112,174**	110,597	110,344

a) Review for indicators of significant impairment at 30 June 2020

Under IAS 36 *'Impairment of assets'*, the Group is required to:

- review its intangible assets in the event of a significant change in circumstances that would indicate potential impairment; and
- review and test its goodwill and indefinite-life intangible assets annually or in the event of a significant change in circumstances

At 30 June 2020, the Group has assessed for indicators of significant impairment of the Group's goodwill and brand asset. Following consideration of both internal and external impairment indicators, indicators of impairment of the brand asset have been identified as a result of the unprecedented market disruption resulting from the Covid-19 pandemic and an impairment review of the brand asset has been performed as at June 2020 in accordance with IAS 36 *'Impairment of assets'.* Lettings goodwill continues to have significant headroom under downside scenarios.

b) Impairment review approach and outcome

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

The 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 for the relevant group of CGUs.

Following the June 2020 impairment review, there has been no impairment of the carrying amount of the brand asset.

c) Impairment review assumptions

The assumptions used in the June 2020 impairment review are summarised below:

- **Cash flow assumptions**

  The key assumptions in determining the cash flows are expected changes in sales and lettings volumes, together with likely changes to associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of recently observable trends and expectations of future changes in the market. The impact of Covid-19 has been incorporated into the cash flow assumptions including an estimation of the expected market recovery.

  Sales revenue is assumed to recover to levels broadly in line with those experienced in 2017 by 2024 and lettings revenue is assumed to grow at an average growth rate of 2% over the forecast period which excludes management initiatives which are not permitted under accounting standards, such as future lettings book acquisitions.

- **Long-term growth rates**

  To evaluate the recoverable amounts, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (FY 2019: 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, external industry forecasts of long-term growth in the housing market and inflation rates and with reference to historical and macro-economic trading performance in the UK.

- **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. The WACC has been adjusted to reflect risks not already reflected in the future cash flows.

  The pre-tax discount rate used to discount aggregated sales and lettings cash flows used in the assessment of the brand asset is 10.8% (31 December 2019: 10.3% on a comparable basis).

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying value of the brand asset is sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying value.

The key assumption in the brand asset impairment assessment is the forecast revenues for the sales and lettings businesses, and specifically the timing and extent of market recovery following the market disruption caused by the Covid-19 pandemic. 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 £48.7m. 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 by 1.1%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2017 levels by 2024 (approximately 2% average growth over the forecast period), lettings revenue growth is limited to 1% and the Group takes appropriate mitigating actions, the brand asset would be impaired by £6.4m.

7. LEASES

Right-of-use assets

The carrying amounts of the right-of-use assets recognised and the movements during the period are outlined below:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Opening balance	**51,404**	61,049	61,049
Additions	**2,005**	1,810	3,670
Acquisition through business combination	**424**	-	-
Disposals	**(96)**	(300)	(601)
Depreciation	**(4,857)**	(4,681)	(9,763)
Impairment charge	**(1,026)**	(24)	(2,951)
Closing balance	**47,854**	57,854	51,404

In the period, the right-of-use assets associated with a small number of property leases were impaired resulting in an impairment charge of £1.0m which has been classified within the adjusted items net charge of £0.8m.

Lease liabilities

The carrying amounts of lease liabilities recognised and the movements during the period are outlined below:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Opening balance	**55,864**	62,436	62,436
Additions	**2,005**	1,810	3,556
Acquisition through business combination	**424**	-	-
Disposals	**(187)**	(559)	(625)
Interest charge	**1,136**	1,270	2,469
Payments	**(2,707)**	(5,934)	(11,972)
Closing balance	**56,535**	59,023	55,864
Current	**12,780**	11,788	9,690
Non-current	**43,755**	47,235	46,174

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments which fall due as follows:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Maturity analysis – contractual undiscounted cash flows			
Within one year	**14,322**	12,290	11,763
In the second to fifth years inclusive	**32,647**	36,416	32,606
After five years	**18,329**	24,819	20,746
	65,298	73,525	65,115

8. FINANCIAL INSTRUMENTS

Financial risk factors

The Group's activities expose it to a variety of financial risks including, interest rate risk, credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures as required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2019. There have been no changes in any risk management policies since the year end.

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 does not hold any financial instruments categorised as Level 1 or 2 by IFRS 13. The Level 3 financial instruments held by the Group relate solely to unlisted equity shares. The Group determines that using cost is an appropriate estimate of fair value of the unlisted equity securities.

