Foxtons Group plc

INTERIM RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2022

28 JULY 2022

Foxtons Group plc (the "Company" or "Foxtons"), London's leading estate agent, today announces its financial results for the half year ended 30 June 2022.

Commenting on the results, Nigel Rich, Chairman of Foxtons, said: "In the first six months of the year we have made significant progress against our plans to reset the business and get back on the front foot. To this end I am very much looking forward to welcoming Guy Gittins, the former CEO of Chestertons, as CEO in September this year.

In the period, we successfully completed the integration of D&G lettings, as well as making a further two acquisitions in our lettings business to enhance earnings and market share. We enter the second half with a tightening grip on costs, a focus on sales intensity, and an improved ability to generate revenue from prudent investment in negotiators and financial services advisers.

There remains much to do, but the heart of Foxtons is strong, and we are well placed to accelerate profit growth and realise the potential of the business."

Financial summary

Half year ended 30 June	**2022**	2021	Change
Continuing operations[1]:			
Revenue	**£65.1m**	£63.4m	+3%
Adjusted operating profit[2]	**£6.2m**	£5.4m	+13%
Profit before tax	**£4.3m**	£3.6m	+21%
Adjusted earnings per share (basic and diluted)[3]	**1.1p**	1.1p	-
Earnings/(loss) per share (basic and diluted)	**0.9p**	(1.1p)	2.0p
Total Group[4]:			
Net free cash inflow[5]	**£2.8m**	£3.0m	(5%)
Interim dividend per share	**0.20p**	0.18p	0.02p

Financial highlights - half year ended 30 June

- From continuing operations[1]:
  - Revenue growth of 3%, reflects 20% growth in lettings revenue, a 17% decline in sales revenue and an 8% decline in financial services revenue.
  - Sales and financial services revenues benefited in 2021 from sales transactions being pulled forward ahead of the 30 June 2021 stamp duty deadline.
  - Adjusted operating profit of £6.2m, up 13%, with strong profit conversion from incremental lettings revenues and £0.9m of H1 cost savings (annualised savings of £3.0m), mitigating inflationary cost pressures.
  - Profit before tax of £4.3m up 21%.
- Net free cash inflow of £2.8m (2021: £3.0m).
- Net cash of £11.6m at 30 June 2022 (31 December 2021: £19.4m), after £8.5m of net cash outflow relating to lettings acquisitions, £0.9m of share buybacks and dividends paid of £0.9m.
- Interim dividend of 0.20p per share (2021: 0.18p).

Continued strategic progress in the half

- *Organic revenue growth*
  - Streamlined executive and senior management, introducing more estate agency expertise, to drive a return to a robust culture of sales intensity and productivity.
  - Invested in sales negotiators and financial advisers to better maximise the existing opportunity and deliver profit growth.
  - New revenue channels delivered good organic growth with the Asia Pacific channel revenue doubling to £1.9m and Build to Rent revenue exceeding £1m.

- *Lettings portfolio acquisitions*
  - Successful integration of D&G lettings with synergies delivered in line with expectations, £5.7m of revenue and £2.6m of operating profit in the period.
  - Lettings portfolio stands at c.27,500 tenancies, with 2,500 new tenancies added in the period through the acquisition of Gordon & Co and Stones Residential, both expected to be earnings enhancing towards the end of 2022.
  - Building a pipeline of lettings portfolio targets, with a view to delivering further acquisitions in the next 12 months.

- *Profit growth*
  - Increased adjusted operating profit margin by 90bps to 9.5%.
  - Cost action taken to streamline the Executive Board and de-layer senior management with £0.7m of reorganisation costs recognised in the first half as adjusted items.
  - Expect to realise £3.0m of annualised savings from cost action, with £0.9m delivered in H1 2022. Cost savings mitigate ongoing external cost pressures and enable reinvestment in revenue growth areas.

Outlook

Notwithstanding the global and domestic headwinds impacting the UK economy, we expect adjusted earnings growth in the second half compared to H2 2021, including some additional benefit from the recent lettings portfolio acquisitions. We anticipate adjusted earnings for the full year to be at least in line with market expectations.

[1] Both 2021 and 2022 results are presented on a continuing operations basis and excludes the results of the D&G sales business (disposed of on 11 February 2022).

[2] Adjusted operating profit is defined as profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items.

[3] Adjusted earnings per share is defined as earnings per share excluding the impact of adjusted items and any significant remeasurements of deferred tax balances as a result of UK corporate tax rate changes. Refer to Note 7 for a reconciliation between earnings/(loss) per share and adjusted earnings per share.

[4] Total Group includes results from both continuing operations and discontinued operations. On a total Group basis, revenue was £65.6m and adjusted operating profit was £5.6m. Refer to Note 5 for details of the results from discontinued operations.

[5] 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 purchases of investments.

The Company will present a live webcast at 9:00am (BST) for analysts and investors. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/interim-results-2022. A replay of the presentation will be available shortly afterwards on the webcast link. The presentation will also be broadcast via conference call. To access you will be required to pre-register using the following link: https://secure.emincote.com/client/foxtons/interim-results-2022/vip_connect

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About

Foxtons is London's leading estate agent with the most recognised brand. Founded in 1981, Foxtons operates from a network of interconnected branches, offering a range of residential related services across three revenue streams: lettings, sales and financial services.

Foxtons is confident it can deliver significant shareholder value by delivering against core strategic objectives:

- Driving organic revenue growth through market share growth, further developing our revenue channels and enhancing cross-sell capabilities;
- Identifying, acquiring, and integrating high quality lettings portfolios; and
- Achieving profit growth by increasing staff productivity and continuing to streamline infrastructure and management.

To find out more, please visit www.foxtonsgroup.co.uk

CHAIRMAN'S STATEMENT

The last six months have seen a marked change in the political and economic outlook both globally and nationally. The continuing war in Ukraine and the sad consequences for its people has further exacerbated inflationary pressures. Interest rates and mortgage rates have risen, and although they still remain relatively low, further increases may impact the London sales market. Despite these headwinds, I am pleased to report that Foxtons has made good progress.

Significant changes have occurred in the senior management team with the departures, for a variety of reasons, of the CEO, COO, CFO and other senior managers. As announced on 30 May, Guy Gittins, the former CEO of Chestertons, will join the Company as CEO on 5 September. Guy began his estate agency career at Foxtons and has proven himself to be a highly effective leader and business builder within the industry. We look forward to Guy bringing his skills as an estate agent and as a successful CEO to Foxtons in September with a particular emphasis on driving revenue and gross margin, as well as reviewing the cost structure of the business.

Pending Guy's arrival, Peter Rollings, a non-Executive Director, agreed to take over as acting CEO following Nic Budden's departure. Peter was for a number of years a Managing Director of Foxtons and subsequently successfully bought and grew Marsh & Parsons before conducting a sale to LSL. I am very grateful to Peter for taking on the interim CEO role. He will revert to being a non-Executive Director again once Guy is in position.

Both Nic Budden and Patrick Franco retired from the Board during the period. We will be looking at the Board composition in the coming months to ensure it is best placed to meet the needs of the business and governance requirements.

Amidst the political and economic turmoil, it is pleasing to report that the Company has increased adjusted operating profits by 13% from £5.4m to £6.2m, and profit before tax has increased by 21% from £3.6m to £4.3m. The lettings business performed particularly strongly, with 20% revenue growth year-on-year, enhanced by the contribution from the acquired D&G portfolio and growth in rental prices. As expected, sales revenue was down in the half year due to the prior period benefiting from stamp duty relief which pulled forward significant transaction volumes into the first half of 2021. There is still much to do to improve our performance in sales of which the strategic recruitment and retention of negotiators is crucial.

