ANNUAL REPORT AND ACCOUNTS

FOXTONS GROUP PLC

2023

GET IT DONE WITH LONDON'S NUMBER 1

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2023 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Revenue
from continuing operations
+5%
£147.1 million
2022: £140.3 million

Adjusted operating profit[1]
from continuing operations
+2%
£14.3 million
2022: £13.9 million

Adjusted EBITDA[1]
from continuing operations
+6%
£17.5 million
2022: £16.5 million

Profit before tax[2]
from continuing operations
(34%)
£7.9 million
2022: £11.9 million

Adjusted earnings per share[3]
from continuing operations
3.0p
2022: 3.1p

Non-cyclical and recurring revenues[4]
from continuing operations
72%
of total revenue
2022: 65% of total revenue

OTHER HIGHLIGHTS

Lettings market share[4]
+16%
6.0%
2022: 5.1%

Sales market share[4]
+21%
4.1%
2022: 3.4%

Customer satisfaction[4]
Trustpilot
4.7 OUT OF 5
2022: 4.7 out of 5

1 Measures are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 28 of the financial statements. Adjusted EBITDA excludes share-based payment charges (2023: £1.0 million; 2022: £0.9 million) in order to be consistent with the definition of adjusted EBITDA used to calculate the Group's revolving credit facility covenants.

2 Proft before tax includes £4.5 million of adjusted item charges primarily reflecting one-off charges relating to the integration of the Ludlow Thompson acquisition. On an adjusted basis, adjusted profit before tax is up 3% at £12.4 million (2022: £12.0 million) as reconciled in Note 28 of the financial statements.

3 Refer to Note 9 of the financial statements for a reconciliation of adjusted earnings per share to statutory earnings per share. On a statutory basis, earnings per share from continuing operations is 1.8p (2022: 3.0p).

4 Refer to → PAGES 22 AND 23 for definitions of these key performance indicators.

ABOUT US

Founded in 1981, Foxtons started as a two-person estate agency in Notting Hill and established itself as an iconic estate agency brand. Today the Group operates from a network of interconnected single brand branches providing a range of residential property services through our Lettings, Sales and Financial Services businesses. Lettings, which now contributes around 70% of total revenue, is the largest part of the Group, delivering non-cyclical and recurring revenues from a portfolio of over 28,000 tenancies.

* Source TwentyCI data, 2023 v 2022 market share and market growth of new instructions at brand level.

OUR PURPOSE

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

Read more about our purpose on → PAGE 70

OUR MISSION

TO BE LONDON'S GO-TO ESTATE AGENT

4 STRATEGIC PRIORITIES

LETTINGS
ORGANIC GROWTH

LETTINGS
ACQUISITIVE GROWTH

SALES
MARKET SHARE GROWTH

FINANCIAL SERVICES
REVENUE GROWTH

Read more about our strategic priorities on
→ PAGES 16 AND 17

OUR VALUES

INNOVATIVE
PROFESSIONAL
AMBITIOUS
RELENTLESS
AUTHORITATIVE

Read more about our values on → PAGE 57

CHAIRMAN'S STATEMENT

"I am confident that there is significant further progress that Foxtons can and will make, due to the management leadership, the scalable technology platform, the customer database, and the prominence of the brand."

Nigel Rich CBE Chairman

Following his appointment in September 2022, 2023 was Guy Gittins' first full year as CEO. Under his leadership it was a transformational year for the business, putting Foxtons firmly on the front foot with fee earner headcount rebuilt across the business, the culture re-energised, the data and technology capabilities upgraded, and the brand reinvigorated.

Significant changes to the culture within the Company have improved employee retention and motivation leading to better customer service and enabling us to reclaim our leading position in our sector of the market.

Helped by a series of acquisitions since 2020, around 70% of the Group's revenues are now derived from the Lettings business, creating a more recurring and resilient earnings stream, and lessening the impact of the volatility of the sales market. In addition, much effort has been made to successfully rebuild the market share of our Sales business, which should lead to better results going forward.

Building new data capabilities onto Foxtons' technology platform has been a major focus in order to deliver a competitive advantage and unlock the latent value in Foxtons' unique database, which has been built up over the last 20 years. The platform drives fee earner productivity, enables organic market share growth, and due to its scalability facilitates the efficient integration of lettings acquisitions.

Market and financials

The sales market was challenging in 2023 as a consequence of high interest rates and their effect on the mortgage market. As a result, sales transaction volumes in London were down 22% compared with 2022. In contrast, the lettings market was strong due a high level of tenant demand and shortage of stock leading to a sustained rise in rental levels in the year.

Revenue was up 5% to £147.1 million, with Lettings delivering £101.2 million, and surpassing the £100 million milestone for the first time. Adjusted operating profit increased marginally from £13.9 million to £14.3 million. The revenue increase was greater than the profit increase largely due to the costs of rebuilding our capabilities across the organisation.

As a result of using debt to fund our latest lettings acquisition, we ended the year with net debt of £6.8 million (2022: £12.0 million net cash). In addition to £13.9 million spent on acquisitions, changes in our billing practices to improve our competitiveness in the lettings market resulted in a negative movement in our working capital of £10.8 million as explained in the Financial Review on → PAGE 24.

In June the Group's revolving credit facility was refinanced and the new facility provides £20 million of committed borrowing capacity until June 2026, with an option to extend for two years thereafter. The terms have remained materially the same as the previous facility.

Dividends and share buybacks

With more recurrent and resilient earnings, as a result of the investments in lettings businesses, the Board has decided to adopt a progressive dividend policy with respect to the 2024 financial year. The aim being to offer a reliable and growing income stream to investors whilst still being able to maintain our current capital allocation policy.

For 2023, the Board is proposing a final dividend of 0.7p per share under the existing policy, the same as the final dividend for 2022. Under the new policy we would expect total dividends paid in 2024 and 2025 to at least maintain the level paid in 2022 and 2023.

£1.1 million of share buybacks were completed during the year at an average price of 38p per share. The Board will continue to keep share buybacks under review in the context of other potential uses of capital.

Board

Annette Andrews and Jack Callaway joined the Board in February 2023. Annette chairs the Remuneration Committee and brings considerable knowledge of people management and related remuneration skills to her role. Jack is a very experienced investment banker with M&A expertise. Their respective skills are invaluable to the Board and the Company.

Medium-term outlook

I am confident that there is significant further progress that Foxtons can and will make, due to the management leadership, the scalable technology platform, the customer database, and the prominence of the brand. We will continue to drive organic growth in Lettings, supplemented by further acquisitions. And, as the market share of Sales increases, so will its contribution to the Group's results with Financial Services also a beneficiary from the greater number of sales transactions. We firmly believe that we are on track to deliver £25 million to £30 million of adjusted operating profit over the medium term.

Nigel Rich CBE
Chairman
4 March 2024

CHIEF EXECUTIVE'S STATEMENT

"Following a year of reinvigorating the business, and with improving market conditions, the Group is on track to deliver against its target of £25 million to £30 million of adjusted operating profit over the medium term and live up to our brand ethos: "We get it done"."

Guy Gittins Chief Executive Officer

2023 was a year of significant turnaround and growth for Foxtons, as operational upgrades and investment in the Foxtons Operating Platform drove good operational and financial progress despite a significantly weaker sales market backdrop, highlighting the Group's increased resilience.

Upon joining the business 18 months ago, I initiated an operational review which, as reported in March 2023, revealed just how much of the Foxtons' competitive edge had been eroded. Operational upgrades have been delivered at pace and ahead of the planned timeframes, demonstrating the talent and commitment within the business. Consequently, 2023 was a year of investing in core capabilities, building fee earners to an appropriate level and reigniting the culture to attract, develop and retain the best talent.

A lot has been achieved in a short space of time, as the business has embraced change and developed a sense of urgency in execution. We delivered record Lettings revenue of over £100 million and significantly grew market share across all our businesses; Lettings market share of instructions grew 16%, Sales market share of exchanges grew 21% and Financial Services share of mortgage underwriting grew 11%. Foxtons is now the largest lettings estate agency brand in the UK and was the fastest growing large UK lettings and sales estate agency brand in 2023.

Key aspects of the business have now been transformed, and most significantly, we have strengthened the Foxtons Operating Platform, the most comprehensive and advanced platform in UK estate agency underpinned by leading technology and data capabilities. The platform is a key driver of our future growth and strengthens Foxtons' position as an effective sector consolidator.

At the start of 2023, I set out my vision to once again make Foxtons London's go-to agent and deliver £25 million to £30 million of adjusted operating profit in the medium term. Our progress is on track, and with improving market conditions, I am confident we will deliver our medium term profit target through organic and acquisitive growth.

2023 market conditions

The Lettings market in London remains attractive, as high levels of demand underpin rents and create a valuable non-cyclical and recurring market dynamic. Rental prices rose in the first half of 2023, as high levels of tenant demand outstripped supply, driving price growth. This dynamic eased in the second half of 2023, as stock levels increased and tenant demand normalised, with rental price growth moderating, albeit at elevated levels.

In comparison, the sales market remained weak through 2023, as the impact of the September 2022 mini-budget, higher interest rates and a weaker macroeconomic backdrop weighed on buyer demand and affordability levels. The sales market in London was over 24% lower in value versus the prior year and reflected a 22% reduction in transaction volumes and a 2.4% reduction in average prices. In fact, transaction volumes were at some of the lowest levels since 2008 and 2020, years impacted by the Global Financial Crisis and the Covid-19 market shutdown respectively. More positively, with mortgage rates starting to dip below 4% towards the end of the year there was an increase in buyer demand, reflecting high levels of pent-up demand in the market.

Financial results

The business delivered a modest increase in adjusted operating profit, despite a much weaker sales market and investments in rebuilding core capabilities, driven by the enhanced size of our Lettings business which provides more recurring and non-cyclical earnings.

Revenue was up 5% to £147.1 million and adjusted operating profit was up 2% to £14.3 million. Profit before tax was down 34% to £7.9 million, but up 3% to £12.4 million on an adjusted basis which excludes one-off restructuring charges. The cost savings associated with the restructuring charges will provide annualised cost savings of c.£3 million as the Group delivers acquisition synergies and consolidates certain branches within the Foxtons network. Net debt at the end of the period was £6.8 million reflecting our decision to utilise debt to accelerate our acquisition strategy.

Lettings revenue was up 16% to £101.2 million, and at an improved margin of 26%, delivered £25.8 million of adjusted operating profit. Operational improvements, including increased cross-sell of higher value property management services and a focus on securing longer tenancies, alongside higher rental prices, increased organic revenue by 7%. £3.9 million of incremental acquisition revenue, alongside the delivery of cost synergies, and £4.1 million of additional interest on client monies also contributed to revenue and earnings growth.

Significant market share gains were delivered in Sales, outperforming a challenging market which was down over 24% in value. Against this backdrop, Sales revenue was down c.14% versus 2022. Sales made an adjusted operating loss of £10 million due to lower revenues and investment in fee earner headcount to rebuild capacity and bench strength. With the right number of fee earners now in the business, and significantly better fee earner retention, the Sales business has a clear path to profitability under improving market conditions and increasing levels of market share.

Financial Services revenue was 14% lower at £8.8 million as non-cyclical and recurring refinance mortgage volumes and market share gains partially mitigated lower purchase mortgage volumes.

Delivering our strategic priorities

Our strategy is to deliver long-term growth by growing non-cyclical and recurring Lettings revenues, both organically and through acquisition, alongside returning the Sales business to profitability. By doing so, our target is to deliver £25 million to £30 million of adjusted operating profit in the medium term and create significant shareholder value.

Whilst significant progress has already been made, and the Group is on track with delivery of its medium-term profit target, fundamentally 2023 was a year of rebuilding for the business. I am confident further growth lies ahead, as we fully leverage the capabilities of the unique Foxtons Operating Platform.

At the end of 2023, the Group has delivered good progress against its strategic priorities:

1. Lettings organic growth: 7% organic revenue growth in 2023 (excluding growth in interest on client monies), with total Lettings revenue passing the £100 million revenue milestone for the first time in Foxtons' history.

Medium-term target: 3% – 5% revenue CAGR.

CHIEF EXECUTIVE'S STATEMENT CONTINUED

2. Lettings acquisitions: Completed the acquisitions of Atkinson McLeod and Ludlow Thompson in 2023, adding over 2,800 new tenancies to the Group's portfolio. Prior acquisitions continue to perform well, delivering 25% average annual return since acquisition.

With over 3,600 agents in London, the lettings industry is highly fragmented and so offers significant consolidation opportunities.

Medium-term target: 20%+ return on capital.

3. Sales: Grew sales exchange market share by 21% to 4.1% (2022: 3.4%). Achieving exchange market share of 4.5%, combined with market volumes recovering to more normalised levels, will support the Sales business' return to profitability.

Medium-term target: 4.5%+ exchange market share in the medium term.

4. Financial Services: 14% revenue decrease resulting from a significantly weaker mortgage market. Operational upgrades delivered in the year include investing in adviser capacity and increasing the cross-sell of Financial Services products across the Group.

Medium-term target: 7% – 10% revenue CAGR.

The Foxtons Operating Platform

Through 2023 we have strengthened the Foxtons Operating Platform, a unique and industry-leading platform that underpins our medium-term £25 million to £30 million adjusted operating profit target. This represents a powerful and unique asset to facilitate expansion and industry consolidation in the longer-term.

The platform drives high levels of lead generation, deal excellence and lifetime customer value, whilst also creating high levels of scalability, all key to delivering growth and ensuring we reach our adjusted operating profit target in the shortest space of time.

The Foxtons Operating Platform comprises five key elements:

1. "BOS" (Business Operating System) technology platform

The Foxtons Business Operating System, known as "BOS", is an end-to-end, fully integrated and internally-developed CRM and workflow system powering all aspects of the Foxtons business. BOS is the most advanced technology platform in UK estate agency and is a key driver of innovation, productivity, workforce collaboration and Foxtons' unique competitive culture.

As BOS remains fully internally managed and developed, Foxtons is able is able to deliver process upgrades and new technology products at speed, in contrast to the majority of estate agents which utilise third party systems with limited customisation or new product innovation. This is a significant competitive advantage to the Group and a key route to driving innovation in the sector.

In 2023, the Group continued to strengthen the BOS platform, including developing the UK's first fully digital end-to-end lettings system allowing tenants to complete a Lettings transaction completely digitally, which has been a driver in supporting market share gains in the Lettings business.

2. Foxtons Data Platform

In 2023, we developed and rolled out the Foxtons Data Platform. The platform is industry leading, combining best in class data infrastructure, rich historical databases, real-time market data, and advanced data science capabilities including AI and machine learning plug-ins.

Foxtons databases have been built up over 20 years, with over 1.6 billion data points including customer and property details, transactional data, and in-depth customer behaviour insights. Paired with advanced data science capabilities, the platform is future-fit and provides a long-term competitive advantage. The platform is already driving increased market share of property instructions and deals through data-driven marketing and algorithmic lead-scoring.

In addition, a comprehensive internal reporting suite has been created and implemented across the business, improving visibility of all aspects of estate agency performance and enabling data led decision making. This is driving a cultural shift across the business and is unlocking operational upgrades to drive outperformance and growth.

3. Hub and spoke operating model

Foxtons operates a unique hub and spoke model with a network of inter-connected, single-brand branches supported by specialised sales and operational support teams. This role specialisation drives high levels of branch productivity with fee earners able to focus on results for customers, whilst centralised support functions benefit from economies of scale, optimised processes and best-in-class technology.