The following table shows the changes in Level 3 financial assets for the six months ended 30 June 2020:

	£'000
Opening balance 1 January 2020	**317**
Additions	**-**
Transfers	**-**
Closing balance 30 June 2020	**317**

Management considers that the book value of financial assets and liabilities recorded at amortised cost and their fair value are approximately equal. The book value and fair value of the Group's financial assets and liabilities are as follows:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Cash and cash equivalents	**45,545**	14,516	15,482
Trade and other receivables	**10,529**	10,729	10,323
Trade and other payables	**(12,581)**	(13,042)	(10,479)
Borrowings	**(5,000)**	-	-
Lease liabilities	**(56,535)**	(59,023)	(55,864)

9. BORROWINGS

As at 30 June 2020, the Group had fully drawn down the Group's arranged £5m RCF. The RCF attracts an interest rate of 1.5% above LIBOR and is recognised as a current liability in the Group's consolidated statement of financial position based on the planned repayment date. Following an assessment of the Group's liquidity requirements the RCF was repaid in full on 8 July 2020. The facility, which expires in June 2022, continues to be available to the Group.

At 30 June 2020 the Group had a net cash position of £40.5m (31 December 2019: £15.5m), consisting of £45.5m of cash and cash equivalents (31 December 2019: £15.5m) net of £5m of borrowings (31 December 2019: nil).

10. BUSINESS COMBINATIONS

On 28 February 2020, the Group acquired 100% of the share capital of London Stone Properties Limited and its subsidiary company London Stone Property Sales Limited, both non-listed companies that are high quality independent estate agents, primarily focussed on lettings and property management based in London, thereby obtaining control. The acquisition was primarily made to add to the Group's high quality lettings books and to increase the Group's branch network.

Assets acquired and liabilities assumed

The provisional fair values of the identifiable assets and liabilities of the combined acquired entities as at the date of acquisition were:

	Fair value recognised on acquisition £'000
Assets	
Acquired intangible assets recognised on acquisition	1,438
Property, plant and equipment	9
Right-of use assets	424
Investments	57
Cash and cash equivalents	2,513
Trade and other receivables	131
Contract assets	128
	4,700
Liabilities	
Trade and other payables	(104)
Contract liabilities	(62)
Lease liabilities	(424)
Current tax liability	(157)
Deferred tax liability	(277)
	(1,024)
Total identifiable net assets at fair value	**3,676**
Goodwill arising on acquisition	750
Fair value of consideration transferred	**4,426**

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of the acquired intangible assets recognised on acquisition.

The acquired intangible assets of £1.4m consist of customer contracts which are identifiable and separable, and which are amortised over 1 to 7 years.

The goodwill of £0.8m is primarily attributable to synergies, new customers, the acquired workforce and business expertise. The acquired goodwill has been allocated entirely to the Lettings segment and is not expected to be deductible for tax purposes.

From the date of acquisition, London Stone contributed £0.5m of revenue and £0.3m of profit to the Group's performance from 28 February 2020 to 30 June 2020. If the combination had taken place at the beginning of the year, revenue for the Group would have been £0.2m higher and loss before tax would have decreased by £0.1m.

Purchase consideration

	£'000
Amount settled in cash	4,216
Deferred cash consideration	210
Fair value of consideration transferred	**4,426**

As part of the purchase agreement with the previous owner of London Stone, £0.2m of deferred cash consideration has been agreed and is held in an escrow account. The additional cash amount will be due if the Group does not make any claims on the breach of any agreed warranties over a 12 month period after the acquisition date.

Analysis of cash flows on acquisition

	£'000
Consideration settled in cash (included in cash flows from investing activities)	(4,426)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,513
Transaction costs of the acquisition (included in cash flows from operating activities)	(44)
Net cash flow on acquisition	**(1,957)**

Transaction costs amounting to £44k are not included as part of consideration transferred and have been recognised as an expense in the Group's consolidated income statement, as part of other operating costs.

11. SHARE CAPITAL

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Authorised, allotted, issued and fully paid:			
Ordinary shares of £0.01 each			
At 1 January	**2,751**	2,751	2,751
Issuance of share capital	**550**	-	-
At 30 June	**3,301**	2,751	2,751

During the period, the authorised share capital was increased by £549,934 due to the issue of 54,993,367 ordinary shares of £0.01 each.

On 17 April 2020 a total of 54,993,367 new ordinary shares were issued in a placing transaction at a price of £0.40 per share, raising gross proceeds of £22.0m (before expenses). Net of expenses the proceeds were £21.1m. The shares represented approximately 19.9% of the Company's issued ordinary share capital (excluding treasury shares) prior to the placing.

12. RESERVES

The capital reserves held by the Group comprise the following:

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Merger reserve	**20,568**	-	-
Capital redemption reserve	**2,582**	2,582	2,582
Other capital reserve	**71**	71	71
	23,221	2,653	2,653

During the period, there were no movements in both the capital redemption and other capital reserves.