We ended the half year with net cash of £11.6m compared with £19.4m at the previous year end. In May we acquired two lettings portfolios for £8.2m cash, with a further £1.5m of consideration deferred over the next 12 months. Over the period we also spent £0.9m on share buybacks and paid a final dividend of £0.9m. We expect to make further lettings portfolio acquisitions during the next 12 months and will review the continuation of share buybacks once the current commitment to buy up to £3m of shares is fulfilled.

The Board has declared an interim dividend of 0.20p per share (2021: 0.18p per share) which will be paid on 27 September 2022 to shareholders on the register at 26 August 2022.

Notwithstanding the global and domestic headwinds impacting the UK economy, we expect adjusted earnings growth in the second half compared to H2 2021, including some additional benefit from the recent lettings portfolio acquisitions. We anticipate adjusted earnings for the full year to be at least in line with market expectations. Above all we look forward to the arrival of Guy Gittins and the impact and enthusiasm he will bring to the business.

Nigel Rich CBE
Chairman

INTERIM CHIEF EXECUTIVE'S REVIEW

The Group made good progress in the first half of 2022, and I'm delighted to be leading the business on an interim basis before Guy Gittins, the former CEO of Chestertons, joins us in September. Over the last two months, I have reviewed the fundamentals of the business, which I'm pleased to say are strong, but importantly note there is significant opportunity to be realised by investing in the right areas.

First half Group revenue from continuing operations grew 3% to £65.1m (2021: £63.4m) comprising: lettings £39.4m (2021: £32.9m); sales £20.8m (2021: £25.2m) and financial services £4.8m (2021: £5.2m). Adjusted operating profit from continuing operations grew 13% to £6.2m (2021: £5.4m) and profit before tax from continuing operations grew 21% to £4.3m (2021: £3.6m).

Delivering against the strategy

The executive team has been focused on delivering against our core objectives to grow organic revenues; deliver our lettings portfolio acquisition strategy; and drive profits, primarily through increasing market share and cost management, whilst prioritising high return investments.

Organic revenue growth

We accelerated our organic growth strategy in the first half by increasing the number of negotiators in our sales business and expanding our financial services advisers, to maximise the revenue and profit opportunity. Despite the tough talent market, we have made progress in scaling up the business to drive higher volumes through our fixed cost base, enabling us to further benefit from our inherent operational leverage.

Lettings portfolio acquisitions

As part of our strategy to deliver attractive total returns on invested capital and improve the resilience of our revenues, we acquired two lettings portfolios, Gordon & Co and Stones Residential. The acquisitions add 2,500 additional tenancies to our lettings portfolio, which now stands at c.27,500 tenancies. We expect the acquisitions to be earnings enhancing towards the end of the year once acquisition synergies start to be realised. Following a successful integration, that delivered the planned cost synergies, the D&G lettings portfolio is trading well contributing £2.6m in operating profits in the first half.

Profit growth and cost management

While there remains limited flexibility on core costs, we have made significant progress on simplifying our management structures and expect to deliver £3m of cost savings on an annualised basis. These savings help mitigate external cost pressures, such as national insurance increases, business rates increases, wage inflation and utilities inflation, and enable us to invest in the business to sustainably grow market share and profits.

Operating Review – continuing operations

Lettings

The lettings business performed well in the first half as we capitalised on a strong market. Revenue grew £6.5m, or by 20%, reflecting organic growth of £4.0m, £2.0m incremental revenue from D&G and £0.5m of revenue from the May 2022 acquisitions. Organic growth was driven by a 23% increase in average rental prices compared to the prior year, longer tenancies, and growth in Build to Rent and short lets. In the second half, supply of lettings properties is expected to remain restricted but strong tenant demand will likely underpin rents over the remainder of 2022.

Sales

Sales traded in line with expectations, with revenue down £4.4m, or by 17%, as the first half of 2021 benefited from transaction volumes pulled forward to take advantage of stamp duty relief ahead of the 30 June 2021 deadline, creating a tougher comparative period. We expect a stronger third quarter in sales compared to the prior year with an under offer commission pipeline of £19m at 30 June 2022, significantly higher than both the prior year and 2019.

Under offer to exchange conversion continues to be slower than normal due to continuing industry-wide capacity issues in conveyancing and surveying; This means, while we saw good levels of buyer demand and agreed sales, the time for these transactions to exchange contracts has extended which can increase the risk of transaction fall through. The time for a property to convert from 'under offer' to 'exchange' was approximately 96 days, 23% higher than pre-pandemic norms, a trend we expect to continue through the second half.

Financial services

Alexander Hall, our financial services business, performed in line with expectations with revenues down £0.4m, or by 8%, due to lower new purchase mortgage activity compared to the prior period which also benefited from stamp duty relief. We saw good levels of repeat remortgage business partly offsetting the reduction in new business and a 11% increase in average revenue per transaction reflecting higher mortgage loan values.

We have made good progress over the first half and I look forward to this continuing under Guy when he joins in September.

Peter Rollings
Interim Chief Executive Officer

PERFORMANCE AT A GLANCE

Half year ended 30 June	2022	2021	Change
Income statement (from continuing operations[1])			
Revenue	**£65.1m**	£63.4m	3%
Adjusted operating profit[2]	**£6.2m**	£5.4m	13%
Adjusted operating profit margin[2]	**9.5%**	8.6%	+90 bps
Statutory profit before tax	**£4.3m**	£3.6m	21%
Earnings per share (from continuing operations)			
Basic and diluted earnings/(loss) per share	**0.9p**	(1.1p)	2.0p
Adjusted basic and diluted earnings per share[2]	**1.1p**	1.1p	-
Dividends			
Interim dividend per share	**0.20p**	0.18p	0.02p
Net cash and net free cash flow			
Net cash[2]	**£11.6m**	£24.4m	(£12.8m)
Net cash from operating activities[3]	**£9.6m**	£13.2m	(£3.6m)
Net free cash inflow[2,3]	**£2.8m**	£3.0m	(£0.2m)
Segmental metrics (from continuing operations)			
Lettings revenue	**£39.4m**	£32.9m	20%
Lettings volumes	**9,110**	10,026	(9%)
Average revenue per lettings transaction	**£4,330**	£3,284	32%
Sales revenue	**£20.8m**	£25.2m	(17%)
Sales volumes	**1,528**	1,865	(18%)
Average revenue per sales transaction	**£13,627**	£13,532	1%
Financial services revenue	**£4.8m**	£5.2m	(8%)
Financial services volumes	**2,334**	2,795	(16%)
Average revenue per financial services transaction	**£2,056**	£1,859	11%

[1] Both 2021 and 2022 results are presented on a continuing operations basis and exclude the results of the D&G sales business, a discontinued operation disposed of on 11 February 2022.

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

[3] Net cash from operating activities and net free cash inflow includes continuing and discontinued operations.

FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

	H1 2022 £m	H1 2021 £m	Change
From continuing operations			
Revenue	**65.1**	63.4	3%
Contribution[1]	**41.9**	39.4	6%
Contribution margin[1]	*64.3%*	*62.2%*	*+ 210 bps*
Adjusted operating profit[1]	**6.2**	5.4	13%
Adjusted operating profit margin[1]	*9.5%*	*8.6%*	*+90 bps*
Profit before tax	**4.3**	3.6	21%
Profit/(loss) after tax	**2.9**	(3.7)	n/a
Adjusted earnings per share (basic and diluted)[1]	**1.1p**	1.1p	-
Earnings/(loss) per share (basic and diluted)	**0.9p**	(1.1p)	2.0p
Net free cash flow and net cash			
Net free cash inflow (total group)[1]	**2.8**	3.0	(5%)
Net cash[1]	**11.6**	24.4	(52%)
Dividends			
Interim dividend per share	**0.20p**	0.18p	0.02p

[1] These measures are APMs. APMs are defined, purpose explained and reconciled to statutory measures within Note 15 of the financial statements. Note: Throughout this review, amounts in tables may have been rounded and accordingly may not precisely sum to the total amounts expressed in such tables.