Throughout 2023 we forensically reviewed all processes across the business and, supported by our new reporting suites, have initiated an optimisation programme to ensure we are always delivering the best results for customers with the highest levels of service.

As an example, to successfully deliver against our Lettings organic growth strategy, and retain landlords and drive brand loyalty with tenants, we must deliver consistently high levels of property management service excellence. Headcount, training, technology, and core processes have been enhanced in 2023 to support continuous improvement in this important area. New real-time customer experience feedback systems have been implemented alongside new remuneration packages that are better aligned to customer service delivery. Today over 40% of Foxtons' Lettings portfolio is actively managed, against a long-term average rate of 33%.

In November 2023, as part of the Ludlow Thompson acquisition, we acquired an out-of-London lettings property management hub. This hub plays an important role in our Lettings growth strategy, and will be developed into a property management centre of excellence focused on customer service delivery, whilst benefitting from reduced operating costs and a good supply of quality talent.

By expanding the out-of-London hub, and fully utilising existing branch real estate, we will be able to downsize the Group's Chiswick Park headquarters and generate meaningful cost savings. To this end, we are engaging with our landlord to explore early surrender options for the lease which ends in 2027.

4. Brand

The Foxtons brand occupies a unique position in London, with the highest levels of brand recognition in a highly fragmented industry. However, this asset had been neglected over the past few years leading to a lack of brand visibility. This was coupled with an unclear customer proposition as Foxtons increasingly struggled to live up to its brand ethos: delivering best in class results for customers with the highest levels of service.

Through 2023, new data-driven marketing initiatives have been launched that make clear what Foxtons stands for and why landlords and sellers should choose us, driving growth in brand consideration. Our website, Foxtons.co.uk, is the most visited estate agent website in the UK, and by a factor of five compared to the next leading competitor brand.

A focus on providing the highest levels of customer service once again permeates everything we do at Foxtons. And this, combined with operational excellence through leveraging the Foxtons Operating Platform, has allowed us to hold our premium fee position whilst growing at the fastest rate in the UK and taking a leadership position in our markets.

5. People, culture and training

Fundamentally, estate agency remains at heart a people business. And a large part of Foxtons outperformance is driven by focus on training and retaining the best estate agents alongside a unique high-performance culture. This area has been neglected over the past few years with the knock-on impact on performance.

Through 2023 we have invested in fee earner headcount to reflect the market opportunity, alongside rewarding success, focusing on training and career progression to support retention, and aligning incentives with our strategic priorities. In addition, a new employee value proposition has been implemented and, alongside an overhauled recruitment approach, is significantly improving the attractiveness of Foxtons to high-calibre prospective employees. Together, these have turbocharged a high-performance sales culture, improving Lettings and Sales fee earner retention rates by 11% and average tenure by 9% compared to 2022, and creating one of the most productive and engaged workforces in the industry.

2024 trading and outlook

Lettings is expected to remain resilient with the business continuing to display strong recurring and non-cyclical characteristics. Lettings market supply and demand dynamics have normalised, with increased levels of available rental stock and fewer tenants registering for each available rental property compared to 2023. As expected, year-on-year rental growth has moderated with rental prices remaining at elevated levels. Through our leading market position, and by leveraging the Foxtons Operating Platform, the improved supply of available rental properties provides a good opportunity to deliver organic market share growth.

In Sales, continued market outperformance, alongside some recovery in buyer demand levels as mortgage rates have begun to reduce, has resulted in a 31% year-on-year increase in the value of the under offer pipeline at the end of February. The growth in the value of the under-offer pipeline is expected to deliver good year-on-year revenue growth in the first half of the year, with further growth expected in the second half if mortgage rates continue to stabilise and pent-up demand is released.

Financial Services has also benefited from improving mortgage and sales market conditions, with the underwritten pipeline at the end of February 16% higher than the same time last year.

Following a year of reinvigorating the business, and with improving market conditions, the Group is on track to deliver against its target of £25 million to £30 million of adjusted operating profit over the medium term and live up to our brand ethos: “We get it done”.

Guy Gittins
Chief Executive Officer
4 March 2024

Q&A WITH GUY GITTINS

HOW WOULD YOU DESCRIBE YOUR FIRST YEAR IN CHARGE?

It’s been a year of rapid and significant progress. We have reinvigorated our culture, improved our processes, refreshed our brand identity and invested in our data. These changes are already yielding results – we have regained our position as London’s leading estate agency. I have been delighted by the enthusiastic reaction of all my colleagues to the changes we needed to make at Foxtons. They have embraced the challenges I have set them, and thanks to their hard work and dedication, Foxtons is back on top where it belongs.

WHAT IS YOUR FOCUS THIS YEAR?

In 2023 our focus was on rebuilding the business and our focus this year will be continuing to execute our strategy to deliver long-term growth by decoupling earnings from sales market cycles, with a focus on non-cyclical and recurring revenues. We will also work hard to continue to win market share and further entrench Foxtons’ position as London’s leading estate agency.

IS FOXTONS ON TRACK TO MEET ITS MEDIUM-TERM TARGETS?

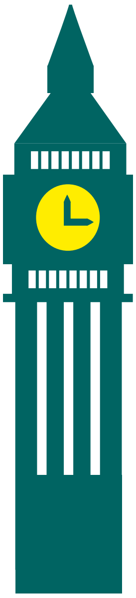
We are on track to deliver £25 million to £30 million of adjusted operating profit in the medium term, as we deliver organic and acquisitive growth, and supported by improving market conditions. By doing so, we will create significant shareholder value. Our growth is underpinned by the Foxtons Operating Platform, which is a unique and industry-leading platform, that has been significantly strengthened over the past year.

“It’s been a year of rapid and significant progress. We have reinvigorated our culture, improved our processes, refreshed our brand identity and invested in our data and in our people.”

Guy Gittins Chief Executive Officer

THE LONDON PROPERTY MARKET

London is a uniquely valuable residential property market. Historically, the sales market has displayed cyclical characteristics, while the lettings market is more stable. By operating across both markets, but with a greater weighting towards non-cyclical lettings revenues, the Group is well positioned for growth.



13%

OF THE UK POPULATION LIVES IN LONDON

25%

OF THE UK'S 2023 PROPERTY MARKET VALUE IS IN LONDON

LONDON ACCOUNTED FOR

40%

of the UK's lettings market value in 2023.

MARKET UNDERPINNED BY LONG-TERM SUPPLY AND DEMAND IMBALANCE

LONDON ALREADY FACES A SHORTAGE OF HOUSING STOCK

having built on average just 30,000 new homes each year since 2011.

AND WITH LONDON'S POPULATION EXPECTED TO GROW

by 60,000 people annually over the next five years, we expect demand within sales and lettings to remain strong and for process and rents to remain resilient.

HIGHLY FRAGMENTED INDUSTRY WITH CONSOLIDATION OPPORTUNITY

3,600+

estate agents in London providing significant opportunity for sector consolidation.

Cumulative share of London lettings agents by agency rank

LETTINGS MARKET

London attracts people from all over the world to stay, work and study, driving structural demand for quality lets. Lower levels of house purchase affordability alongside the flexibility provided by renting drives growing levels of tenant demand, which is unmatched by the volume of new private landlords entering the market.

These dynamics have created a uniquely valuable market with strong long-term growth characteristics; since 2000 the lettings market has delivered on average 8% growth per annum.

SALES MARKET

Key drivers of the sales market, which is cyclical in nature, include property prices, mortgage availability and rates, affordability levels and consumer confidence. 2023 London sales market transactions were subdued, approximately 22% lower than 2022 market volumes, primarily attributable to the higher interest rate environment and a weaker macroeconomic backdrop. With improved stability in the mortgage market in 2024, sales market transactions are expected to improve.

FINANCIAL SERVICES MARKET

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

LONDON IN NUMBERS

31%
of London's population in Private Rental Sector

40%
of the UK's total residential lettings market value was in London in 2023

£34 BILLION
was the value of London's lettings market in 2023

8%
annualised growth rate of London's lettings market since 2000

19%
of the UK's total sales market value was in London in 2023

17%
house price growth in London over the last five years

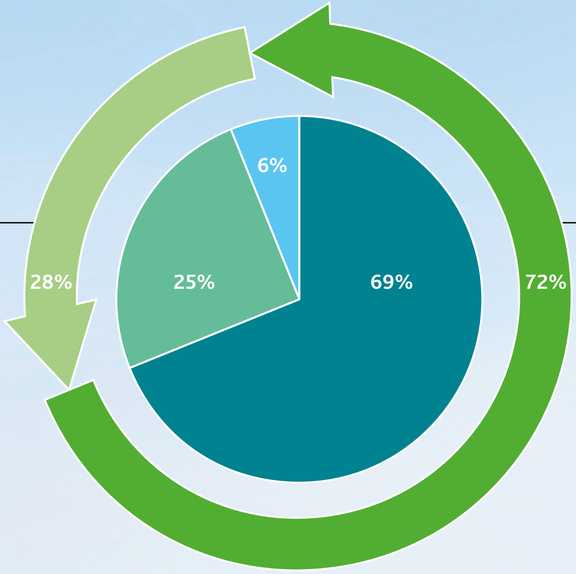
RESILIENT BUSINESS MODEL

Our business model is underpinned by non-cyclical recurring revenue streams, generated by Lettings and refinance activity within Financial Services. In 2023, 72% of total revenue was generated from non-cyclical and recurring revenue streams.

OUR REVENUE STREAMS

- Lettings
- Sales
- Financial Services

2023 Revenue



Cyclical revenues 28%:
Sales and Financial Services transactional activity

Non-cyclical and recurring revenues 72%:
Lettings and Financial Services refinance activity

LETTINGS

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

We are the largest lettings estate agency brand in London, with a portfolio of over 28,000 tenancies. We provide tenant find, rent collection, tenancy renewal and property management services. We are a market leading agent in the growing Build to Rent sector, supporting developers and operators to let large-scale developments at speed.

Lettings delivers non-cyclical and recurring revenue and earnings

SALES

London's number 1 sales agent with the highest brand prominence

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

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

FINANCIAL SERVICES

Award winning independent mortgage broker and financial products provider

Under our Alexander Hall brand we provide mortgage broking and ancillary financial services products.

Financial Services delivers non-cyclical and recurring revenue through its refinance business

STRATEGIC REPORT

CORPORATE GOVERNANCE REPORT

FINANCIAL STATEMENTS

POWERED BY THE FOXTONS OPERATING PLATFORM

The Foxtons Operating Platform consists of 5 elements:

- TECH PLATFORM
- DATA PLATFORM
- BRAND
- HUB AND SPOKE
- PEOPLE, CULTURE AND TRAINING

Read more about the power of the Foxtons Operating Platform on → PAGE 14.

VALUE FOR STAKEHOLDERS

OUR SHAREHOLDERS

Delivering total shareholder returns

59%

total shareholder return (TSR) in 2023, including share price growth and dividends

OUR CUSTOMERS AND SUPPLIERS

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

4.7 OUT OF 5

on Trustpilot

OUR PEOPLE

Company confidence

85%

of our employees believe that the Company is in a position to really succeed over the next three years[1]

OUR COMMUNITIES

Engaging with and contributing to communities through our Career Ready partnership

OVER 400

talented young people supported through internships, virtual masterclasses and panel discussions over the last three years

[1] Result from the 2023 employee engagement/culture survey independently administered by CultureAmp. 68% of the workforce responded to the 2023 survey.

FOXTONS OPERATING PLATFORM

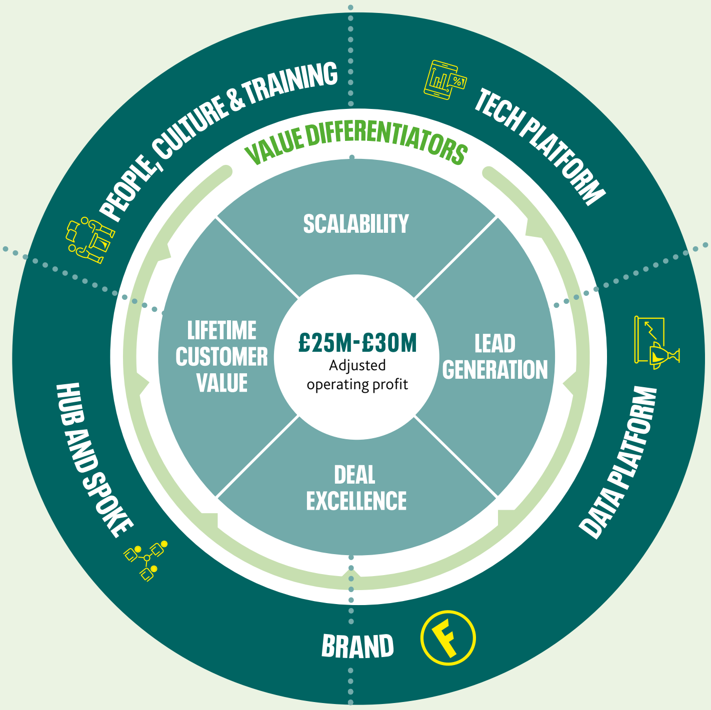
Foxtons Operating Platform is the most comprehensive and advanced platform in UK estate agency. The platform has been significantly strengthened over the course of 2023 driving organic market share growth across the Group, as well as supporting the integration of acquired lettings portfolios.

Scalability

The Foxtons Operating Platform is highly scalable, supporting significant levels of growth with limited investment requirement.

Lifetime customer value

Delivering best in class customer results with the highest levels of service drives repeat business and cross-sell across the Group.



Lead generation

High levels of lead generation makes Foxtons the largest estate agent in London and lettings agent in the UK.

Deal excellence

Matching more buyers and renters with more properties to deliver the best results for our customers.

HOW THE PLATFORM WORKS	2023 PROGRESS

TECH PLATFORM

Foxtons technology platform, known as "BOS", is an end-to-end, fully integrated and internally-developed CRM and workflow system powering all aspects of the Foxtons business. BOS is the most advanced technology platform in UK estate agency and is a key driver of innovation, productivity, workforce collaboration and Foxtons' unique competitive culture.

Innovation in the estate agency sector:

- Developed and launched the UK's first fully digital end-to-end lettings system which enables us to digitalise and automate the onboarding of over 500,000 lettings applicants annually

DATA PLATFORM

Foxtons Data Platform combines best in class data infrastructure, rich historical databases built up over 20 years, real-time market data, and advanced data science, analytics and insights. Key areas the platform drives include data-led marketing, stock acquisition, matching buyers and renters to properties and forensically reporting all areas of internal performance.

Transitioning to a data-led business:

- Developed and rolled out the Foxtons Data Platform
- 16% increase in property instructions versus 2022 across Lettings and Sales

BRAND

Built up over 40 years, the iconic Foxtons brand is synonymous with residential property in London and generates the highest levels of brand recognition in a highly fragmented industry. The brand's ethos is to deliver best in class customer results with the highest levels of service and uniquely commands a premium fee position.

Reinvigorating the Foxtons brand:

- 19% increase in brand consideration versus 2022[1]
- Foxtons.co.uk is the most visited estate agent website in the UK by a factor of five compared to the next leading competitor brand

HUB AND SPOKE

Foxtons operates a unique hub and spoke model with a network of inter-connected, single-brand branches supported by specialised sales and operational support teams. This role specialisation drives high levels of productivity with fee earners able to focus on customer results, whilst support functions benefit from economies of scale, optimised processes and best-in-class technology.