The Group issued 54,993,367 of ordinary shares at a total premium to nominal value of £21.5m and incurred £0.9m of incremental transaction costs, resulting in a net total premium of £20.6m. The share issue was effected by way of a cash box placing. The Group has applied merger relief under the Companies Act 2006 and recognised a merger reserve of £20.6m which represents the net premium realised.

13. RELATED PARTY TRANSACTIONS

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

During the period, no Group companies entered into transactions with related parties who are not members of the Group.

14. CLIENT MONIES

At 30 June 2020, client monies in approved bank and building society accounts amounted to £85.9m (31 December 2019: £87.0m, 30 June 2019: £91.0m). Neither this amount nor the matching liabilities to the clients concerned are included in the consolidated balance sheet. The Group's terms and conditions provide that interest income on these deposits accrues to the Group.

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

15. 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.

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

Within the period the Group has introduced three new APMs: Adjusted operating profit/(loss), adjusted operating profit/(loss) margin and net cash/(debt). The definition, purpose and how the measures are reconciled to statutory measures are set out below.

a) Adjusted operating profit/(loss)

Adjusted operating profit/(loss) represents the profit/(loss) before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items (defined within Note 1). This is the measure reported to the Directors for the purpose of resource allocation and assessment of segment performance. This measure has been introduced during the period and replaces adjusted EBITDA as the measure by which resource allocation and segment performance is monitored. Following the application of IFRS 16, adjusted operating profit/(loss) is considered to be a superior measure to adjusted EBITDA since the new measure includes the depreciation of IFRS 16 right-of-use assets and therefore the costs related to the Group's leased assets are appropriately captured with a profitability APM.

The closest equivalent IFRS measure to adjusted operating profit/(loss) is profit/(loss) before tax. A reconciliation between profit/loss before tax and adjusted operating profit/(loss) is included within the segmental analysis table included in Note 2.

b) Adjusted operating profit/(loss) margin

Adjusted operating profit/(loss) margin is defined as adjusted operating profit/(loss) divided by revenue. This APM has been introduced during the period and 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 the inputs used to derive adjusted operating profit/(loss) margin.

c) 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 revenue and contribution is presented below.

Six months to 30 June 2020	**Lettings £'000**	**Sales £'000**	**Mortgage broking £'000**	**Consolidated £'000**
Revenue	**25,675**	**11,073**	**3,602**	**40,350**
Less: Directly attributable salary costs	**(7,077)**	**(6,048)**	**(1,983)**	**(15,108)**
Less: Bad debt charges	**(204)**	**(166)**	**-**	**(370)**
Contribution	**18,394**	**4,859**	**1,619**	**24,872**
Contribution margin	**71.6%**	**43.9%**	**44.9%**	**61.6%**

Six months to 30 June 2019	Lettings £'000	Sales £'000	Mortgage broking £'000	Consolidated £'000
Revenue	32,423	15,443	3,965	51,831
Less: Directly attributable salary costs	(8,815)	(7,458)	(2,106)	(18,379)
Less: Bad debt charges	(89)	(117)	-	(206)
Contribution	23,519	7,868	1,859	33,246
Contribution margin	72.5%	50.9%	46.9%	64.1%

d) Adjusted earnings/(loss) per share

Adjusted earnings/(loss) per share is defined as earnings/(loss) per share excluding adjusted items. The measure is derived by dividing profit/(loss) after tax adjusted for adjusted items by the weighted average number of ordinary shares in issue during the financial period. This APM is a measure of management's view of the Group's underlying earnings/(loss) per share.

The closest equivalent IFRS measure is basic earnings/(loss) per share. Refer to Note 5 for a reconciliation between basic loss per share and adjusted loss per share.

e) 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). This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	Six months to 30 June 2020 £'000	Six months to 30 June 2019 £'000
Net cash from operating activities	**8,481**	2,651
Less: Repayment of IFRS 16 lease liabilities	**(2,707)**	(5,934)
Investing activities		
Interest received	**54**	33
Proceeds on disposal of property, plant and equipment	**94**	63
Proceeds on disposal of investments	**57**	-
Purchases of property, plant and equipment	**(208)**	(153)
Purchases of intangibles	**(29)**	(116)
Purchases of investments	**-**	(31)
Net cash used in investing activities	**(32)**	(204)
Net free cash inflow/(outflow)	**5,742**	(3,487)

f) Net cash/(debt)

Net cash/(debt) is defined as cash and cash equivalents less external borrowings. The APM has been introduced in the period to define how the Group measures net cash/(debt) after applying IFRS 16 accounting principles. 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.

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Cash and cash equivalents	**45,545**	14,516	15,482
Borrowings	**(5,000)**	-	-
Net cash	**40,545**	14,516	15,482

INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC

Introduction

We have been engaged by Foxtons Group Plc ("the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the notes to the condensed consolidated interim financial report. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1.2, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Group in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London
27 July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).