Revenue from continuing operations increased by 3% to £65.1m (2021: £63.4m), with lettings revenue up 20%, sales revenue down 17% and financial services revenue down 8%. The decrease in sales and financial services revenue is reflective of a significant number of sales transactions being pulled forward into Q2 2021 ahead of the 30 June 2021 stamp duty relief deadline.

Adjusted operating profit from continuing operations increased by 13% to £6.2m (2021: £5.4m). Profit before tax from continuing operations was £4.3m (2021: £3.6m) and profit after tax was £2.9m (2021: £3.7m loss).

On a total Group basis, which includes both continuing and discontinued operations, £2.8m of net free cash flow was generated (2021: £3.0m). Net cash at the end of the period was £11.6m (31 December 2021: £19.4m, excluding cash classified as held for sale). The Group continues to have access to a £5.0m revolving credit facility (RCF) which expires in June 2024 and remained undrawn throughout the period.

REVENUE (FROM CONTINUING OPERATIONS)

	H1 2022 £m	H1 2021 £m	Change
Lettings	**39.4**	32.9	20%
Sales	**20.8**	25.2	(17%)
Financial services	**4.8**	5.2	(8%)
Total	**65.1**	63.4	3%

The Group consists of three operating segments: Lettings, sales and financial services. Narrative on segmental revenue performance against 2021 follows:

Lettings revenue

Lettings revenues increased by 20% to £39.4m (2021: £32.9m) and average revenue per lettings transaction was up 32% to £4,330 (2021: £3,284). Revenue growth includes £4.0m of organic revenue growth, driven by rental price increases more than offsetting a reduction in transaction volumes, £2.0m of growth from D&G, including

£1.7m from two additional months of trading, and £0.5m of revenue from the acquisitions completed in May 2022. D&G lettings, which was fully integrated into the Foxtons infrastructure in February 2022, contributed total revenue of £5.7m.

Sales revenue

Sales revenue declined by 17% to £20.8m (2021: £25.2m) reflecting a reduction in market volumes compared to the first half of 2021 which benefited from a significant number of sales transactions being pulled forward ahead of the 30 June 2021 stamp duty deadline. The average revenue per transaction was £13,627 or 1% higher (2021: £13,532). The average price of properties sold increased to £586k (2021: £560k) which reflects our increased focus on driving instructions on higher value property.

Financial services revenue

Financial services revenue decreased by 8% to £4.8m (2021: £5.2m), with new purchase mortgage revenues down due to H1 2021 benefiting from a significant number of sales transactions being pulled forward ahead of the 30 June 2021 stamp duty deadline.

CONTRIBUTION AND CONTRIBUTION MARGIN (FROM CONTINUING OPERATIONS)

	H1 2022		H1 2021[1]	
	£m	**margin**	£m	margin
Lettings	**28.9**	**73.4%**	22.1	67.2%
Sales	**10.9**	**52.2%**	14.9	59.2%
Financial Services	**2.1**	**42.8%**	2.3	45.1%
Total	**41.9**	**64.3%**	39.4	62.2%

[1]Certain changes have been made to the segmental disclosures in the period. The relevant changes are summarised in Note 2.

Group contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £41.9m (2021: £39.4m). The increase is attributable to incremental revenue converting to contribution resulting in a contribution margin of 64.3% (2021: 62.2%).

ADJUSTED OPERATING PROFIT AND ADJUSTED OPERATING PROFIT MARGIN (FROM CONTINUING OPERATIONS)

	H1 2022		**H1 2021[1]**	
	£m	**margin**	£m	margin
Lettings	**7.3**	**18.4%**	1.5	4.4%
Sales	**(0.7)**	**(3.2%)**	4.4	17.6%
Financial Services	**0.8**	**17.1%**	1.1	20.3%
Corporate costs	**(1.2)**	**n/a**	(1.5)	n/a
Total	**6.2**	**9.5%**	5.4	8.6%

[1]Certain changes have been made to the segmental disclosures in the period. The relevant changes are summarised in Note 2.

Adjusted operating profit for the period increased by 13% to £6.2m (2021: £5.4m). The increase is driven by higher revenue in the half, realisation of synergies in D&G lettings and ongoing cost action which has offset external cost pressures. D&G lettings contributed £2.6m of adjusted operating profit (2021: £1.1m) on £5.7m of revenue (2021: £3.7m).

For the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between the lettings business and the sales business 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 £6.2m (2021: £5.4m) is after charging £58.9m (2021: £57.9m) of costs, which includes the following:

- Direct operating costs of £23.2m (2021: £23.9m) relating to direct salary costs of front office staff and bad debt charges; and
- Other operating costs, excluding adjusted items, of £35.7m (2021: £34.0m), which includes the following non-cash charges:
  - Depreciation charges of £6.0m (2021: £6.0m);
  - Amortisation charges of £0.7m (2021: £0.7m), including £0.4m (2021: £0.4m) relating to acquired intangibles; and
  - Share-based payment charges of £0.6m (2021: £0.9m charge).

PROFIT BEFORE TAX (FROM CONTINUING OPERATIONS)

	H1 2022 £m	H1 2021 £m
Adjusted operating profit	**6.2**	5.4
Less: adjusted items	**(0.9)**	(0.8)
Operating profit	**5.3**	4.6
Less: Net finance costs and other losses	**(1.0)**	(1.0)
Profit before tax	**4.3**	3.6

Adjusted operating profit excludes net adjusted item charges of £0.9m (2021: £0.8m) classified in line with the Group's accounting policy. The net adjusted item charges comprise: £0.2m of acquisition related costs; £0.7m of reorganisation costs; and £0.1m of net property related credits. Net finance costs and other losses of £1.0m (2021: £1.0m) relate to interest charges on lease liabilities.

PROFIT/(LOSS) AFTER TAX (FROM CONTINUING OPERATIONS)

	H1 2022 £m	H1 2021 £m
Profit before tax	**4.3**	3.6
Less: current tax charge	**(0.7)**	(0.2)
Less: deferred tax charge (due to UK corporation tax rate change)	**-**	(6.3)
Less: deferred tax charge (other)	**(0.7)**	(0.7)
Profit/(loss) after tax	**2.9**	(3.7)

The profit after tax of £2.9m (2021: loss of £3.7m) is after a total tax charge of £1.4m, of which £0.7m relates to current tax and £0.7m relates to non-cash deferred tax accounting charges.

The effective tax rate for the period was 32.4% (2021: (203.1%)) which compares to the statutory corporation tax rate of 19.0% (2021: 19.0%). The variance in the effective tax rate compared to the prior year is driven by the one-off remeasurement in H1 2021 of the Group's deferred tax liabilities to the corporation tax rate of 25% that was substantially enacted in May 2021.

The Group's net deferred tax liability at 30 June 2022 totalled £26.1m (2021: £25.4m), which includes £27.2m (2021: £26.7m) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £1.0m (2021: £1.3m). 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: £nil).