Highest levels of productivity and service:

- 4% increase in revenue per branch versus 2022
- New out-of-London lettings property management hub acquired in 2023

PEOPLE, CULTURE AND TRAINING

Estate agency remains, at heart, a people business. A key driver of Foxtons performance is a focus on training and retaining the best estate agents alongside a unique high-performance culture which promotes delivering customer results with the highest levels of service.

Rebuilding our high-performance culture:

- Tenfold increase in in-person training versus 2022
- 11% reduction in fee earner attrition rates and 9% increase in fee earner tenure versus 2022

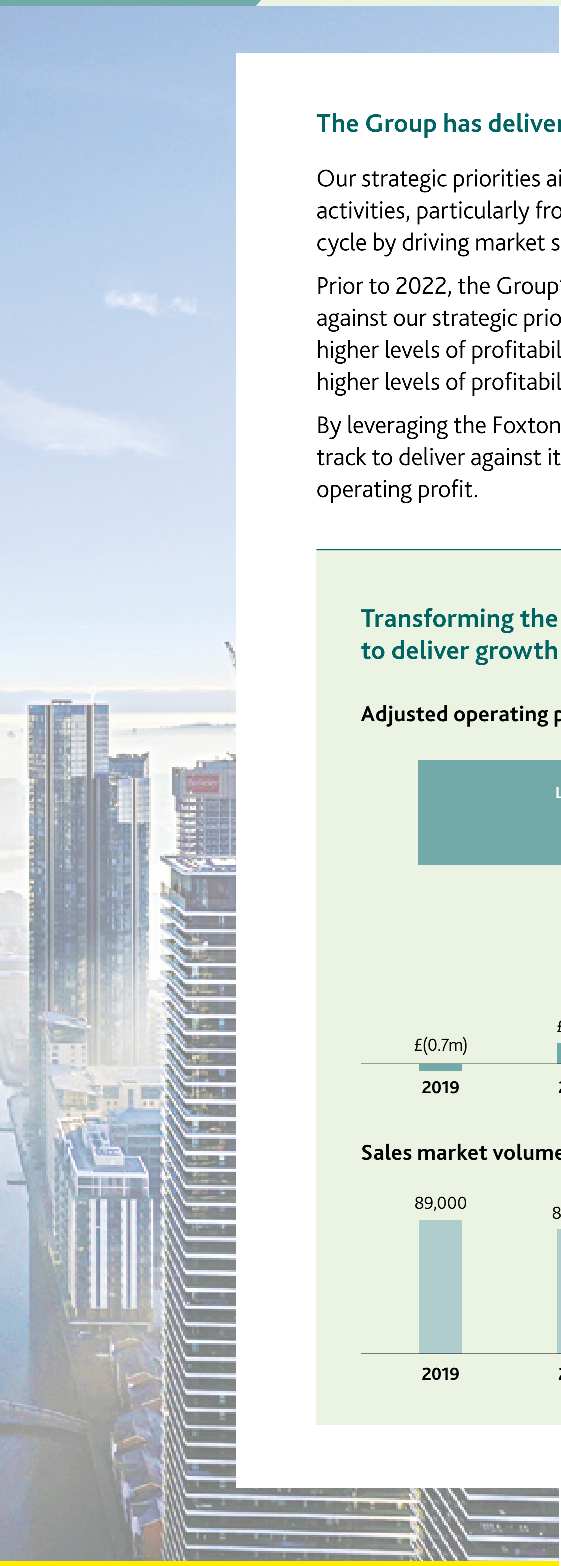
[1] Brand consideration is measured as the volume of customer property valuations requested in the period.

DELIVERING AGAINST OUR STRATEGY

Our strategy is to deliver long-term growth by decoupling earnings from sales market cycles, with a focus on non-cyclical and recurring revenues. By doing so, our target is to deliver £25 million to £30 million of adjusted operating profit in the medium term and create significant shareholder value in doing so.

STRATEGIC PRIORITIES AND TARGETS		2023 PROGRESS
LETTINGS **ORGANIC GROWTH** Lettings organic growth enables us to grow non-cyclical and recurring revenue streams, which will significantly enhance the quality of our earnings.	**3%-5%** CAGR	**+£6.3m (+7%) organic revenue growth** → 9% growth in cross-sell of property management → Increased average tenancy length driving customer retention → 11% increase in the market share of organic instructions
LETTINGS **ACQUISITIVE GROWTH** Our scalable operating platform enables us to be a consolidator in the fragmented lettings market. Acquired portfolios can be rapidly integrated unlocking revenue and cost synergies.	**20%+** Return on capital	**Track record of 25% average annual return on investment** → c.2,800 tenancies acquired in 2023 → 2023 acquisitions now fully integrated onto the Foxtons Operating Platform
SALES **MARKET SHARE GROWTH** Sales provides high levels of profitability in more buoyant markets and, through cross-sell, complements our Lettings and Financial Services businesses. There is significant upside potential in the medium term by increasing market share, combined with a return to more normalised markets.	**4.5%+** Market share	**+21% exchange market share growth** → 4.1% in 2023 vs. 3.4% in 2022
FINANCIAL SERVICES **REVENUE GROWTH** The Financial Services business is sub-scale and yet to reach its full potential. The business presents a compelling proposition: high levels of recurring revenues from refinance activity and new purchase transactional revenues from Sales cross-sell.	**7%-10%** CAGR	**(14%) revenue decline** → 11% market share growth despite turbulent mortgage market

DELIVERING ON OUR ADJUSTED OPERATING PROFIT TARGET

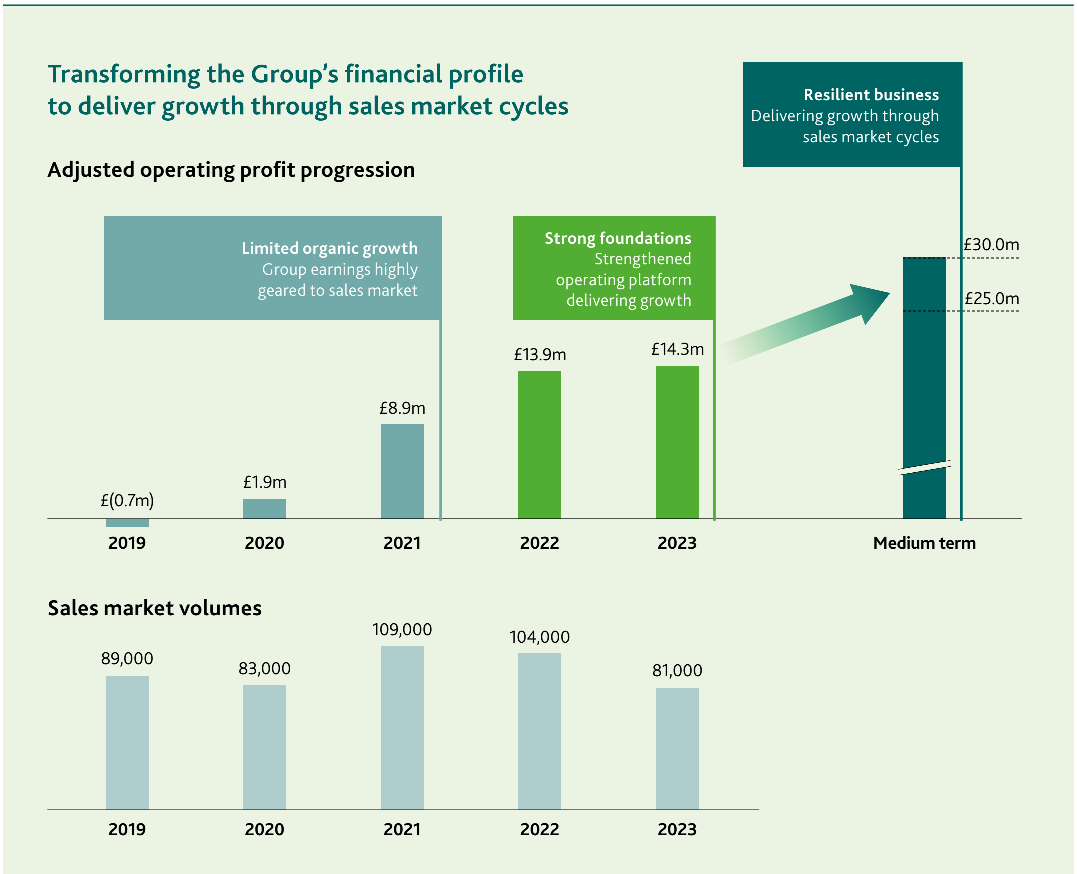


The Group has delivered good progress against its strategic priorities:

Our strategic priorities aim to drive earnings growth by increasing revenues from non-cyclical and recurring activities, particularly from Lettings. It is also a priority to return Sales to profitability across the market cycle by driving market share growth.

Prior to 2022, the Group's performance was tied to the cyclical sales market, however now, by delivering against our strategic priorities, the Group's financial profile is more resilient. In 2023, the Group delivered higher levels of profitability than in the more buoyant sales market years of 2021 and 2022, and significantly higher levels of profitability than in the comparative sales markets of 2019 and 2020.

By leveraging the Foxtons Operating Platform to drive organic and acquisitive growth, the Group is on track to deliver against its medium-term target of delivering £25 million to £30 million of adjusted operating profit.



Source: Land Registry, TwentyCi, Foxtons

STAKEHOLDER ENGAGEMENT

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

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

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

In line with Section 172(1) of the Companies Act 2006, the Directors believe that, individually and together as a Board, they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole, having regard to the stakeholders and matters set out below in the decisions taken during the year ended 31 December 2023.

Section 172 factor	Report section	Page reference
The likely consequences of any decision in the long-term	Resilient business model	→ PAGES 12 AND 13
	Foxtons Operating Platform	→ PAGES 14 AND 15
	Delivering against our strategy	→ PAGES 16 AND 17
	Stakeholder engagement	→ PAGES 18 TO 21
	Financial review	→ PAGES 24 TO 31
	Risk management, principal risks and uncertainties	→ PAGES 32 TO 37
	Prospects and viability	→ PAGES 38 AND 39
	Board leadership and purpose	→ PAGES 70 AND 71
	Board activity in 2023	→ PAGE 75
	Directors' Remuneration Report	→ PAGES 92 TO 121
The interests of the Group's employees	Delivering against our strategy	→ PAGES 16 AND 17
	Stakeholder engagement	→ PAGES 18 TO 21
	Responsible business – People, culture and training	→ PAGES 52 TO 58
	Board leadership and purpose	→ PAGES 70 AND 71
	Board activity in 2023	→ PAGE 75
	Directors' Remuneration Report	→ PAGES 92 TO 121
The need to foster the Group's business relationships with suppliers, customers and others	Stakeholder engagement	→ PAGES 18 TO 21
	Key performance indicators	→ PAGES 22 AND 23
	Responsible business – Other responsibilities	→ PAGES 61 AND 62
	Board activity in 2023	→ PAGE 75
The impact of the Group's operations on the community and the environment	Risk management, principal risks and uncertainties	→ PAGES 32 TO 37
	Responsible business – Environment	→ PAGES 42 TO 51
	Responsible business – Community	→ PAGES 59 AND 60
	Board activity in 2023	→ PAGE 75
	ESG Committee Report	→ PAGES 84 AND 85
The desirability of the Group maintaining a reputation for high standards of business conduct	Delivering against our strategy	→ PAGES 16 AND 17
	Risk management, principal risks and uncertainties	→ PAGES 32 TO 37
	Responsible business – People, culture and training	→ PAGES 52 TO 58
	Responsible business – Community	→ PAGES 59 AND 60
	Responsible business – Other responsibilities	→ PAGES 61 AND 62
	Board leadership and purpose	→ PAGES 70 AND 71
The need to act fairly between stakeholders of the Group	Stakeholder engagement	→ PAGES 18 TO 21
	Board leadership and purpose	→ PAGES 70 AND 71
	Board activity in 2023	→ PAGE 75

OUR STAKEHOLDERS

Effective engagement with our four stakeholder groups plays an important role throughout our business and helps us to gain a better understanding of the impact of our decisions on stakeholder interests. Further details are set out on → PAGES 65 AND 71.

OUR SHAREHOLDERS

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

OUR CUSTOMERS AND SUPPLIERS

Our purpose, **to get the right deal done for London's property owners**, reflects our commitment to deliver outstanding results for customers, supported by our trusted suppliers.

OUR PEOPLE

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

OUR COMMUNITIES

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

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

STAKEHOLDER ENGAGEMENT CONTINUED

OUR SHAREHOLDERS

Why we engage

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

How we engage

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

Key interests

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

Key matters and outcomes from engagement

Board changes: Appointment of two Non-Executive Directors was approved at the Group's AGM. Refer to → PAGE 78 of the Nomination Committee Report for details of Board changes in the year.

Strategic priorities and operational progress: Shareholder engagement following the 2023 results announcement included discussing the findings from the CEO's operational review and strategic direction. Shareholders were supportive of the turnaround strategy and provided the Board with an external perspective relevant to the execution of the strategy.

Capital allocation: Engagement over the use of capital, including dividend policy, share buyback programme and lettings acquisitions. As explained on → PAGE 30, the Board refined the Group's dividend policy which incorporates shareholder feedback and reflects the importance of a progressive dividend whilst providing flexibility to progress strategic growth priorities.

OUR CUSTOMERS AND SUPPLIERS

Why we engage

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

How we engage

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

Key interests

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

Key matters and outcomes from engagement

Customer service improvements: Continuous review of customer feedback resulting in training and process improvements. As a result of engagement, our customer feedback platform has been reviewed and upgraded to enable more regular and relevant feedback to be obtained and acted upon.

Supplier interactions: Improving supplier relationships within our Property Management function continues to be a key focus of the operational improvements and regaining market share. We continue to focus on our suppliers' approach to environment, social and governance matters. Refer to → PAGE 62 for details of our supplier relationships and responsibilities.

OUR PEOPLE

Why we engage

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

How we engage

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

Key interests

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

Key matters and outcomes from engagement

Training and technology: Employee training continues to be critical to our success with materials continuously improved from employee feedback. We also regularly obtain employee feedback on our technology platform in order to improve the competitive advantage of key systems. Refer to → PAGE 58 for further details.

Responsible business practices: Informing our diversity network programmes, ESG programmes and community engagement through feedback at the EEC and through informal employee engagement. Refer to → PAGES 40 TO 62 for details of our responsible business practices.

Remuneration: Workforce and Director remuneration strategy discussed with the EEC by the Remuneration Committee Chair. Refer to → PAGE 92 of the Directors' Remuneration Report for details of our approach to workforce remuneration.

Employee value proposition: In 2023, the Group's employee value proposition has been redesigned in partnership with an external talent acquisition specialist to attract and retain the best talent. Key elements of the employee value proposition were informed through engagement and workshops with current employees. Refer to → PAGE 54 for more details.

OUR COMMUNITIES

Why we engage

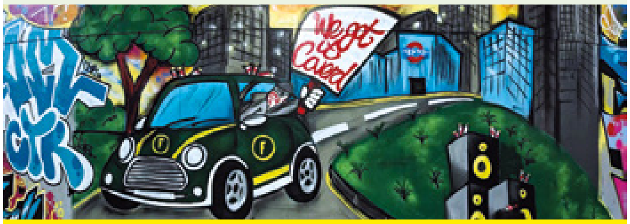
Foxtons is very visible in our communities and our people want to play an active, local role. A current key focus is advancing social mobility and helping create stronger communities.