EARNINGS PER SHARE (FROM CONTINUING OPERATIONS)

	H1 2022 £m	H1 2021 £m
Profit/(loss) after tax	**2.9**	(3.7)
Add back: adjusted items (net of tax)	**0.7**	0.9
Add back: deferred tax (due to UK corporation tax rate change)	**-**	6.3
Adjusted earnings for the purposes of adjusted earnings per share	**3.6**	3.5
Earnings/(loss) per share (basic and diluted)	**0.9p**	**(1.1p)**
Adjusted earnings per share (basic and diluted)	**1.1p**	**1.1p**

On a continuing operations basis, earnings per share (basic and diluted) was 0.9p. On an adjusted basis, which excludes adjusted item charges of £0.7m (net of tax) and no deferred tax re-measurement charge, earnings per share (basic and diluted) was 1.1p.

NET FREE CASH FLOW AND NET CASH (FROM CONTINUING AND DISCONTINUED OPERATIONS)

	H1 2022 £m	H1 2021 £m
Operating cash inflow before movements in working capital	**11.8**	12.5
Working capital (outflow)/inflow	**(2.1)**	0.7
Income taxes paid	**(0.1)**	-
Net cash from operating activities	**9.6**	13.2
Repayment of IFRS 16 lease liabilities	**(5.9)**	(9.1)
Net cash used in investing activities[1]	**(0.9)**	(1.1)
Net free cash inflow	**2.8**	3.0

[1] Excludes £8.5m (2021: £10.0m) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £3.7m (2021: £nil) relating to the disposal of discontinued operations (net of cash disposed) and £0.4m related to the purchase of investments (2021: £3.0m).

Net free cash flow, from continuing and discontinued operations, of £2.8m (2021: £3.0m), was driven by increased profitability, partly offset by £5.9m of lease liability payments and £0.9m of net capital expenditure.

The Group held net cash, excluding lease liabilities, of £11.6m (31 December 2021: £19.4m), with £0.1m external borrowing (31 December 2021: £nil).

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 services across 2,500 tenancies.

Total consideration was £9.8m with £8.2m paid in May 2022 and £1.5m of contingent cash consideration remaining, deferred for up to a period of 12 months subject to the business achieving certain performance targets. Consideration paid in the period, net of cash acquired, was £8.0m.

Acquired net assets have been provisionally fair valued at the date of acquisition and include £2.9m of customer contracts and relationships and £8.3m of acquired goodwill. The acquisitions contributed £0.5m of revenue and £nil of adjusted operating profit in the first 5 weeks of ownership, and prior to any synergies being realised. Refer to Note 11 for further details.

D&G lettings business
£0.5m of deferred consideration, relating to the acquisition of the D&G lettings business which was acquired on 1 March 2021, was paid in the period.

DISCONTINUED OPERATIONS

	H1 2022 **£m**	H1 2021 £m
Revenue	**0.6**	3.6
Adjusted operating loss	**(0.6)**	(0.2)
Less: adjusted items	*0.2*	-
Operating loss	**(0.4)**	(0.2)
Loss after tax	**(0.3)**	(0.2)

In both the current and prior period, discontinued operations relates to the D&G sales business, which was acquired alongside the D&G lettings business and disposed of on 11 February 2022 to its CEO, James Evans, having been approved by shareholders at the General Meeting held on 10 February 2022. H1 2021 results includes 4 months of trading from the date of acquisition (1 March 2021) and H1 2022 results includes trading up to the date of disposal (11 February 2022).

On a total Group basis, which includes both continuing and discontinued operations, revenue was £65.6m (2021: £66.9m) and adjusted operating profit was £5.6m (2021: £5.2m).

OTHER BALANCE SHEET POSITIONS

At 30 June the significant balance sheet positions were:

- Goodwill of £26.0m (2021: £17.7m) and other intangible assets of £109.5m (2021: £108.1m), with the increase due to the May 2022 acquisitions which contributed £8.3m of goodwill and £2.9m of intangible assets.
- Trade and other receivables of £18.9m (2021: £19.5m) and trade and other payables of £18.2m (2021: £20.3m).
- Total contract assets of £5.5m (2021: £4.1m) and total contract liabilities of £8.4m (2021: £8.0m).
- Lease liabilities of £46.9m (2021: £53.3m) and right-of-use assets of £42.2m (2021: £49.1m).

INTERIM DIVIDEND

The Board has declared an interim dividend of 0.20p per share for the half year period (2021: interim dividend of 0.18p per share). Payment will be made on 27 September 2022 to shareholders on the register at close of business on 26 August 2022. The shares will be quoted ex-dividend on 25 August 2022.

CAPITAL RETURNS

A total of £0.9m (2021: £2.7m) of shares have been bought back to return excess capital to shareholders. The shares were bought back through the share buyback programme of up to £3.0m announced on 8 March 2022. Since December 2020 a total of £6.9m of shares have been bought back.

POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Note 13 of the condensed 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, 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, a previous director of Douglas & Gordon Limited, and Lochlan 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 £5.0m RCF which expires in June 2024 and remains undrawn.

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. Details of the Group's risk management framework and principal risks are set out below.

GOING CONCERN
The condensed financial statements have been prepared on a going concern basis as the Directors have satisfied themselves that 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. Refer to Note 1 for details of the Group's going concern assessment.

Chris Hough

Chief Financial Officer
27 July 2022

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 regularly 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 management updates, output from the various executive risk committees and reports from internal audit.

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 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 2022, the principal risks are considered to be consistent with those set out on pages 33 to 35 of the 2021 Annual Report and Accounts. The impact of the Group's existing principal risks have been reviewed and updated where required. A summary of the principal risks is provided below.

External risk factors

Risk	Impact on Group
Market risk	Although there have been improvements in the sales market, transaction levels continue to be below historical levels. 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 macro-economic and political environment; • the market being reliant on the availability of mortgage finance, deterioration in availability or further increases in borrowing rates may adversely affect the Group; • the market being impacted by changes in government policy such as future changes in stamp duty taxes or increased regulation in the lettings market; and • geopolitical risk which may increase market uncertainty and customer confidence.
Covid-19	In 2022 the Government announced a number of steps to enable the UK to manage Covid-19 like other respiratory illnesses, which included removing domestic restrictions while encouraging safer behaviours through public health advice. Although the risk from Covid-19 continues to reduce, there is a risk that future variants may disrupt international markets and economic output. This disruption could negatively impact the UK economy and consumer confidence, which may in turn adversely impact residential property transaction volumes or rental prices in the medium term.
Competitor challenge	The Group operates in a highly competitive marketplace. New or existing competitors could develop new technology, services or methods of working, including online and hybrid agents, which could give them a competitive advantage.

Compliance with the legal and regulatory environment	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 mortgage broking business 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	Our proprietary operating system continues to provide us with a competitive advantage by connecting our entire network of agents and enables efficient processes and the ability to deliver higher levels of customer service. 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.
People	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.
Reputation and brand	The Group's reputation and brand may be impacted from both a customer perspective and an investor perspective: Customer perspective: Foxtons is a strong, single-network brand with a reputation for delivering exceptional service as well as the highest brand awareness in London estate agency. Our reputation and brand provide competitive advantage and are critical to maintaining and 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. Investor perspective: Over the course of 2021 and 2022 there has been challenge from activist investors which has led to increased levels of adverse media coverage. Although there has been little impact on customer sentiment or satisfaction, such coverage can negatively impact broader investor relations and activity.