How we engage

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

Key interests

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



Key matters and outcomes from engagement

In 2023, through engagement with our existing community partner, Career Ready, our contribution programme has been further developed and refined. For 2024, following engagement with a number of potential community partners, we have selected a new community partner, Single Homeless Project, which will enable employees to engage in a range of activities and actively support the communities we operate in.

As pictured above, we also commissioned a piece of artwork which was installed on our Notting Hill office as we joined in the Notting Hill Carnival celebrations.

Refer to → PAGES 59 AND 60 for more details of our community programmes.

KEY PERFORMANCE INDICATORS

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

Refer to → PAGES 16 AND 17 for details of the Group's strategic priorities.

FINANCIAL KEY PERFORMANCE MEASURES

REVENUE AND PERCENTAGE OF REVENUE BY SEGMENT

Revenue generated in line with the Group's accounting policies from continuing operations and percentage of revenue contributed by each operating segment.

£ million / % of revenue	Revenue		% of revenue by segment	
	2023	2022	**2023**	2022
Lettings	**101.2**	86.9	**69%**	62%
Sales	**37.2**	43.2	**25%**	31%
Financial Services	**8.8**	10.2	**6%**	7%
Group	**147.1**	140.3	**100%**	100%

2023 performance

Revenue increased by 5% to £147.1 million, with Lettings revenue up 16%, Sales revenue down 14%, and Financial Services revenue down 14%, compared to 2022. Lettings continues to contribute the largest proportion of revenue in the Group, increasing to 69% of total Group revenue (2022: 62%).

NON-CYCLICAL AND RECURRING REVENUE %

Non-cyclical and recurring revenue consists of Lettings revenue and Financial Services refinance revenue, both of which are non-cyclical and recurring in nature. Transactional revenue consists of Sales revenue and Financial Services new purchase revenue.

	2023	2022
Non-cyclical and recurring revenues	**72%**	65%
Transactional revenues	**28%**	35%

2023 performance

In line with our Lettings growth strategy, which includes acquiring high quality lettings portfolios, the proportion of non-cyclical and recurring revenue continued to increase, now representing over 70% of Group revenue. Non-cyclical and recurring revenue brings resilience to our business model and protects profitability in lower volume sales markets.

VOLUMES BY SEGMENT

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

Volumes	**2023**	2022
Lettings	**19,334**	20,640
Sales	**2,871**	3,215
Financial Services	**5,033**	5,003

2023 performance

Lettings volumes were down in 2023 compared to 2022 due to lower renewal volumes as a consequence of longer average tenancy terms reducing the number of renewal opportunities. Sales and Financial Services volumes were lower due to a reduced number of new purchase transactions in 2023's higher interest rate environment.

ADJUSTED OPERATING PROFIT AND MARGIN

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

£ million / %	Adjusted operating profit		Adjusted operating profit margin	
	2023	2022	**2023**	2022
Lettings	**25.8**	18.0	**25.5%**	20.7%
Sales	**(10.0)**	(3.2)	**(26.8%)**	(7.5%)
Financial Services	**0.7**	1.8	**7.4%**	17.3%
Corporate costs	**(2.3)**	(2.6)	**n/a**	n/a
Group	**14.3**	13.9	**9.7%**	9.9%

2023 performance

Group adjusted operating profit was £14.3 million (2022: £13.9 million) and adjusted operating profit margin was 9.7% (2022: 9.9%). The year-on-year changes reflect significant revenue growth in Lettings, offset by an increased adjusted operating loss in Sales due to reduced market transaction volumes and investments in fee earner headcount to drive future growth.

NET FREE CASH FLOW

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

£ million	2023	2022
Net free cash flow	(0.1)	7.7

2023 performance

Net free cash flow decreased to a £0.1 million outflow (2022: £7.7 million inflow), driven by a £10.8 million working capital outflow (2022: £1.2m outflow) as a result of the introduction of shorter landlord billing periods in order to improve the competitiveness of our Lettings proposition and support the retention and organic growth of the Lettings portfolio over the medium term. Refer to Note 28 of the financial statements for a reconciliation to net cash from operating activities.

OTHER KEY PERFORMANCE MEASURES

MARKET SHARE GROWTH

Year-on-year percentage change in market share measured over a 12-month period. Lettings market share is calculated as Foxtons Lettings instructions divided by the number of instructions in Foxtons' market. Sales market share is calculated as Foxtons Sales exchanges divided by the number of exchanges in Foxtons' market. Measures are calculated using third party data provided by TwentyCi.

	2023
Lettings market share growth (year-on-year)	+16%
Sales market share growth (year-on-year)	+21%

2023 performance

Market share growth has been delivered in both Lettings and Sales, with Foxtons holding 6.0% of Lettings market share (2022: 5.1%) and 4.1% of Sales market share (2022: 3.4%).

PRODUCTIVITY

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

£'000	2023	2022
Average revenue per branch	2,418	2,332
Average revenue per fee earner	177	188

2023 performance

Average revenue per branch increased by 4%, which is reflective of Group revenue growth utilising the existing branch network. Average revenue per fee earner decreased by 6%, which reflects investment in fee earner headcount in order to drive future growth.

EMPLOYEE ENGAGEMENT

Employee engagement score from the Group's annual employee engagement/culture survey independently administered by a third party, CultureAmp. The engagement score is determined with reference to specific survey questions, designed by CultureAmp, which measure employee engagement. 68% of the workforce responded to the 2023 survey. 2023 was the first year the CultureAmp platform was used, and the Group plans to expand its use for both leaver feedback and pulse surveys to capture regular and insightful employee feedback.

	2023
Employee engagement score	65%

2023 performance

When benchmarked externally the 2023 employee engagement score is broadly in line with the relevant comparator groups. Specific areas of success from the 2023 engagement/culture survey include confidence in leadership, diversity programmes and understanding Foxtons' values, whilst areas which can be further improved include social connection and employee involvement.

CUSTOMER SATISFACTION

Customer satisfaction is measured with reference to Trustpilot, an independent consumer review platform that enables our customers to review and rate the quality of our service.

	2023	2022
Trustpilot score (out of 5)	4.7	4.7

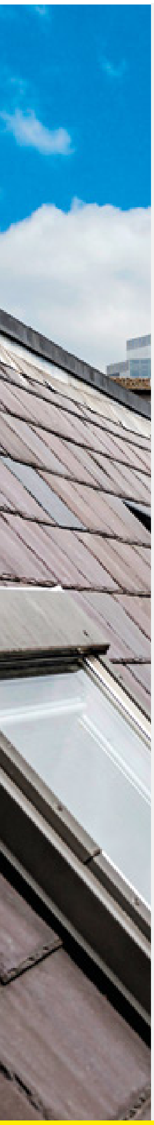
2023 performance

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

FINANCIAL REVIEW

"Earnings protected by strong Lettings revenue growth despite challenging Sales market conditions and investment in fee earners to drive future growth."

Chris Hough Chief Financial Officer



AT A GLANCE

Revenue
from continuing operations
+5%
£147.1 million
(2022: £140.3 million)

Adjusted operating profit[1]
from continuing operations
+2%
£14.3 million
(2022: £13.9 million)

Adjusted EBITDA[1]
from continuing operations
+6%
£17.5 million
(2022: £16.5 million)

Profit before tax[2]
from continuing operations
(34%)
£7.9 million
(2022: £11.9 million)

Net free cash flow[1]
from continuing and discontinued operations
£(0.1) million
(2022: £7.7 million)

Non-cyclical and recurring revenue[3]
from continuing operations
72%
of total revenue
(2022: 65% of total revenue)

1 Measures are alternative performance measures (APMs). APMs are defined, purpose explained and reconciled to statutory measures within Note 28 of the financial statements. Adjusted EBITDA excludes share-based payment charges (2023: £1.0 million; 2022: £0.9 million) in order to be consistent with the definition of adjusted EBITDA used to calculate the Group's revolving credit facility covenants.

2 Profit before tax includes £4.5 million of adjusted item charges primarily reflecting one-off charges relating to the integration of the Ludlow Thompson acquisition. On an adjusted basis, adjusted profit before tax is up 3% at £12.4 million (2022: £12.0 million) as reconciled in Note 28 or the financial statements.

3 Key performance indicator as defined on → PAGES 22 AND 23.

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

FINANCIAL OVERVIEW

	2023 £m	2022 £m	Change
Revenue and profit measures			
Revenue	**147.1**	140.3	+5%
Contribution[1]	**93.2**	91.3	+2%
Contribution margin[1]	***63.4%***	*65.1%*	*(170 bps)*
Adjusted EBITDA[1]	**17.5**	16.5	+6%
Adjusted EBITDA margin[1]	***11.9%***	*11.8%*	*+11 bps*
Adjusted operating profit[1]	**14.3**	13.9	+2%
Adjusted operating profit margin[1]	***9.7%***	*9.9%*	*(20 bps)*
Profit before tax	**7.9**	11.9	(34%)
Profit after tax	**5.5**	9.6	(43%)
Earnings per share			
Adjusted earnings per share (basic)	**3.0p**	3.1p	(3%)
Earnings per share (basic)	**1.8p**	3.0p	(40%)
Net free cash flow and net (debt)/cash			
Net free cash (outflow)/inflow[1,2]	**(0.1)**	7.7	n/a
Net (debt)/cash as at 31 December[1]	**(6.8)**	12.0	n/a
Dividends			
Interim dividend per share	**0.2p**	0.2p	–
Final dividend per share	**0.7p**	0.7p	–

1 APMs are defined, purpose explained and reconciled to statutory measures within Note 28 of the financial statements.
2 Net free cash flow is from continuing and discontinued operations.

Financial overview

As presented in the table above, key financial performance measures include:

- Revenue increased by 5% to £147.1 million (2022: £140.3 million), with Lettings revenue up 16%, Sales revenue down 14% and Financial Services revenue down 14%.
- Adjusted EBITDA increased by 6% to £17.5 million (2022: £16.5 million) and adjusted operating profit increased by 2% to £14.3 million (2022: £13.9 million).
- Profit before tax from continuing operations decreased to £7.9 million (2022: £11.9 million) and profit after tax decreased to £5.5 million (2022: £9.6 million).
- Basic adjusted earnings per share was 3.0p (2022: 3.1p) and basic earnings per share was 1.8p (2022: 3.0p).
- Net free cash flow was a £0.1 million outflow (2022: £7.7 million inflow) and net debt at the year end was £6.8 million (2022: £12.0 million net cash) reflecting the uses of cash explained on → PAGE 29.
- An interim dividend of 0.2p per share was paid in September 2023. The Board has proposed a final dividend of 0.7p per share which maintains the total dividend for the year at 0.9p per share (2022: 0.9p per share).

Revenue

	Revenue			Volumes[1]			Revenue per transaction[1]		
	2023 £m	2022 £m	Change	**2023**	2022	Change	**2023 £**	2022 £	Change
Lettings	**101.2**	86.9	+16%	**19,334**	20,640	(6%)	**5,234**	4,210	+24%
Sales	**37.2**	43.2	(14%)	**2,871**	3,215	(11%)	**12,942**	13,431	(4%)
Financial Services	**8.8**	10.2	(14%)	**5,033**	5,003	+1%	**1,745**	2,043	(15%)
Total	**147.1**	140.3	+5%						

1 'Volumes' and 'Revenue per transaction' are defined in Note 28 of the financial statements.

The Group consists of three operating segments: Lettings, Sales and Financial Services. Lettings represents 69% (2022: 62%), Sales 25% (2022: 31%) and Financial Services 6% (2022: 7%) of total revenue. Non-cyclical and recurring revenue streams, generated by Lettings and refinance activity within Financial Services, represents 72% (2022: 65%) of Group revenue.

FINANCIAL REVIEW CONTINUED

Lettings revenue

Lettings revenue increased by 16% to £101.2 million (2022: £86.9 million), reflecting a 24% increase in average revenue per transaction, partially offset by a 6% reduction in transaction volumes. Transaction volumes were lower year-on-year due to lower renewal volumes as a consequence of longer average tenancy terms reducing the number of renewal opportunities.

Revenue growth included organic growth of £6.3 million or 7%, £3.9 million of acquisitive growth, and £4.1 million of additional interest earned on client monies.

Organic revenue growth of £6.3 million (+7%) was driven by the following factors:

- An operational focus to secure longer tenancy terms to drive customer retention, which results in a greater proportion of revenue being recognised at the start of tenancies.
- Growth in the cross-sell of our higher value property management service, increasing the penetration of new deals under management by 9% year-on-year.
- 11% increase in the market share of organic instructions which boosted available stock supporting organic transaction volumes.
- 8% year-on-year increase in rental prices for new deals completed in the period, with new deals representing 53% of 2023 total Lettings revenue.

The £3.9 million of acquisitive growth reflects five incremental months of trading from the May 2022 acquisitions, 10 months of trading from the March 2023 acquisition of Atkinson McLeod and two months of trading from the November 2023 acquisition of Ludlow Thompson.

The £4.1 million of additional interest earned on client monies reflects higher interest rates and growth in client money held. Interest earned on client money supports the operating costs of managing client money, which includes staff costs, bank and card fees, and compliance costs.

Sales revenue

Sales revenue decreased by 14% to £37.2 million (2022: £43.2 million), with the decrease driven by an 11% decrease in Sales exchange volumes compared to 2022. Sales volumes outperformed the market which saw a 22% reduction in volumes (source: TwentyCi).

Average revenue per transaction was 4% lower than 2022 reflecting a 1% decrease in the average price of properties sold (2023: £586,000; 2022: £590,000) as sellers adjusted prices to market conditions, whilst commission rates remained robust at 2.25% (2022: 2.29%). The 1% decrease in the average price of properties sold compared to 2.4% reduction in London property values (source: Nationwide House Price Index) reflecting market share growth in higher value properties.

Financial Services revenue

Financial Services revenue decreased by 14% to £8.8 million (2022: £10.2 million), reflecting a 1% increase in volumes and a 15% decrease in average revenue per transaction. Lower average revenue per transaction was driven by lower average loan sizes, reduced new purchase volumes and an increase in lower value product transfers within the refinance business. In 2023, £4.4 million (51% of revenue) was generated from non-cyclical refinance activity and £4.3 million (49% of revenue) from purchase activity which is more cyclical in nature.

Contribution and contribution margin

	2023		2022	
	£m	**margin**	£m	margin
Lettings	**75.4**	**74.5%**	64.8	74.5%
Sales	**14.5**	**38.9%**	22.0	51.0%
Financial Services	**3.4**	**38.8%**	4.5	43.9%
Total	**93.2**	**63.4%**	91.3	65.1%

Contribution, defined as revenue less direct salary costs of front office staff and bad debt charges, increased to £93.2 million (2022: £91.3 million). Contribution margin for the period was 63.4% (2022: 65.1%) reflecting the following segmental margin changes:

- Lettings contribution margin remained flat at 74.5% reflecting growth in higher margin revenues, such as property management services, cross-sell of ancillary services and higher interest on client monies, offset by 12% growth in Lettings fee earner headcount year-on-year in order to drive organic revenue growth in future periods.
- Sales contribution margin decreased to 38.9% (2022: 51.0%) due to reduced market volumes and a 9% increase in fee earner headcount to build bench strength ahead of improving sales market conditions. Within Sales, dependent on market conditions, it takes at least 12 months for fee earners to become fully productive.
- Financial Services margin decreased to 38.8% (2022: 43.9%) due to reduced market purchase volumes, a lower margin revenue mix and a 9% increase in fee earner headcount. Similar to Sales, dependent on market conditions, it takes at least 12 months for fee earners to become fully productive.