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 2022. 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

Peter Rollings
Interim Chief Executive Officer
27 July 2022

Chris Hough
Chief Financial Officer
27 July 2022

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2022

Continuing operations	Notes	**Six months to 30 June 2022 (unaudited) £'000**	Six months to 30 June 2021[1] (unaudited) £'000
Revenue	2	**65,066**	63,363
Direct operating costs		**(23,210)**	(23,940)
Other operating costs		**(36,605)**	(34,824)
Operating profit		**5,251**	4,599
Other losses		**-**	(29)
Finance income		**46**	16
Finance costs		**(998)**	(1,030)
Profit before tax from continuing operations		**4,299**	3,556
Tax charge	4	**(1,394)**	(7,223)
Profit/(loss) for the period from continuing operations		**2,905**	(3,667)
Discontinued operations			
Loss after tax for the period from discontinued operations	5	**(318)**	(214)
Profit/(loss) for the period attributable to shareholders of the Company		**2,587**	(3,881)

Earnings per share

From continuing operations			
Basic and diluted earnings/(loss) per share	7	**0.9p**	(1.1p)

Adjusted results

From continuing operations			
Adjusted operating profit[2]	2	**6,159**	5,428
Adjusted earnings for the purposes of the adjusted earnings per share[3]	7	**3,618**	3,546
Adjusted basic and diluted earnings per share[4]	7	**1.1p**	1.1p

[1] The Group has presented D&G sales (disposed of on 11 February 2022) as a discontinued operation, and accordingly the prior period has been restated as required by IFRS, refer to Note 5.

[2] 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 £0.9m of adjusted items (2021: £0.8m) as set out in Note 2.

[3] Adjusted earnings for the purposes of adjusted earnings per share from continuing operations is presented before charging £0.9m of adjusted items (2021: £0.8m) including associated tax credit totalling £0.2m (2021: £0.1m charge) and £nil non-cash deferred tax accounting re-measurement charges (2021: £6.3m), as set out in Note 7.

[4] Adjusted basic and diluted earnings per share is an APM and is reconciled to statutory earnings per share in Note 7.

The notes on pages 22 to 37 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2022

	Six months to 30 June 2022 (unaudited) £'000	Six months to 30 June 2021 (unaudited)[1] £'000
Profit/(loss) for the period attributable to shareholders of the Company	**2,587**	(3,881)
Other comprehensive loss		
Items that will not be reclassified to profit or loss (net of tax):		
Changes in fair value of equity instruments at FVOCI	**(46)**	(19)
Other comprehensive loss for the period	**(46)**	(19)
Total comprehensive profit/(loss) for the period	**2,541**	(3,900)
Total comprehensive profit/(loss) attributable to shareholders of the Company arising from:		
Continuing operations	**2,905**	(3,667)
Discontinued operations[1]	**(364)**	(233)
	2,541	(3,900)

[1] The Group has presented D&G sales (disposed of on 11 February 2022) as a discontinued operation, and accordingly the prior period has been restated as required by IFRS, refer to Note 5.

The notes on pages 22 to 37 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Notes	**30 June 2022 (unaudited) £'000**	30 June 2021 (unaudited) £'000	31 December 2021 (audited) £'000
Non-current assets				
Goodwill	8	**26,031**	17,716	17,716
Other intangible assets	8	**109,496**	108,110	107,269
Property, plant and equipment		**9,722**	11,468	9,652
Right-of-use assets	9	**42,178**	49,081	43,832
Contract assets		**897**	582	899
Interest in associate and investments		**3,717**	3,684	3,317
Deferred tax assets		**1,048**	1,272	1,744
		193,089	191,913	184,429
Current assets				
Trade and other receivables		**18,860**	19,471	16,011
Contract assets		**4,622**	3,550	3,657
Current tax assets		**-**	-	303
Cash and cash equivalents		**11,667**	24,365	19,374
Assets classified as held for sale			-	7,412
		35,149	47,386	46,757
Total assets		**228,238**	239,299	231,186
Current liabilities				
Trade and other payables		**(18,224)**	(20,317)	(14,485)
Borrowings		**(50)**	-	-
Current tax liabilities		**(374)**	(112)	-
Lease liabilities	9	**(11,577)**	(11,536)	(8,825)
Contract liabilities		**(7,376)**	(6,917)	(8,231)
Provisions		**(1,396)**	(338)	(342)
Liabilities classified as held for sale			-	(7,412)
		(38,997)	(39,220)	(39,295)
Net current (liabilities)/assets		**(3,848)**	8,166	7,462
Non-current liabilities				
Lease liabilities	9	**(35,323)**	(41,761)	(39,258)
Contract liabilities		**(997)**	(1,042)	(1,141)
Provisions		**(1,619)**	(1,906)	(1,486)
Deferred tax liabilities		**(27,196)**	(26,700)	(26,504)
		(65,135)	(71,409)	(68,389)
Total liabilities		**(104,132)**	(110,629)	(107,684)
Net assets		**124,106**	128,670	123,502
Equity				
Share capital		**3,301**	3,301	3,301
Merger reserve		**20,568**	20,568	20,568
Other reserves		**2,653**	2,653	2,653
Own shares reserve	12	**(7,014)**	(3,063)	(6,059)
Retained earnings		**104,598**	105,211	103,039
Total equity		**124,106**	128,670	123,502

The notes on pages 22 to 37 form part of this condensed consolidated financial information.

These unaudited condensed consolidated interim financial statements for the 6 months ended 30 June 2022 were approved by the Board on 27 July 2022.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 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 period		-	-	-	-	**2,587**	**2,587**
Other comprehensive loss for the period		-	-	-	-	**(46)**	**(46)**
Dividends	6	-	-	-	-	**(856)**	**(856)**
Own shares acquired in the period	12	-	-	-	**(963)**	-	**(963)**
Debit to equity for share-based payments		-	-	-	-	**(20)**	**(20)**
Settlement of share incentive plan		-	-	-	**8**	**(106)**	**(98)**
Balance at 30 June 2022 (unaudited)		**3,301**	**20,568**	**2,653**	**(7,014)**	**104,598**	**124,106**

	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
Loss for the period		-	-	-	-	(3,881)	(3,881)
Other comprehensive loss for the period						(19)	(19)
Dividends	6	-	-	-	-	-	-
Own shares acquired in the period	12	-	-	-	(2,689)	-	(2,689)
Credit to equity for share-based payments		-	-	-	-	803	803
Balance at 30 June 2021 (unaudited)		3,301	20,568	2,653	(3,063)	105,211	128,670

	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
Loss for the period		-	-	-	-	(6,166)	(6,166)
Other comprehensive income for the period		-	-	-	-	40	40
Dividends	6	-	-	-	-	(583)	(583)
Own shares acquired in the period		-	-	-	(5,697)	-	(5,697)
Credit to equity for share-based payments		-	-	-	-	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

The notes on pages 22 to 37 form part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
Six months ended 30 June 2022

	Notes	Six months 30 June 2022 (unaudited) £'000	Six months 30 June 2021 (unaudited) £'000
Operating activities			
Operating profit from continuing operations	2	**5,251**	4,599
Operating loss from discontinued operations	2	**(414)**	(203)
Operating profit from continuing and discontinued operations		**4,837**	4,396
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets		**6,044**	6,387
Amortisation of intangible assets		**695**	837
Gain on disposal of discontinued operations	5	**(180)**	-
Right-of-use asset and sub-lease asset impairment		**152**	-
Investment in associate impairment		**-**	694
Gain on disposal of property, plant and equipment and right-of-use assets		**(424)**	(540)
Increase/(decrease) in provisions		**806**	(109)
Cash settlement of share incentive plan		**(98)**	-
Share-based payment (credit)/charge		**(49)**	803
Operating cash flows before movements in working capital		**11,783**	12,468
Increase in receivables		**(2,905)**	(4,095)
Increase in payables		**829**	4,813
Cash generated by operations		**9,707**	13,186
Income taxes paid		**(60)**	(18)
Net cash from operating activities		**9,647**	13,168
Investing activities			
Interest received		**37**	3
Proceeds on disposal of property, plant and equipment		**46**	124
Proceeds on disposal of associate and investments		**40**	-
Purchases of property, plant and equipment		**(989)**	(1,199)
Purchases of investments	10	**(400)**	(3,000)
Acquisition of subsidiaries (net of cash acquired)	11	**(8,490)**	(10,031)
Disposal of discontinued operations (net of cash disposed)	5	**(3,715)**	-
Net cash used in investing activities		**(13,471)**	(14,103)
Financing activities			
Dividends paid	6	**(856)**	-
Interest paid		**(15)**	(10)
Repayment of lease liabilities	9	**(5,926)**	(9,143)
Sub-lease receipts		**56**	158
Purchase of own shares	12	**(857)**	(2,689)
Net cash used in financing activities		**(7,598)**	(11,684)
Net decrease in cash and cash equivalents		**(11,422)**	(12,619)
Cash and cash equivalents at beginning of period[1]		**23,089**	36,984
Comprised of:			
Cash and cash equivalents at beginning of period (continuing operations)		**19,374**	36,984
Cash included in assets held for sale at beginning of period (discontinued operations)		**3,715**	-
Cash and cash equivalents at end of period		**11,667**	24,365