Total average fee earner headcount across Lettings, Sales and Financial Services is up 11% at 829 (2022: 749) as fee earner capacity is rebuilt. Furthermore, a 9% improvement in staff retention across Lettings and Sales reflecting investment in the culture is driving continuous improvement in the average tenure of fee earners which will drive future growth opportunities.

Adjusted operating profit and adjusted operating profit margin

	2023		2022	
	£m	**margin**	£m	margin
Lettings	**25.8**	**25.5%**	18.0	20.7%
Sales	**(10.0)**	**(26.8%)**	(3.2)	(7.5%)
Financial Services	**0.7**	**7.4%**	1.8	17.3%
Corporate costs	**(2.3)**	**n/a**	(2.6)	n/a
Total	**14.3**	**9.7%**	13.9	9.9%

Adjusted operating profit for the period was £14.3 million (2022: £13.9 million) and adjusted operating margin was 9.7% (2022: 9.9%). Refer to Note 2 of the financial statements for a reconciliation of adjusted operating profit to the closest equivalent IFRS measure.

Consistent with prior periods, for the purposes of segmental reporting, shared costs relating to the estate agency businesses are allocated between Lettings and Sales with reference to relevant cost drivers, such as front office headcount in the respective businesses. Corporate costs are not allocated to the operating segments and are presented separately.

Lettings adjusted operating profit increased by £7.9 million to £25.8 million, which includes organic growth of £3.1 million, incremental acquisition growth of £0.7 million and £4.1 million of additional interest on client monies. Sales adjusted operating loss increased by £6.8 million to £10.0 million and Financial Services adjusted operating profit decreased by £1.1 million to £0.7 million, reflecting the fall in new purchase market volumes and investment in fee earners as previously mentioned.

Within adjusted operating profit the following non-cash charges were incurred:

	2023 £m	2022 £m
Depreciation – property, plant and equipment	**2.4**	2.1
Amortisation – non-acquired intangibles	**0.4**	0.5
Amortisation – acquired intangibles	**1.4**	1.0
Share-based payments	**1.2**	1.0
Total non-cash charges	**5.4**	4.7

Adjusted EBITDA and adjusted EBITDA margin

	2023		2022	
	£m	**margin**	£m	margin
Total	**17.5**	**11.9%**	16.5	11.8%

Adjusted EBITDA, which excludes non-cash depreciation, amortisation and share-based payment charges, is defined on a basis consistent with that of the Group's revolving credit facility covenants. Since the metric includes IFRS 16 lease depreciation and IFRS 16 lease finance cost the measure fully reflects the Group's lease cost base. Refer to Note 28 of the financial statements for a reconciliation of adjusted EBITDA to the closest equivalent IFRS measure.

Adjusted EBITDA increased by 6% to £17.5 million (2022: £16.5 million) and Adjusted EBITDA margin increased to 11.9% (2022: 11.8%). Adjusted EBITDA growth of 6% outpaced adjusted operating profit growth of 2% due to higher property, plant and equipment depreciation (£0.3 million higher than 2022), higher amortisation (£0.2 million higher than 2022) and higher non-adjusted share-based payment charges (£0.1 million higher than 2022).

Adjusted items

A net adjusted items charge of £4.5 million (2022: £0.1 million net charge) was incurred in the year. Adjusted items, 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. The table below provides detail of the adjusted items in the period.

	2023 £m	2022 £m
Branch asset impairment charge / (reversal)	**3.4**	(0.3)
Net property related charge / (credit)	**0.7**	(0.4)
Transaction related costs	**0.4**	0.2
Reorganisation costs	**–**	0.6
Total net adjusted items charge	**4.5**	0.1

£4.3 million of the total net adjusted items charge relates to the following items, of which £3.3 million is cash related and £1.0 million is non-cash related:

- £3.6 million relates to the decision to integrate Ludlow Thompson into the Foxtons network to deliver cost synergies; and
- £0.7 million relates to the closure of three Foxtons branches as the Group consolidates branches to deliver cost savings.

FINANCIAL REVIEW CONTINUED

Profit before tax and adjusted profit before tax

	2023 £m	2022 £m
Adjusted operating profit	**14.3**	13.9
Less: adjusted items	**(4.5)**	(0.1)
Operating profit	**9.8**	13.8
Less: net finance costs and other losses	**(1.9)**	(1.9)
Profit before tax	**7.9**	11.9
Add back: adjusted items	**4.5**	0.1
Adjusted profit before tax	**12.4**	12.0

Profit before tax has decreased by 34% to £7.9 million (2022: £11.9 million) due to £4.5 million (2022: £0.1 million) of adjusted item charges as previously noted. Net finance costs and other losses of £1.9 million (2022: £1.9 million), of which £2.0 million relates to IFRS 16 lease finance costs, were incurred in the period. Adjusted profit before tax, which excludes adjusted items, is £12.4 million (2022: £12.0 million).

Profit after tax

	2023 £m	2022 £m
Profit before tax	**7.9**	11.9
Less: current tax charge	**(2.8)**	(2.2)
Less: deferred tax credit/(charge)	**0.4**	(0.2)
Profit after tax	**5.5**	9.6

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 tax 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 is transparent, open and honest in its dealings with tax authorities.

Profit after tax of £5.5 million (2022: £9.6 million) is after a total tax charge of £2.4 million (2022: £2.4 million), of which £0.4 million credit (2022: £0.2 million charge) relates to non-cash deferred tax accounting and £2.8 million (2022: £2.2 million) relates to current tax.

The effective tax rate for the period was 30.5% (2022: 19.9%), which compares to the statutory corporation tax rate of 23.5% (2022: 19.0%). The 2023 effective tax rate is higher than the statutory corporation tax rate due to non-deductible expenses and adjustments in respect of previous periods.

Net deferred tax liabilities totalled £26.2 million (2022: £25.7 million), which comprise £28.2 million (2022: £27.0 million) of deferred tax liabilities relating to the Group's intangible assets, offset by deferred tax assets of £2.0 million (2022: £1.4 million). The deferred tax assets relate to tax losses brought forward which are expected to be recovered through future taxable profits.

The Group received £0.3 million in tax refunds during the year (2022: £nil).

Adjusted operating cost base

The Group defines its adjusted operating cost base as the difference between revenue and adjusted operating profit, excluding depreciation of property, plant and equipment and amortisation of intangible assets. The reconciliation of the adjusted operating cost base measure is presented below:

	2023 £m	2022 £m
Revenue	**147.1**	140.3
Less: Adjusted operating profit	**(14.3)**	(13.9)
Difference between revenue and adjusted operating profit	**132.9**	126.4
Less: Property, plant and equipment depreciation	**(2.4)**	(2.1)
Less: Amortisation	**(1.8)**	(1.6)
Adjusted operating cost base	**128.7**	122.8

The table below analyses the adjusted operating cost base into five categories. The adjusted operating cost base increased by £5.9 million to £128.7 million (2022: £122.8 million), with £1.9 million attributable to incremental acquisition related operating costs.

	2023 £m	2022 £m
Direct costs[1]	**53.9**	49.0
Branch operating costs[2]	**32.5**	32.0
Centralised revenue generating operating costs[3]	**14.9**	13.5
Revenue generating operating costs	**101.4**	94.5
Central overheads[4]	**25.1**	25.7
Corporate costs[5]	**2.3**	2.6
Adjusted operating cost base	**128.7**	122.8

1 Direct salary costs of branch fee earners and bad debt charges.
2 Branch related operating costs shared between Lettings and Sales.
3 Centralised fee earners, lead generation staff and Lettings property management staff.
4 Central overhead costs supporting branch operations.
5 Corporate costs not attributed directly to the operating activities of the operating segments.

Key movements in the adjusted operating cost base in 2023 versus 2022 are as follows:

- Direct costs increased by £4.9 million due to £2.2 million higher basic salaries, reflecting an 11% investment in fee earner headcount, £3.0 million increase in variable pay reflecting Lettings revenue growth and lower bad debt charges.
- Centralised revenue generating operating costs increased by £1.4 million primarily due to a £0.9 million investment in centralised Lettings functions reflecting growth in the Lettings portfolio and a £0.5 million investment in centralised lead generation headcount.
- £0.9 million of cost savings across central overheads and corporate costs reflecting initiatives to reduce overhead costs.

Earnings per share

	2023 £m	2022 £m
Profit after tax	**5.5**	9.6
Add back: adjusted items (net of tax)	**3.6**	–
Adjusted earnings for the purposes of adjusted earnings per share	**9.1**	9.6
Earnings per share (basic)	**1.8p**	3.0p
Earnings per share (diluted)	**1.7p**	3.0p
Adjusted earnings per share (basic)	**3.0p**	3.1p
Adjusted earnings per share (diluted)	**2.9p**	3.0p

Cash flow from operating activities and net free cash flow

From continuing and discontinued operations	2023 £m	2022 £m
Operating cash flow before movements in working capital	**28.7**	27.8
Working capital outflow	**(10.8)**	(1.2)
Income taxes paid	**(2.2)**	(2.7)
Net cash from operating activities	**15.7**	23.9
Repayment of IFRS 16 lease liabilities	**(12.5)**	(12.7)
Net cash used in investing activities[1]	**(3.2)**	(3.5)
Net free cash flow	**(0.1)**	7.7

1 Excludes £13.9 million (2022: £8.5 million) of cash outflows relating to the acquisition of subsidiaries (net of any cash acquired), £nil (2022: £3.7 million) relating to the disposal of discontinued operations (net of cash disposed) and £nil (2022: £0.4 million) related to the purchase of investments.

Net cash flow before movements in working capital increased by £0.9 million to £28.7 million (2022: £27.8 million) reflecting improvements in operating cashflows.

Net cash from operating activities decreased by £8.2 million to £15.7 million (2022: £23.9 million) due to a working capital outflow driven by the introduction of shorter landlord billing periods in order to improve the competitiveness of our Lettings proposition and support the retention and organic growth of the Lettings portfolio over the medium term.

This landlord billing initiative has been successful in driving an increase in average tenancy lengths, which under the Lettings revenue recognition policy, also resulted in a greater proportion of revenue being recognised at the start of tenancies. With Lettings revenue recognition outpacing cash collections, there was a working capital outflow of £10.8 million (2022: £1.2 million outflow). Working capital flows will normalise in the second half of 2024 as the portfolio transitions to shorter billing periods.

Net free cash flow, from continuing and discontinued operations, was a £0.1 million outflow (2022: £7.7 million inflow), with the reduction due to the Lettings working capital outflow previously noted.

Net debt

Net debt at 31 December 2023 was £6.8 million (2022: £12.0m net cash). The net debt position reflects £13.9 million of acquisition related spend, £10.8 million of working capital investment in Lettings growth initiatives, £3.6 million of capital expenditure, £2.7 million of dividends paid and £1.1 million of share buybacks.

Revolving credit facility

In June 2023, the Group refinanced its revolving credit facility (RCF), increasing the size of the committed facility from £5m to £20m and extending the facility to June 2026, with an option to extend for a further two years. At 31 December 2023, £11.7 million of the RCF was drawn (31 December 2022: £nil). The facility provides increased strategic flexibility and supports the acceleration of the Group's Lettings portfolio acquisition strategy. The terms of the facility have remained materially the same as the previous facility and it remains unsecured. Drawdowns on the facility accrue interest at SONIA +1.65%.

The RCF is subject to a leverage covenant (net debt to EBITDA not to exceed 1.75) and an interest cover covenant (interest to EBITDA not to be less than 4) as defined in the facility agreement. Both covenants are calculated using pre-IFRS 16 accounting principles. At 31 December 2023 the leverage ratio was 0.4x and the interest cover ratio was 59x.

Acquisitions

Atkinson McLeod

On 3 March 2023, the Group acquired the entire issued capital of Atkinson McLeod. Gross purchase consideration was £8.2 million, with £7.5 million paid to date and £0.7 million deferred for a period of 12 months post completion. Acquired net assets were fair valued and include £2.6 million of customer contracts and relationships and £5.6 million of acquired goodwill. The acquisition contributed £1.8 million of revenue and £0.5 million of adjusted operating profit in 2023, with cost synergies delivered in H2 2023.

Ludlow Thompson

On 6 November 2023, the Group acquired the entire issued capital of Ludlow Thompson. Gross purchase consideration was £8.3 million, with £6.3 million paid to date and £2.0 million deferred for a period of 12 months post completion. Acquired net assets were fair valued and include £3.2 million of customer contracts and relationships and £9.0 million of acquired goodwill. The acquisition contributed £1.0 million of revenue and a £0.1 million adjusted operating loss in 2023, with synergies planned to be delivered in H1 2024.

Refer to Note 13 of the financial statements for further details of the 2023 acquisitions.

Discontinued operations

In 2022, discontinued operations related to D&G Sales, which was acquired alongside D&G Lettings and disposed of on 11 February 2022. In 2023, there were no discontinued operations. Refer to Note 7 of the financial statements for details of the 2022 discontinued operations.

FINANCIAL REVIEW CONTINUED

Other balance sheet positions

Significant balance sheet movements in the period:

- Goodwill of £40.7 million (2022: £26.0 million) and other intangible assets of £114.9 million (2022: £109.3 million), with the increase in goodwill and other intangible assets due to the acquisitions in the year which contributed £14.7 million of goodwill and £5.9 million of customer contracts and relationships.
- Total contract assets of £19.0 million (2022: £7.4 million) and total contract liabilities of £12.2 million (2022: £10.0 million), with the increase in contract assets driven by a focus on securing longer tenancy terms, and the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms. The increase in contract liabilities was mainly driven by acquired contract liabilities of £1.9 million.
- Intangible assets under construction of £1.5 million (2022: £0.8 million) with the increase reflecting increased capital technology development spend in the period.
- Trade and other payables of £21.3 million (2022: £16.7 million), with the increase in the balance due to an increase in trade creditors of £0.9 million, an increase in contingent and deferred consideration of £1.2 million, an increase in accruals and other creditors of £1.4 million and an increase in VAT payable of £1.0 million.
- Borrowings of £11.8 million (2022: nil), with the increase in the balance mainly due to a £11.7 million RCF drawdown to fund acquisitions and working capital requirements.
- Total current liabilities of £57.1 million (2022: £38.7 million) have increased due to a £11.7 million RCF drawdown, an increase in trade and other payables of £4.6 million and an increase in contract liabilities of £2.1 million.

Dividend policy and capital allocation

In March 2023, the Group set out its revised strategy, medium-term targets and its approach to capital allocation. Reflecting the Group's evolution over the past few years to a business which is now focussed upon lettings, and whilst maintaining the Group's approach to capital allocation, the Board has decided to revise its dividend policy.

For 2024, the Board intends to adopt a progressive dividend policy whilst maintaining strong dividend cover. The new policy aims to provide a more reliable and growing income stream to investors, as well as enabling the Group to pursue its strategic growth objectives.

The Group's approach to capital allocation, which includes the progressive dividend policy referred to above, aims to support long-term growth and shareholder returns. The Group's capital allocation priorities are set out below:

- Maintain balance sheet strength to enable the Group to meet its operational cash requirements and manage through cyclical sales markets.
- Invest in areas that drive organic growth and rebuild our competitive advantages.
- Pay a progressive ordinary dividend.
- Deploy capital to acquire high quality lettings portfolios to drive inorganic lettings growth.
- Return excess capital, not used for profitable growth, to shareholders.