[1] Total Group balances, which include cash related to continuing and discontinued operations

The notes on pages 22 to 37 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 condensed interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2021 were approved by the Directors on 1 March 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The financial statements have been reviewed, not audited.

This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2022 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

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 interim 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 interim 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 30 June 2022, the Group held a net cash balance of £11.6m (31 December 2021: £19.4m, excluding cash held for sale) and an undrawn £5.0m rolling credit facility ('RCF') which expires in July 2024.

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 possible deterioration in market conditions, with specific consideration given to market conditions and the geopolitical environment.

The reverse stress scenario incorporates a severe reduction in trading from August 2022 to March 2023 against plan, approximately 1.1 times more severe as that experienced from March 2020 to October 2020 during the spring 2020 Covid-19 related lockdown and recovery period.

In the unlikely event of the reverse stress scenario, the Group would have a negative cash position in March 2023, assuming the RCF facility is not available due to covenants being breached. 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 further reducing discretionary spend.

The Group expects the RCF to be available throughout the going concern review period with ongoing compliance with the RCF's covenants. The going concern assumption is not dependent on the availability of the RCF.

1.4 Accounting policies, 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 2021 Annual Report and Accounts, with the exception of certain new interpretations and amendments adopted in the current period which had no significant effect on the Group's results.

1.5 Discontinued operations

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 5. All other notes to the interim financial statements include amounts for continuing operations, unless indicated otherwise.

1.6 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. The Group's APMs are defined and purpose explained within Note 15.

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.

1.7 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 2021 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 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 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 Board on a segmental basis and are therefore not disclosed.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 15:

- **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. 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. These measures are used by the Board for the purpose of resource allocation and assessment of segment performance. Adjusted operating profit 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 continuing operations results by reportable segment for the half year ended 30 June 2022:

Continuing operations **2022**	**Notes**	**Lettings £'000**	**Sales £'000**	**Financial services £'000**	**Corporate costs £'000**	**Consolidated £'000**
Revenue		**39,443**	**20,823**	**4,800**	**-**	**65,066**
Contribution	15	28,942	10,860	2,054	-	41,856
Contribution margin	15	73.4%	52.2%	42.8%	n/a	64.3%
Adjusted operating profit	**15**	**7,260**	**(671)**	**819**	**(1,249)**	**6,159**
Adjusted operating profit margin	15	18.4%	(3.2%)	17.1%	n/a	**9.5%**
Adjusted items	3					(908)
Operating profit						**5,251**
Other losses						-
Finance income						46
Finance costs						(998)
Profit before tax from continuing operations						**4,299**

The Group has presented D&G sales (disposed of on 11 February 2022) as a discontinued operation. The following is an analysis of the Group's results split by continuing and discontinued operations for the half year ended 30 June 2022:

2022	Continuing operations £'000	Discontinued operations £'000	Group Total £'000
Revenue	**65,066**	**579**	**65,645**
Contribution	41,856	232	42,088
Contribution margin	64.3%	40.1%	64.1%
Adjusted operating profit/(loss)	**6,159**	**(594)**	**5,565**
Adjusted operating profit/(loss) margin	9.5%	(102.6%)	8.5%
Adjusted items	(908)	180	(728)
Operating profit/(loss)	**5,251**	**(414)**	**4,837**
Other losses	-	-	-
Finance income	46	-	46
Finance cost	(998)	(21)	(1,019)
Profit/(loss) before tax	**4,299**	**(435)**	**3,864**

Other information	**Lettings £'000**	**Sales £'000**	**Financial services £'000**	**Corporate costs £'000**	**Consolidated £'000**
Depreciation and amortisation					
Continuing operations	4,234	2,454	51	-	6,739
Discontinued operations	-	-	-	-	-
Group total	4,234	2,454	51	-	6,739

The following is an analysis of the Group's continuing operations results by reportable segment for the half year ended 30 June 2021:

Continuing operations 2021[1]	**Notes**	**Lettings £'000**	**Sales £'000**	**Financial services £'000**	**Corporate costs £'000**	**Consolidated £'000**
Revenue		**32,929**	**25,238**	**5,196**	**-**	**63,363**
Contribution	15	22,144	14,938	2,341	-	39,423
Contribution margin	15	67.2%	59.2%	45.1%	n/a	62.2%
Adjusted operating profit	**15**	**1,458**	**4,446**	**1,055**	**(1,531)**	**5,428**
Adjusted operating profit margin	15	4.4%	17.6%	20.3%	n/a	**8.6%**
Adjusted items	3					(829)
Operating profit						**4,599**
Other losses						(29)
Finance income						16
Finance costs						(1,030)
Profit before tax from continuing operations						**3,556**

[1]The Group has presented D&G sales (disposed of on 11 February 2022) as a discontinued operation, and accordingly the prior period has been restated as required by IFRS, refer to Note 5. In addition, prior year comparative segmental contribution and adjusted operating profit has been restated to reflect the cost allocation changes described above and to enable fair comparability against the current year segmental results.

The following is an analysis of the Group's results split by continuing and discontinued operations for the half year ended 30 June 2021:

2021	Continuing operations £'000	Discontinued operations £'000	Group Total £'000
Revenue	**63,363**	**3,563**	**66,926**
Contribution	39,423	2,316	41,739
Contribution margin	62.2%	65.0%	62.4%
Adjusted operating profit/(loss)	**5,428**	**(203)**	**5,225**
Adjusted operating profit/(loss) margin	8.6%	(5.7%)	7.8%
Adjusted items	(829)	-	(829)
Operating profit/(loss)	**4,599**	**(203)**	**4,396**
Other losses	(29)	-	(29)
Finance income	16	-	16
Finance cost	(1,030)	(61)	(1,091)
Profit/(loss) before tax	**3,556**	**(264)**	**3,292**

Other information	Lettings £'000	Sales £'000	Financial services £'000	Corporate costs £'000	Consolidated £'000
Depreciation and amortisation					
Continuing operations	4,279	2,323	61	-	6,663
Discontinued operations	-	561	-	-	561
Group total	4,279	2,884	61	-	7,224

3. 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 15. The following items have been classified as adjusted items attributable to continuing operations in the period.

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Property related credit[1]	**(59)**	(357)
Impairment in interest in associate	**-**	694
Transaction related costs[2]	**246**	492
Reorganisation costs[3]	**721**	-
	908	829

[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]Transaction related costs relate to costs involved with the acquisition of IMM Properties Limited (2021: for the acquisition of Douglas & Gordon Estate Agents Limited).
[3]Net cost of head office reorganisation activity.

4. TAXATION

The components of the income tax charge recognised in the Group income statement are:

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Current tax charge	**694**	189
Deferred tax charge	**583**	6,984
Tax charge on profit on ordinary activities from continuing and discontinued operations	**1,277**	7,173
Less: discontinued operations tax credit	**117**	50
Tax charge on profit on ordinary activities from continuing operations	**1,394**	7,223

The tax charged within the 6 months ended 30 June 2022 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 31 December 2022 using rates substantively enacted as at 30 June 2022 as required by IAS 34 'Interim Financial Reporting'.

Changes to the UK corporation tax rates, from 1 April 2023, were substantively enacted as part of the Finance Bill 2021 from 19% to 25%. 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 measured using these enacted rates.

5. DISCONTINUED OPERATIONS

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 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 ending 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 period and the prior year comparative period.

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.

	Six months to 30 June 2022[1]			Six months to 30 June 2021[2]		
	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**	3,563	-	3,563
Direct operating costs	**(347)**	**-**	**(347)**	(1,249)	-	(1,249)
Other operating costs	**(826)**	**-**	**(826)**	(2,517)	-	(2,517)
Adjusted operating loss	**(594)**	**-**	**(594)**	(203)	-	(203)
Gain on sale of the discontinued operation	**-**	**180**	**180**	-	-	-
Operating profit/(loss)	**(594)**	**180**	**(414)**	(203)	-	(203)
Other losses	**-**	**-**	**-**	-	-	-
Finance income	**-**	**-**	**-**	-	-	-
Finance costs	**(21)**	**-**	**(21)**	(61)	-	(61)
Profit/(loss) before tax	**(615)**	**180**	**(435)**	(264)	-	(264)
Tax credit	**117**	**-**	**117**	50	-	50
Profit/(loss) for the period from discontinued operations attributable to shareholders of the Company	**(498)**	**180**	**(318)**	(214)	-	(214)

Earnings/(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)**	(0.1p)		(0.1p)

[1] The results for the six months to 30 June 2022 reflect trading for the period from 1 January 2022 to 11 February 2022.
[2] The results for the six months to 30 June 2021 reflect trading for the period from 1 March 2021 to 30 June 2021.

Discontinued operations: Cash flows

The net cash flows incurred from the sale of the discontinued operations are as follows:

	£'000
Cash received from the sale of the discontinued operations	-
Cash sold as part of discontinued operations	(3,715)
Net cash outflow from disposal of discontinued operations	**(3,715)**

6. DIVIDENDS

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2021: 0.27p (31 December 2020: nil) per ordinary share	**856**	-
	856	-

For 2022, the Board has declared an interim dividend of 0.20p (2021: 0.18p) per ordinary share to be paid in September 2022. The financial statements do not reflect the dividend payable.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period 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.

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 dilutive potential ordinary shares into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share options granted to employees.

	Continuing operations		**Total Group (continuing and discontinued operations)**	
	Six months to 30 June 2022 £'000	Six months to 30 June 2021[2] £'000	**Six months to 30 June 2022 £'000**	Six months to 30 June 2021 £'000
Profit/(loss) for the purposes of basic and diluted earnings/(loss) per share	**2,905**	(3,667)	**2,587**	(3,881)
Adjust for:				
Adjusted items (including associated taxation)[1]	713	897	**533**	897
Deferred tax remeasurement (due to UK corporate tax rate change)	**-**	6,316	**-**	6,316
Adjusted earnings for the purposes of adjusted earnings per share	**3,618**	3,546	**3,120**	3,332
Number of shares				
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**317,888,904**	326,253,710	**317,888,904**	326,253,710
Effect of potentially dilutive ordinary shares	**2,633,344**	4,694,741	**2,633,344**	4,694,741
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**320,522,248**	330,948,451	**320,522,248**	330,948,451
Earnings/(loss) per share (basic and diluted)	**0.9p**	(1.1p)	**0.8p**	(1.2p)
Adjusted earnings per share (basic and diluted)	**1.1p**	1.1p	**1.0p**	1.0p

[1]Net adjusted items charge relating to continuing operations of £908k (2021: £829k), plus associated tax credit of £194k (2021: £68k charge), resulting in an after tax charge of £713k (2021: £897k). Refer to Note 3 for details on adjusted items.

[2] The Group has presented discontinued operations in the current year, and accordingly the prior period has been restated, refer to Note 5.

8. GOODWILL AND OTHER INTANGIBLE ASSETS

At 30 June 2022, goodwill and other intangible assets total £135.5m as detailed below, with £8.3m of goodwill and £2.9m of intangible assets additions in the period being attributable to the acquisitions of Gordon & Co and Stones Residential (refer to Note 11 for further details).

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Goodwill	**26,031**	17,716	17,716
Brand	**99,000**	99,000	99,000
Software	**770**	1,302	1,018
Customer contracts and relationships	**9,726**	7,808	7,251
Other intangible assets	**109,496**	108,110	107,269
Goodwill and other intangible assets	**135,527**	125,826	124,985

a) Review for indicators of impairment at 30 June 2022

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 2022, the Group has assessed for indicators of impairment of the Group's goodwill and brand asset. Following consideration of both internal and external impairment indicators, including 2022 year-to-date trading performance, no indicators of impairment have been identified.

b) Sensitivity analysis

Sensitivity analysis was performed as part of the impairment review for the year ended 31 December 2021 to assess whether the carrying value of the Foxtons brand asset is sensitive to reasonable possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying value. Lettings goodwill showed significant headroom against all sensitivity scenarios, whilst the brand asset was sensitive to reasonable possible changes in key assumptions.

The key assumption used in the brand asset impairment assessment was the forecast revenues for the sales and lettings businesses. The carrying value of the brand asset was not highly sensitive to changes in discount rates or long-term growth rates.

As disclosed in Note 10 of the 2021 Annual Report and Accounts, the impairment model indicated brand asset headroom of £65.7m or 36% of the carrying value under test. Cash flows were sourced from the Group's Board approved plan whilst also complying with the requirements of the relevant accounting standard. Sales revenue was assumed to recover by 2026 to the levels experienced in 2016, which equates to an average increase of 5.1% over the forecast period. Lettings revenue was assumed to grow at an average rate of 3.1% over the forecast period, excluding future lettings book acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

It was disclosed that assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue compound annual growth rate (CAGR) over the forecast period reduces from 3.8% to 2.5%. Under a reasonable possible downside scenario, in which sales revenue fails to recover to 2016 levels by 2026 with an average 2.5% increase over the forecast period, lettings revenue growth is limited to 2.1% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset would be impaired by £4.9m. At 30 June 2022, consideration of the latest economic and geo-political conditions have been made, and there have been no significant changes to this reasonable possible downside scenario.

The Group will complete a full annual impairment review, as required under IAS 36, for the goodwill and brand assets in the second half of the year.

9. 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 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Opening balance	**43,832**	44,444	44,444
Additions	**2,957**	4,779	9,573
Acquired through business combinations (refer to Note 11)	**599**	5,365	5,365
Lease modifications	**-**	-	551
Disposals	**(149)**	(337)	(592)
Depreciation	**(5,027)**	(5,170)	(10,617)
Impairment charge	**(34)**	-	(287)
Assets transferred to held for sale	-	-	(4,605)
Closing balance	**42,178**	49,081	43,832

Lease liabilities

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

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Opening balance	**48,083**	51,558	51,558
Additions	**2,933**	4,779	9,573
Acquired through business combinations (refer to Note 11)	**880**	5,497	5,497
Lease modifications	**-**	-	(310)
Disposals	**(75)**	(475)	(682)
Interest charge	**984**	1,081	2,175
Payments[1]	**(5,905)**	(9,143)	(15,228)
Liabilities transferred to held for sale	**-**	-	(4,500)
Closing balance	**46,900**	53,297	48,083
Current	**11,577**	11,536	8,825
Non-current	**35,323**	41,761	39,258

[1]Additional payments made totalling £21k were made in the period relating to liabilities disposed of as part of the D&G sales disposal.