An interim dividend of 0.2p per share was paid in September 2023. The Board has proposed a final dividend of 0.7p, which maintains the full year dividend at 0.9p per share (2022: 0.9p per share). The proposed dividend will be paid on 28 May 2024 to shareholders on the register at 12 April 2024, subject to shareholder approval at the AGM due to be held on 7 May 2024. The shares will be quoted ex-dividend on 11 April 2024.

Share buy back

A total of £1.1 million (2022: £4.9 million) of shares were bought back in the year to return excess capital to shareholders. The Board will continue to keep share buybacks under review, but in the context of other potential uses of capital.

Related party transactions

Related party transactions are disclosed in Note 25 of the financial statements.

Treasury management

The Group seeks to ensure it has sufficient funds for day-to-day operations and to enable strategic priorities to be pursued. Financial risk is managed by ensuring the Group has access to sufficient borrowing facilities to support working capital demands and growth strategies, with cash balances held with major UK based banks. The Group has no foreign currency risk and as a consequence has not entered into any financial instruments to protect against currency risk.

Pensions

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

Risk management

The Group has identified its principal risks and uncertainties and they are regularly reviewed by the Board and Senior Management. Refer to → PAGES 32 TO 37 for details of the Group's risk management framework and principal risks and uncertainties.

Going concern, prospects and viability

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

Refer to Note 1 of the financial statements for details of the Group's going concern assessment and the going concern statement. The prospects and viability statement is set out on → PAGES 38 AND 39.

Chris Hough
Chief Financial Officer
4 March 2024

RISK MANAGEMENT

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

RISK MANAGEMENT

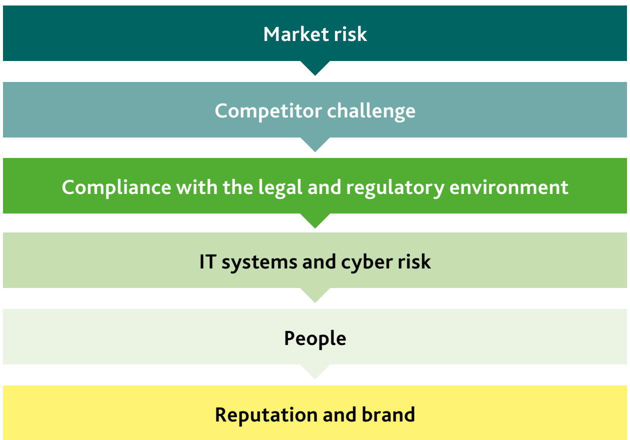
The Board regularly reviews the principal risks facing the Group, together with the relevant mitigating controls, and undertakes a robust risk assessment. In reviewing the principal risks, the Board considers emerging risks, including climate -related risks, and changes to existing risks. In addition,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

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

Our principal risks

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

Our principal risks

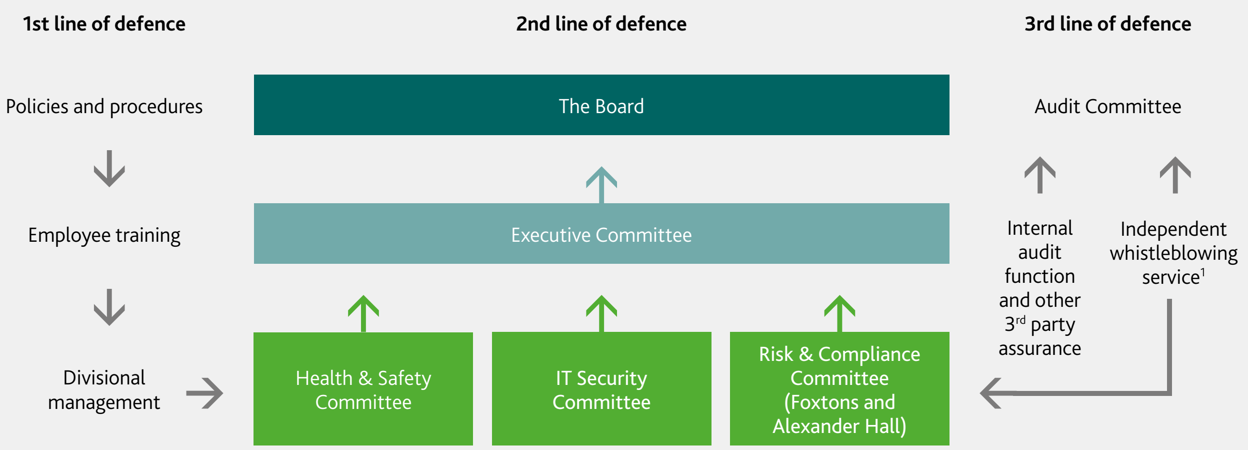


Details of each principal risk is provided on → PAGES 35 AND 36, including an overall risk rating and whether the risk has changed over the course of the year. The principal risks do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to management, or deemed to be less material at the date of this report, may also have an adverse effect on the Group.

Further information on the Group's risk management procedures can be found in the Audit Committee Report on → PAGE 86.

Risk framework overview

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



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

RISK APPETITE

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

Risk appetite statement

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

Risk appetite varies depending on the risk type

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

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

Assessment of risk versus Board's appetite for risk

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

PRINCIPAL RISKS AND UNCERTAINTIES

PRINCIPAL RISKS HEAT MAP

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

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

	2023 movements in residual likelihood/residual impact
(1) Market risk	Small reduction in both the residual likelihood and residual impact of market risk. This reduction is reflective of improved stability in the mortgage market and falling mortgage rates. Furthermore, following continued investment in the Lettings business, the Group as a whole is more resilient to any downturn in the sales market which reduces the impact of any sales market volatility on earnings.
(2) Competitor challenge	Small reduction in the residual likelihood of competitor challenge risk. This reduction is reflective of continued delivery against the Group's strategic priorities which has enabled the business to grow its market share and be more resilient to competitor pressures as a whole.

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

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

Our strategic priorities

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

Refer → PAGES 16 AND 17 for details of our strategic priorities.

Principal risks

Impact	Mitigation of risk	Assessment of change in risk year-on-year
Market risk		**Risk Type: Strategic**
The key factors driving market risk are: • Affordability, including ongoing cost of living increases, which in turn may reduce market transaction levels. • The market being reliant on the availability of affordable mortgage finance, a deterioration in availability or an increase in borrowing rates may adversely impact the performance of the Sales business. In 2023, borrowing rates increased reflecting increases in the Bank of England base rate. Since the start of 2024, there is improved stability of borrowing rates, with rates beginning to fall which may support additional market activity; • The market being impacted by changes in government policy such as renters reform or changes in stamp duty legislation; • A reduction in London's standing as a major financial city caused by the macro-economic and political environment; and • Heightened geopolitical risk which may increase market uncertainty and customer confidence.	The Group targets an appropriate balance between the Sales and Lettings businesses through residential property market cycles, with the Lettings business providing valuable protection against the cyclical sales market. The Group's strategic priorities include Lettings organic growth and investing in high quality lettings portfolios, both of which mitigate the sales market risk. In a significant downturn of the residential sales market, the Board will make appropriate cost decisions bearing in mind the long-term prospects of the Sales business.	Reduction in both likelihood and impact of risk but no change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** 1. **Lettings:** Organic growth 2. **Lettings:** Acquisitive growth 3. **Sales:** Market share growth 4. **Financial Services:** Revenue growth
Competitor challenge		**Risk Type: Strategic**
The Group operates in a highly competitive marketplace. and there is a risk the Group could lose market share. Market share loss could be the result of competitors scaling up (organically or through acquisition), developing new customer service propositions, changing pricing structures or launching alternative business models to drive a competitive advantage.	We continually assess competitor activity and utilise our centralised structure to review competitor intelligence, monitor market share and respond accordingly. Targeted marketing and operational responses enable the Group to respond to competitor challenge and tailor our offering for certain segments of the market. Furthermore, the Board regularly reviews our business model and strategic investments are made to protect and develop our competitive advantages.	Reduction in likelihood of risk but no change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** 1. **Lettings:** Organic growth 2. **Lettings:** Acquisitive growth 3. **Sales:** Market share growth

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Impact	Mitigation of risk	Assessment of change in risk year-on-year
Compliance with the legal and regulatory environment		**Risk Type: Compliance**
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 client money in line with the relevant regulations. Our Financial Services business is authorised and regulated by the Financial Conduct Authority (FCA) and could be subject to sanctions for non-compliance. During periods of interest rate volatility there is an increased risk of compliance issues arising which require specific management.	The Group's centralised systems and Legal and Compliance team enable management to monitor ongoing compliance with the legal and regulatory environment. The Financial Services business utilises third party assurance providers to monitor compliance with FCA regulations. Additionally, the Alexander Hall Risk and Compliance Committee provides regular oversight to compliance related matters. The Group's compliance and legal team regularly monitors regulatory reform proposals and participates in industry forums to enable the Group to respond to regulatory change in an efficient and coherent manner.	No change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** **1. Lettings:** Organic growth **3. Sales:** Market share growth **4. Financial Services:** Revenue growth
IT systems and cyber risk		**Risk Type: Strategic, Operational**
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.	Our IT and Cyber Security functions, supported by external specialists, ensure that we have a full suite of preventative and detective systems, processes, and controls in place to identify and mitigate risks: • Disaster recovery, business continuity and incident response plans; • Continued investment in the latest security solutions across the entire estate; • Comprehensive monitoring and reporting from an independent 24/7 security operations centre; • Independent security testing from CREST certified penetration testers; • Active data loss prevention on common data exfiltration channels; • Training and awareness for all staff; and • Investigation and response capabilities to detect, respond and contain any threats	No change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** **1. Lettings:** Organic growth **3. Sales:** Market share growth **4. Financial Services:** Revenue growth
People		**Risk Type: Strategic, Operational**
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.	The Group has an internal recruitment function, supplemented by external specialists, to recruit sufficient number of high quality staff. Over the last 18 months, the Group has increased its focus on training and development, as well as succession planning, to improve staff retention and to enable future leaders to be identified and nurtured. Additionally, the Group's employee value proposition has been redesigned in order to improve employee attraction and retention. Employee turnover rates are reviewed by management on a regular basis and action taken to understand and address higher than expected leaver rates.	No change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** **1. Lettings:** Organic growth **2. Lettings:** Acquisitive growth **3. Sales:** Market share growth **4. Financial Services:** Revenue growth
Reputation and brand		**Risk Type: Strategic, Operational**
Foxtons is an iconic estate agency brand with high levels of brand recognition. Maintaining a positive reputation and the prominence of the brand is critical to protecting the future prospects of the business. There is a risk our reputation and brand could be damaged through negative press coverage and social media due to customer service falling below expectations or because our actions are considered to be inappropriate. We recognise the need to maintain our reputation and protect our brand by delivering consistently high levels of service and maintaining a culture which encourages our employees to act with the highest ethical standards.	A brand management programme is in place to ensure Foxtons' brand positioning and identity is clear, appropriately protected and reflects the way we do business. Our social media presence and press engagement is managed centrally within an established framework to ensure press statements reflect the Group's purpose, values and strategy. Maintaining the right culture, underpinned by the right values, is key to protecting our reputation and brand. The Board monitors culture on an ongoing basis (refer to → PAGE 71 for further details) and the ESG Committee provides oversight of the governance framework relating to ESG matters including training programmes. Through established policies, controls and processes we monitor the quality of our customer service. We continue to invest in our customer proposition in order to strengthen our service offering and reputation for delivering results.	No change in overall residual risk rating ! Residual likelihood ! Residual impact ! Overall residual risk rating **Linked strategic priorities** **1. Lettings:** Organic growth **3. Sales:** Market share growth **4. Financial Services:** Revenue growth

Emerging risks

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

Emerging risk description	Risk management
1) Future significant changes in government housing policies Future significant changes in government housing policies, under the current government or linked to a change in government, may lead to structural changes in the markets the Group operates in. Although future government policy cannot be reliably predicted, potential risks could include general market disruption, the introduction of pricing control mechanisms, private landlords exiting the private rental sector due to punitive legislation or tax changes that adversely affect the residential property markets.	The Board monitors government housing policy on an ongoing basis and incorporates possible changes into its strategic and risk management decisions. Furthermore, the Board engages with key industry to debate and assess the impact of potential changes.
2) Climate-related risk Climate change is an emerging risk that may have medium to long-term implications for the Group. Further details of the potential climate-related risks, as well as potential climate-related opportunities, are set out on → PAGE 46 in the Group's TCFD statement.	The Group utilises the TCFD framework to identify, assess and manage emerging climate-related risks. The ESG Committee has responsibility of reviewing and providing oversight of the implementation of the Group's ESG strategy. The ESG Committee provides recommendations to the Audit Committee on climate-related risks as applicable, following which the Audit Committee considers such risks as part of its wider risk management responsibilities. Refer to → PAGES 84 AND 85 for the ESG Committee's report. The Executive Committee monitors the delivery of the Group's environmental programmes and also monitors and manages climate-related risk as part of the Group's overall risk management framework.

PROSPECTS AND VIABILITY

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

Long-term prospects

Market risk continues to present the highest risk to the Group. The Group's resilience to market risk continues to improve as non-cyclical and recurring Lettings and Financial Services revenues grow, which when combined now represent c.70% of Group revenues.

Within Sales, the Group is exposed to the London residential sales market which is more cyclical in nature. Growing market share within Sales is a strategic priority which will help mitigate any reductions in sales market volumes due to the macro environment. This, along with the continued focus to grow Lettings organically and by acquisition, helps reduce volatility in the Group's results and protects earnings and net free cash flow.

With an increasing focus on growing Lettings, and recovery in Sales market share throughout 2023, the Group is well positioned to withstand a variety of market conditions.

Viability approach

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

Other factors taken into consideration when assessing viability include use of cash resources and liquidity. At 31 December 2023, the Group was in a net debt position of £6.7 million (2022: £12.0 million net cash), including £11.7 million drawdown on the Group's £20.0 million revolving credit facility ('RCF').

Assessment of viability

In accordance with the UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a longer period than the 12 months required by the going concern provision. The Directors have determined that five years is the most appropriate timeframe over which the Board should assess long-term viability, with this being the longest period over which the Board considered an appropriate assessment of the principal risks could be made. This is consistent with the period over which the Group's strategic review is assessed by the Board and the minimum vesting and holding period for Executive Director share schemes.

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

Severe but plausible scenario

For the purpose of testing viability, a severe but plausible scenario has been determined under which the Group is significantly impacted by market risk, which has been assessed to have the highest residual likelihood and impact on the performance of the Group from a range of scenarios considered (refer to the principal risks heat map on → PAGE 34 for further details).

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

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

The key assumptions assumed in the severe but plausible downside scenario are summarised below.

Lettings volumes and pricing	2024 lettings revenue reduces by 7% against the base plan, reflecting lower units and a decline in average rental prices to 2022 levels, which then gradually recovers over the remaining forecast period. This rental price assumption means the rental increases seen across the last 18 months fully reverse in 2024, and track general inflation thereafter.
Sales volumes and pricing	2024 market sales volumes reduce to 2009 levels (i.e. market volumes following the global financial crash) before recovering to 2019 levels by the end of 2028. House prices decline by 5% in 2024 before recovering 2.5% year-on-year to 2028.
Financial Services volumes	New purchase mortgage transactions reduce in line with the sales volume reduction noted above. Refinance business is unaffected due to the resilient nature of the revenue.
Direct operating costs and mitigating actions	Mitigating actions to reduce discretionary expenditure and headcount managed to reflect demand.
Revolving credit facility (RCF)	The £20m RCF facility which expires in June 2026 is assumed to be extended by two years under the current facility agreement.
Future Letting acquisitions	No additional lettings acquisitions are included in the viability scenario.

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

RESPONSIBLE BUSINESS

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

OVERVIEW

Our purpose is **to get the right deal done for London's property owners**. In doing this we aim to deliver value for our customers, provide opportunities and progression for our staff and ensure we contribute to the communities in which we operate.

ESG COMMITTEE

The Board's ESG Committee oversees the implementation of the Group's ESG strategy, with the Executive Leadership Team responsible for the day-to-day delivery of the strategy. Furthermore, we actively encourage employees to get involved in ESG activities since we believe every single employee can have a positive impact on their colleagues, the environment and our communities.

Refer to → PAGES 84 AND 85 for the ESG Committee's report.

FTSE4Good

FTSE4Good

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

OUR ENVIRONMENTAL AND SOCIAL COMMITMENTS

We have established environmental and social commitments that provide ambitious, but achievable, goals on which we can focus our sustainability efforts.

Environmental commitments:

- Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment.
- 30% reduction in Scope 1 and Scope 2 emissions by 2030 against the 2021 baseline. This target will act as a milestone to our longer-term target of reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050.
- Reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050.

Social commitments:

- Continuing to drive diversity initiatives to make a meaningful contribution to social mobility and diversity in London.
- Helping people within the communities we serve move up in the world, through our partnership with the Single Homeless Project onwards, and working more closely with our local communities.

Thanks to the collective efforts of everyone at Foxtons we have made good progress towards these commitments in 2023 and have plans to make further improvements in the year ahead.

Our responsible business report is split into four sections which reflects those areas that are most important to our stakeholders and to our long-term success:

1. ENVIRONMENT

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

Refer to → PAGES 42 TO 51 for more details.

2. PEOPLE, CULTURE AND TRAINING

As a people based business, the culture that we develop within our workforce is key to our success and supports the delivery of stakeholder value. We are proud to have a diverse and inclusive workforce that has developed organically through our focus on hiring, training, developing and retaining high-performing talent.

Refer to → PAGES 52 TO 58 for more details.

3. COMMUNITY

As a responsible business, we contribute to the wellbeing and development of the communities in which we operate.

Refer to → PAGES 59 AND 60 for more details.

4. OTHER RESPONSIBILITIES

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

Refer to → PAGES 61 AND 62 for more details.

1. ENVIRONMENT

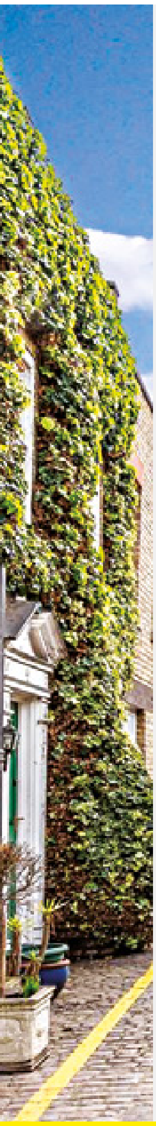
We are committed to reducing our environmental impact and carbon footprint.

OUR APPROACH – ENVIRONMENT

Although Foxtons has a relatively simple infrastructure and supply chain, with a smaller impact on the environment than some other listed businesses, we are committed to reducing our environmental impact and continue to take steps to support the government's long-term environmental pledges, as well as our own long-term ESG commitments.

We use the TCFD framework (refer to → PAGES 46 TO 51) or to identify and assess emerging climate-related risks, use natural resources as efficiently as possible and take steps to change our business practices and operations where relevant to ensure that we minimise our impact on the environment.

The Board has ultimate oversight of our approach to climate change, with the ESG Committee monitoring progress against ESG commitments and the Audit Committee monitoring climate-related risks as part of its risk management responsibilities. The Executive Leadership Team, which is responsible for day-to-day management of the business and ensuring that the ESG commitments are delivered upon, provides regular updates to the ESG Committee on a regular basis (refer to → PAGE 85 for the ESG Committee's key activities during the year).



2023 HIGHLIGHTS

Electric/hybrid vehicle rollout

31%

of the vehicle fleet was either fully electric or hybrid by the year end (31 December 2022: 16%)

GHG emissions intensity ratio

10%

reduction in tonnes of CO_2e per full-time employee (location based measurement method)

1. ENVIRONMENT

The Foxtons Mini over the years

2001 Italian Job Mini

2002 Hot Rod Mini

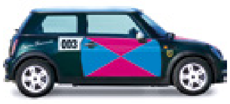
2003 Urban Graffiti Mini

2004 Flower Power Mini

2005 Camo Mini

2006 Punk Mini

2007 Property Chase Mini



2008 Space Mini

2010 X-ray Mini

2014 Anniversary Edition Mini

2022
Launch of the Foxtons Electric Mini

2022 saw the arrival of our greenest Mini ever

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

KEY INITIATIVES AND PROGRESS MADE IN 2023

Vehicle fleet electrification

Our vehicle fleet is used in the day-to-day operations of our business, including transporting customers to property viewings and carrying out property inspections. Through the electrification of our fleet we aim to reduce our emissions and cut pollution in the communities in which we operate. As a member of EV100, the global climate initiative from The Climate Group, we have set a target to switch all of our vehicles to electric by 2030.

In 2023, we continued our progress against this target by replacing petrol vehicles with fully electric or hybrid vehicles. At 31 December 2023, 31% of the vehicle fleet was either fully electric or hybrid (31 December 2022: 16%).

CLIMATE GROUP
EV100

Energy sourcing and reduction initiatives

Renewable energy sources

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

Head office and branch efficiency

In 2023 we continued with our energy efficiency initiatives which included upgrading our head office lighting system to be compatible with low energy LED bulbs. This builds on the work completed in 2022 to install LED lighting and timers for lighting, air conditioning and fresh air systems to reduce energy usage across the branch network.

Energy efficient data centres and technology

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

RESPONSIBLE BUSINESS CONTINUED

Emissions

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

Scope 1 and Scope 2 reporting

Our Streamlined Energy and Carbon Reporting (SECR) reports emissions from fuel consumption and the operation of our facilities (Scope 1) and from purchased electricity (Scope 2), both of which are mandatory. Our Scope 1 and Scope 2 footprint, measured in line with mandatory reporting requirements on a location basis, is 1,983 tonnes CO_2e in 2023 (2022: 1,942 tonnes CO_2e). All emissions and energy usage are incurred within the UK.

GHG emissions		2023	2022	2021
Scope 1 emissions				
Combustion of fuel (tonnes CO_2e)		**1,294**	1,191	1,224
Other – gas, diesel and LPG (tonnes CO_2e)		**45**	45	114
Scope 2 emissions				
Purchased electricity (tonnes CO_2e)	Location based	**645**	706	910
Purchased electricity (tonnes CO_2e)[1]	Market based	**149**	79	–
Total: Scope 1 & Scope 2 emissions				
Total: Scope 1 & 2 emissions (tonnes CO_2e)	Location based	**1,983**	1,942	2,248
Total: Scope 1 & 2 emissions (tonnes CO_2e)[1]	Market based	**1,488**	1,315	1,338
Intensity ratio				
Tonnes of CO_2e per full-time employee	Location based	**1.46**	1.62	1.94
Tonnes of CO_2e per full-time employee[1]	Market based	**1.10**	1.09	1.15
Energy consumption				
Aggregate energy consumption (kWh)		**8,890,962**	8,874,847	9,186,775
Total CO_2e by emission type				
Electricity: lighting, heating and cooling		**645**	706	910
Combustion of fuel		**1,294**	1,191	1,224
Other: gas, diesel and LPG		**45**	45	114

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

[1] Market based measurement of Scope 2 purchased electricity reflects procured renewable energy (REGO certified) reducing scope 2 emissions by 496 tonnes CO_2e (2022: 627 tonnes CO_2e).

1. ENVIRONMENT

Scope 1 and Scope 2 reporting

Scope 1 emissions have increased year-on-year as a result of increased vehicle mileage driven, offset by the continued electrification of the vehicle fleet, with total Scope 1 emissions up 8% to 1,339 tonnes CO_2e (2022: 1,236 tonnes CO_2e). Scope 2 emissions (location based methodology) have fallen by 9% to 645 tonnes CO_2e (2022: 706 tonnes CO_2e) reflecting ongoing energy saving initiatives within the branch portfolio and at head office.

Scope 3 reporting

Like other companies, we are adopting a staged approach of assessing our Scope 3 emissions. Through a desktop exercise, the Scope 3 categories have been considered for relevance, and where relevant, an initial quantification exercise completed to assess whether the associated emissions are material to the Group (refer to → PAGE 46 for materiality considerations).

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

Recycling and water

Recycling

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

Water consumption

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

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Group has applied the TCFD framework to support our understanding and management of climate-related risks and opportunities.

Assessing materiality of climate-related risks

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

Materiality consideration points	Assessment outcome
Size of environmental footprint.	→ Foxtons is a service based business with relatively low levels of Scope 1, 2 and 3 emissions.
Whether there are any business segments, elements of the business model or locations that could be more significantly impacted by climate risks.	→ No particular business segment or element of the business model has a heightened exposure to climate change risk. Since Foxtons operates in Greater London no special location considerations are required.
The complexity of the Group's supply chain and exposure to climate-related factors.	→ Foxtons operates in a service industry with a relatively asset light business with a non-complex supply chain.
The possible impact of climate risks.	→ Within the scenario analysis presented on → PAGES 48 AND 49 the climate risk impacts have been assessed as being low to medium.
Whether the likelihood of risks and the associated financial impacts could significantly evolve over time.	→ The assessment has considered risks over the short, medium and long term. Management will continue to evaluate the long-term impact and evolve the risk assessment accordingly.

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

1. ENVIRONMENT

Climate-related risks and opportunities

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

Transition risks

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

Physical risks

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

Climate-related opportunities

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

The Board will continue to assess climate-related risks under review as an emerging risk as noted within the risk management disclosures on → PAGES 47 TO 49.

RESPONSIBLE BUSINESS CONTINUED

Climate scenario analysis

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

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

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

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

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

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

Key: Low impact (green) | Medium impact (orange) | High impact (red)

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

1. ENVIRONMENT

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

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

Key: Low impact (green) · Medium impact (orange) · High impact (red)

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

RESPONSIBLE BUSINESS CONTINUED

Alignment with the recommendations of the TCFD

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

For 2023, our disclosures were either compliant or partially compliant with all of the TCFD recommendations. We will continue to develop our disclosure in future years as market practice develops or in the event our materiality assessment evolves.

Key: ● Compliant ● Partially compliant

TCFD recommended disclosure and compliance	Activities to date and actions to achieve compliance
● Compliant **Governance** (a) Describe the Board's oversight of climate-related risks and opportunities	The Board has overall accountability for ESG and is responsible for maintaining the Group's system of risk management and internal control, including climate-related risks. This is informed by the work of the ESG Committee and the Audit Committee. The ESG Committee regularly reviews environmental and social related risks to the Group and makes recommendations to the Audit Committee regarding inclusion in the Group's risk management practices. Climate-related opportunities will also be reported directly to the Board by the ESG Committee. Where relevant and material, the Board will consider climate-related matters when making strategic decisions, such as deciding the speed at which the vehicle fleet is electrified. **Planned actions** – The Board will continue to receive updates from the ESG Committee and Audit Committee to inform strategic decisions.
● Compliant **Governance** (b) Describe management's role in assessing and managing climate related risks and opportunities	The Executive Leadership Team is responsible for day-to-day management of the business and ensuring that the ESG strategy is actioned appropriately within the business. The Executive Leadership Team monitors the delivery of the Group's environmental programmes and also monitors climate-related risk as part of the Group's overall risk management framework. The Executive Leadership Team receives progress reports on environmental and social initiatives from relevant departmental heads. The ESG Committee, which meets three times a year and otherwise as required, receives reports from the Executive Leadership Team or relevant department heads. The ESG Committee Chair reports key matters to the Board following each Committee meeting. **Planned actions** – As our environmental programmes progress, we will assign specific responsibilities to Senior Managers to ensure that climate-related risks and opportunities are assessed and managed effectively throughout the business.
● Compliant **Strategy** (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	On → PAGES 47 TO 49 we describe the possible climate-related risks and opportunities that may impact our business over the short, medium and long term. **Planned actions** – The Board will continue to monitor risks on a short, medium and long-term basis and monitor the emerging climate-related risk.
● Compliant **Strategy** (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	The Board has not identified any material climate-related risks that impact the Group's business model, strategy, financial planning or viability of the Group. This conclusion is supported by the risk assessment set out on → PAGES 47 TO 49. No material cost investment is required to meet our medium-term environmental commitments, with the relevant costs incorporated into financial projections for the next five years. **Planned actions** – The Board will continue to monitor risks on a short, medium and long-term basis and monitor the emerging climate-related risk.
● Compliant **Strategy** (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	On → PAGES 48 AND 49 the impact on the Group's strategy under two climate-related scenarios has been assessed: i) a 2°C or lower scenario; and ii) a more than more than 2°C scenario. **Planned actions** – The Board will continue to monitor the resilience of the Group's strategy, and in particular the longer-term impacts which are inherently more difficult to assess.

1. ENVIRONMENT

TCFD recommended disclosure and compliance	Activities to date and actions to achieve compliance
Risk Management (a) Describe the processes for identifying and assessing climate-related risks	Climate-related risks are identified through the Group's risk management processes. The Group utilises the TCFD framework to identify climate risks and horizon scans for changes in the risk environment. **Planned actions** – We will continue to review our risk register to ensure effective identification of our climate-related risks. **Further information** – Refer to → PAGE 32 for details of the Group's risk identification process.
Risk Management (b) Describe the processes for managing climate-related risks	Climate-related risks are managed through the Group's risk management processes. The Executive Leadership Team regularly reports progress to the ESG Committee, including actions to manage the impact of emerging climate-related risks. **Planned actions** – The Board and Audit Committee will continue to regularly review the Group's principal and emerging risks. **Further information** – Refer to → PAGE 32 for details of the Group's risk management process.
Risk Management (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management	The Group's risk management framework includes the key process for identifying, assessing and managing climate-related risks alongside non-climate-related risks. **Planned actions** – The Board and Audit Committee will continue to regularly review the Group's principal and emerging risks. **Further information** – Refer to → PAGE 32 for details of the Group's risk management process.
Metrics and Targets (a) Describe the metrics used to assess climate-related risks and opportunities in line with the strategy and risk management process	The metrics used by the Group to assess the climate-related risks and opportunities include: • GHG emissions (Scope 1 and Scope 2) • Intensity ratio • Energy consumption **Planned actions** –Continue to monitor our total GHG emissions, intensity ratio and energy consumption. We will also keep these metrics under review and consider whether to add further metrics in the future. **Further information** – Refer to → PAGES 44 AND 45 for more detail on our environmental impacts and climate-related targets.
Metrics and Targets (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and related risks	GHG Scope 1 and 2 emissions reported in line with the Streamlined Energy and Carbon Reporting (SECR) regulations. Scope 3 GHG emissions are not considered to be material for the Group and are therefore not currently disclosed. **Planned actions** • We will continue to report on GHG Scope 1 and 2 emissions. • A desktop exercise has concluded Scope 3 emissions are not material, however, a more detailed assessment will be undertaken to validate this assertion in due course, with further disclosure as necessary. **Further information** – Refer to → PAGE 124 for the Group's Streamlined Energy and Carbon Reporting and → PAGE 43 for details of the Group's Scope 3 emission assessment.
Metrics and Targets (c) Describe the targets used to manage climate-related risks and opportunities and performance against targets	The Group has a number of targets to manage climate-related risks as set out on → PAGES 46 AND 47. In summary these are: • Electrifying our entire vehicle fleet by 2030 in line with our EV100 commitment. • 30% reduction in Scope 1 and Scope 2 emissions by 2030 against the 2021 baseline. • Reaching net zero across Scope 1, Scope 2 and Scope 3 emissions by 2050. **Planned actions** – To keep our targets under review and continue to monitor progress against them.