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

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Maturity analysis - contractual undiscounted cash flows from continuing operations			
Within one year	**11,620**	12,916	11,491
In the second to fifth years inclusive	**30,990**	34,730	31,306
After five years	**10,477**	13,917	13,023
	53,087	61,563	55,820

10. FINANCIAL INSTRUMENTS

Categories of financial instruments

The categories of financial instruments, including contact assets and liabilities, held by the Group are as follows:

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Financial assets			
FVOCI financial assets	**3,717**	3,684	3,317
Cash and cash equivalents	**11,667**	24,365	19,374
Financial assets recorded at amortised cost	**21,254**	19,850	16,612
Financial liabilities			
Financial liabilities recorded at amortised cost	**(20,371)**	(22,066)	(18,386)
Borrowings	**(50)**	-	-
Lease liabilities	**(46,900)**	(53,297)	(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)

At 30 June 2022, the Group does not hold any financial instruments categorised as Level 1 or 2 by IFRS 13 (31 December 2021: £0.2m, 30 June 2021: £0.2m). The Level 3 financial instruments held by the Group relate solely to unlisted equity shares.

The following table shows the changes in Level 3 financial assets for the six months ended 30 June 2022:

	Level 3 £'000
Opening balance 1 January 2022	**3,317**
Additions	400
Acquired through business combinations	-
Fair value movement	-
Closing balance 30 June 2022	**3,717**

In the period the Group invested a further £0.4m in PD Innovations Limited, trading as Boomin, which is classified as a Level 3 FVOCI financial asset. There were no transfers between Level 1 and Level 3 during the period.

In the period the Group disposed of £0.2m financial instruments previously categorised as Level 1 FVOCI financial asset, relating solely to OnTheMarket plc, which was part of the D&G sales business disposal group and classified as held for sale at 31 December 2021.

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 2021. There have been no changes in any risk management policies since the year end.

11. BUSINESS COMBINATIONS

During the period, 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:

Gordon & Co

On 25 May 2022, the Group acquired IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co')

Stones Residential

On 25 May 2022, the Group acquired 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 provisional purchase price allocation exercise, due to the timing of the acquisitions, has been completed which identified £2.9m 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. £8.3m 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 Group's lettings cash-generating units which are 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 £0.5m of revenue and £nil profit before tax to the Group's performance from 26 May 2022 to 30 June 2022. If the combination had taken place at the beginning of the year, revenue for the period would have been £3.0m higher and profit before tax would have increased by £0.2m, excluding future synergies and amortisation of acquired intangible assets.

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 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 and are on a provisional basis due to the timing of the acquisitions.

	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	6,590	1,744	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 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, 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 £9.8m, with £8.2m paid in May 2022. Consideration paid in the period, net of cash acquired, was £8.0m 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 £1.5m of contingent cash consideration will be due from the Group based on the outcome of a number of agreed contingencies and payable in tranches over the course of the next 12 months. This contingent consideration is included within trade and other payables, and has a possible range of £nil to £1.9m.

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 £0.5m 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)
Deferred and contingent consideration paid in relation to current and prior year acquisitions	(500)
Cash acquired in subsidiaries	231
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	**(8,490)**
Transaction costs of the acquisition (included in cash flows from operating activities)	(301)
Net cash flow on acquisitions	**(8,791)**

Transaction costs amounting to £0.3m are not included as part of consideration transferred and have been recognised as an expense in the Group's consolidated income statement, with £0.2m recognised as an adjusted item as disclosed in Note 3.

12. OWN SHARES RESERVE

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Opening balance	**6,059**	374	374
Acquired during the period	**963**	2,689	5,697
Utilised during the period	**(8)**	-	(12)
Closing balance	**7,014**	3,063	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 incentive schemes. The number of ordinary shares held by the Company and the Employee Benefit Trust at 30 June 2022 was 13,887,108 (2021: 5,200,379).

During the first six months of the year 2,772,985 (2021: 4,512,267) shares with a total value of £962,859 (2021: £2,689,047) have been repurchased by the Company through a share buyback programme and are held in treasury at 30 June 2022. From the total value spent in the period, £0.1m of the balance is included within trade and other payables.

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.

As set out in Note 5, 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, 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, a previous director of Douglas & Gordon Limited, and Lochlan constituting related parties.

14. CLIENT MONIES

At 30 June 2022, client monies held within the Group in approved bank accounts amounted to £113.4m (31 December 2021: £87.0m, 30 June 2021: £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 Company.

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.

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.

The definition, purpose and how the measures are reconciled to statutory measures are set out below.

a) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance costs, other gains and adjusted items (defined within Note 1). This is the measure 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.

Six months to 30 June 2022	**Lettings £'000**	**Sales £'000**	**Financial services £'000**	**Corporate costs £'000**	**Consolidated £'000**
Revenue	**39,443**	**20,823**	**4,800**	**-**	**65,066**
Less: Direct operating costs	**(10,501)**	**(9,963)**	**(2,746)**	**-**	**(23,210)**
Contribution	**28,942**	**10,860**	**2,054**	**-**	**41,856**
Contribution margin	**73.4%**	**52.2%**	**42.8%**	**n/a**	**64.3%**

Six months to 30 June 2021[1]	**Lettings £'000**	**Sales £'000**	**Financial services £'000**	**Corporate costs £'000**	**Consolidated £'000**
Revenue	32,929	25,238	5,196	-	63,363
Less: Direct operating costs	(10,785)	(10,300)	(2,855)	-	(23,940)
Contribution	22,144	14,938	2,341	-	39,423
Contribution margin	67.2%	59.2%	45.1%	n/a	62.2%

[1] The Group has presented D&G sales (disposed of on 11 February 2022) as a discontinued operation, and accordingly the prior period has been restated as required by IFRS, refer to Note 5. In addition, prior year comparative segmental contribution has been restated to reflect the cost allocation changes described above and to enable fair comparability against the current year segmental results. Refer to Note 2 for further details on the Group's segmental results.

c) Adjusted earnings per share

Adjusted earnings per share is defined as earnings per share excluding the impact of 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 basic earnings per share. Refer to Note 7 for a reconciliation between statutory 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 purchases 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.

	Six months to 30 June 2022 £'000	Six months to 30 June 2021 £'000
Net cash from operating activities	**9,647**	13,168
Less: Repayment of IFRS 16 lease liabilities	**(5,926)**	(9,143)
Investing activities		
Interest received	**37**	3
Proceeds on disposal of property, plant and equipment	**46**	124
Purchases of property, plant and equipment	**(989)**	(1,199)
Net cash used in investing activities	**(906)**	(1,072)
Net free cash inflow	**2,815**	2,953

e) Net cash/(debt)

Net cash/(debt) 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.

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Cash and cash equivalents	**11,667**	24,365	19,374
Less: External borrowings	**(50)**	-	-
Net cash	**11,617**	24,365	19,374

INDEPENDENT REVIEW REPORT TO FOXTONS GROUP PLC

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 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and the related explanatory notes that have been reviewed.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410"). 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.

As disclosed in Note 1.2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the Directors are responsible for assessing the 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of 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.

Tim Neathercoat
BDO LLP
Chartered Accountants
London, UK
27 July 2022

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