RESPONSIBLE BUSINESS CONTINUED

2. PEOPLE, CULTURE AND TRAINING

People, culture and training is critical to our success. Guided by our purpose and values, 2023 has been a year of significant focus for Foxtons' customer-centric and results-based culture.

OUR APPROACH

Working at Foxtons is exciting, sociable and rewarding. We reward hard work and those who demonstrate our values and deliver for customers. We provide the opportunity for talented and enthusiastic individuals to thrive in their careers and our highly incentivised remuneration structures reward exceptional performance and customer delivery. In 2023, we worked tirelessly to embed our refreshed purpose and values to reflect Foxtons' estate agency DNA through a combination of focus groups, training workshops, and manager support and guidance. This gives our people a clear focus and underpins our high-performance culture that recognises and celebrates the role we play in facilitating that often highly emotional and consequential transaction of letting or selling a house. In our 2023 employee engagement/culture survey[1], 88% of employees said that they have a good understanding of what our company values mean reflecting the importance of values in everything we do as a company.

2023 HIGHLIGHTS

Diverse and inclusive workplace

81%

of employees believe that the Company values diversity and builds teams that are diverse[1]

Training & development

MORE THAN 375

Negotiators completed our market leading five-day induction programme

Company confidence

85%

of employees believe that the Company is in a position to really succeed over the next three years[1]

Continuous learning

MORE THAN 2,200

hours of face-to-face classroom-based training delivered across the business

Rebuilding culture

MORE THAN 1,100

employees attended an interactive training workshop to discuss how to embody the Company's values to deliver exceptional service and drive performance

Respectful workplace

TRAINING ROLLED OUT

to Directors, Managers, and Team leaders, delivered by external subject matter experts

[1] Results from the 2023 employee engagement/culture survey, independently administered by CultureAmp. 68% of the workforce responded to the 2023 survey.

2. PEOPLE, CULTURE, SKILLS & KNOWLEDGE

PEOPLE

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

Refer to → PAGES 54 AND 55 for details of our initiatives and progress made in 2023.

CULTURE

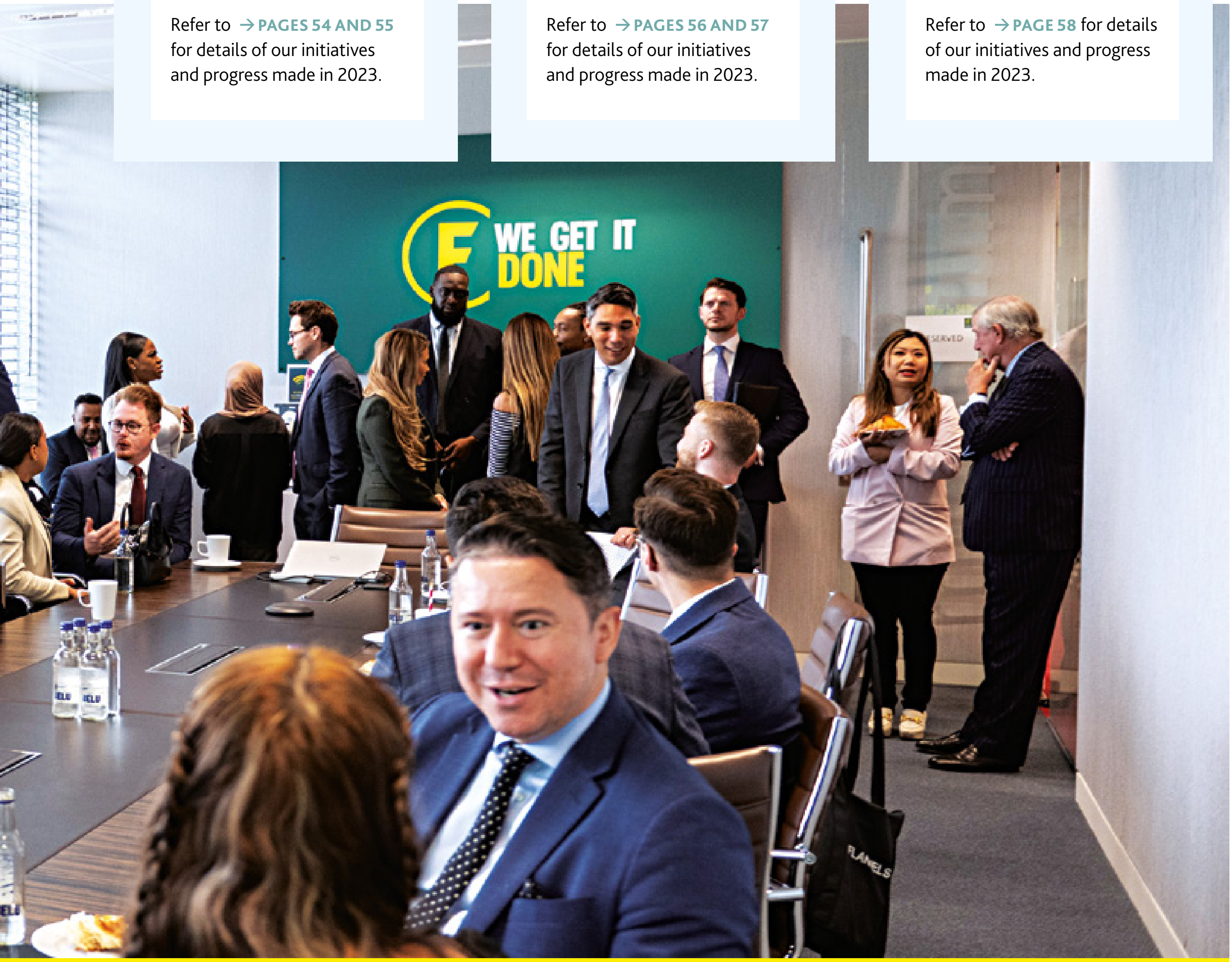
We are committed to investing in and maintaining a high-performance culture that attracts and retains talented people who deliver outstanding results for our customers. This culture will enable us to rebuild our competitive advantages, deliver our strategic priorities and ultimately enhance the success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

Refer to → PAGES 56 AND 57 for details of our initiatives and progress made in 2023.

TRAINING

We are committed to ensuring our people receive the best training and career development opportunities with a view to building a long-term career. Our industry leading training consists of formal and informal training, mentor programmes and networking events, giving everyone the support and the resources they need to enhance their development.

Refer to → PAGE 58 for details of our initiatives and progress made in 2023.



KEY INITIATIVES AND PROGRESS MADE IN 2023

PEOPLE

Our people strategy aims to embed the right skills and values in our workforce to deliver the very best results for our customers. Our approach to recruitment, our employee value proposition and our diversity networks all play an important role in maintaining an engaged, productive and diverse workforce.

Recruitment

Attracting high quality candidates from diverse backgrounds remains a critical part of our talent strategy and is underpinned by consistent and objective hiring practices.

Our employee value proposition aims to attract high calibre candidates, backed by our recruitment practices which use a range of selection and assessment methods to recruit quality talent. We aim to judge the merits of candidates' abilities and achievements in the context of their background, not simply the absolutes of any achievements. Our equal opportunities policy supports this approach. We have backed this with a programme of unconscious bias training across our hiring managers and recruitment team.

In 2023, to ensure we continue to attract the best diverse talent, we:

- Reviewed and upgraded our external recruitment partners to support candidate attraction.
- Continued to enhance our interview and assessment methods to ensure we are selecting talent to support our future.
- Invested in growing, training and developing our internal recruitment team.
- Reviewed and overhauled our employee value proposition, further details are provided below.

Employee value proposition

In 2023, we embarked on a full review of our employer brand and partnered with an external agency to ensure that our talent attraction and engagement initiatives are set up for success through the development of a refreshed and compelling employee value proposition. Working alongside our chosen partner, we conducted an in-depth analysis of our current employer brand through a combination of focus groups, stakeholder interviews, and desktop research. We will unveil our updated employee value proposition in 2024 to successfully attract, recruit, retain and engage the best talent.

Workforce retention

This year there has been a continued focus on improving our workforce retention to ensure that we see the most value from our investment in training and development. In 2023 we enhanced our analysis of leaver data to get a better understanding of why employees leave the business and empowered heads of departments to review and report on key trends. Employee retention will be a key focus throughout 2024 and is key to rebuilding our competitive advantages.

Our diversity networks

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

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

Throughout the year, senior women mentored more junior women, with a view to helping them develop skills which will enable them to excel in their roles and progress their careers. Female colleagues are encouraged to share their experiences and provide career advancement support, advice and training to one another.

In 2023, the Women@Foxtons network continued working towards our goal of developing and promoting more women into senior management via a programme of "Lunch and Learns", mentoring schemes, and a combination of internally and externally facilitated masterclasses.

WOMEN AT
Foxtons

2. PEOPLE, CULTURE AND TRAINING

Foxtons LGBTQ+ promotes Foxtons as a safe and inclusive workplace where everyone can feel included, represented and allowed to be themselves.

Throughout 2023, Foxtons LGBTQ+ network offered a mix of social, insight and community engagement activities. In April, we explored the relationship between the LGBTQ+ community and the Metropolitan Police with the Bow Street Police Museum, and in June we engaged with the network to consider the visibility of our support for the LGBTQ+ trans and ethnic minority communities.

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

2023 saw the number of AFRO Foxtons members grow by 12%. This is attributed to an active calendar of events aimed to further stimulate the promotion of talent within the community. Such events included a personal growth and leadership event hosted by external speakers SharpEdged, a Black History Month social and quiz, and a celebration of the one year anniversary of Foxtons' first DEI Podcast series 'TopTalk', which now has a total of 10 shows.

Foxtons LGBTQ+ network

AFRO Foxtons

Diversity reporting: gender and ethnicity

The table below presents gender and ethnicity diversity ratios across the Group as at 31 December 2023. Gender splits reflect employer information we hold on employees' legal sex, and ethnicity splits reflect diversity information anonymously collated as part of our annual employee survey or specific returns made by the Board and Senior Management. We use our annual disclosure as a benchmark to monitor our progress as we further enhance our gender and ethnic diversity at all levels of the Group.

	Gender		Ethnicity		
	Male	Female	White ethnic background	Non-white or ethnic minority background	Prefer not to say
Board	71%	29%	100%	0%	0%
Executive Leadership Team[1]	75%	25%	88%	12%	0%
Senior Management[2]	80%	20%	78%	22%	0%
All other employees	56%	44%	57%	38%	5%

1 Executive Leadership Team includes two Executive Directors, refer to → PAGE 68 for Executive Leadership Team membership.

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

Below the Senior Management level the gender balance was 56% male and 44% female and of those employees who responded to the annual employee survey, 38% identified as non-white or from an ethnic minority background. Although this ethnic diversity is lower than London's ethnic diversity with 46% of London identifying as non-White in the 2021 Office for National Statistics census there has been an improvement in the metric year-over-year.

At more senior levels of the business we recognise there is more work to do to improve both gender and ethnic diversity of Senior Management, the Executive Leadership Team and the Board. Our employee development programmes continue to be a key area of focus to improve the diversity across the Group.

KEY INITIATIVES AND PROGRESS MADE IN 2023

CULTURE

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

Monitoring and assessing culture

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

Refer to → PAGE 71 for further details as to how the Board monitors culture.

Employee Engagement Committee

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

In 2023, the EEC covered a range of areas including:

- Employee wellbeing and how to further promote our current wellbeing initiatives.
- Executive Directors' pay structures and the 2022 Directors' Remuneration Report.
- Discussing employee attraction and retention and the 'Moments that Matter' in the context of customer service.
- Discussing our marketing strategy and engagement with customers.

Key outcomes from the EEC meetings in 2023 included:

- Identifying areas that require additional management focus to improve the working environment, culture and staff retention.
- Employees having a better understanding of the decisions made by the Remuneration Committee in the context of wider workforce remuneration as set out in the 2022 Directors' Remuneration Report.
- Employees inputting into our new employee value proposition by sharing their 'Moments that Matter'.
- Identifying innovative ideas to improve customer service, experience and competitiveness.

2. PEOPLE, CULTURE AND TRAINING

OUR VALUES

Our culture is shaped and underpinned by our values which have been embedded this year after being refreshed at the end of 2022. Over the course of the year we have sought to inspire employees to use the values to deliver the best results for customers and to be their best selves.

Our values guide our employees on how they contribute to the Group's success and adhere to the highest ethical standards:

INNOVATIVE

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

PROFESSIONAL

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

AMBITIOUS

Striving to get the best results for our customers.

RELENTLESS

maintaining consistently high standards day in and day out to consistently deliver the best results for our clients.

AUTHORITATIVE

Being the most knowledgeable agents in the market.

2023 employee engagement/culture survey

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

Last year we reviewed our entire employee listening strategy and partnered with a new survey provider, CultureAmp, to provide us with feedback on the entire employee lifecycle, from recruitment and onboarding, to annual feedback and pulse surveys, right up to the point of exit.

We ran our annual employee engagement/culture survey at the end of 2023 using 45 new questions in comparison to the ones we had previously asked which enabled us to measure 14 new engagement factors across the organisation, as well as deep dive into employee sentiment at a team level. 68% of the workforce responded to the 2023 survey.

Highlights from the survey include:

- 78% of employees would recommend Foxtons as a great place to work.
- 75% of employees are proud to work for Foxtons.
- 81% of employees have confidence in the CEO and senior leadership team.
- 85% of employees believe that Foxtons is in a position to really succeed over the next three years.
- 81% of employees believe that Foxtons values diversity.

The survey also helped identify those areas where management should focus their attention to drive continuous improvement, these areas include developing employee social connection and increasing employee involvement.

The Board has reviewed all areas of feedback from the survey and incorporated areas for improvement into the 2024 people related strategy.

Employee recognition

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

A highlight of the year was the Foxtons Awards held in December 2023, which saw 75 employees receive awards for outstanding customer delivery. 2023 saw the launch of a refreshed salesforce compensation scheme, along with other staff performance incentives, to reward exceptional performance and enhance our high-performance culture.

Employee wellbeing

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

At Foxtons we use OpenBlend, a digital performance management platform, to monitor colleagues' development, performance and wellbeing. The platform includes a wellbeing measurement tool that tracks colleagues' happiness, confidence, and capability to manage stress, which is self-reported by users. Our average 2023 wellbeing score across the business was 77%, which is 1% higher than the OpenBlend customer average.

RESPONSIBLE BUSINESS CONTINUED

KEY INITIATIVES AND PROGRESS MADE IN 2023

TRAINING

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

Employee onboarding

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

Management training programme

In 2023, 55 line managers completed our in-house management training programme, "Impact", which is designed to drive performance and develop our future leaders. Impact training is a tailored management development programme which takes place over several months with the aim of developing market leading managers who will play a critical role in maintaining the right culture and delivering results for our customers. The programme culminates in a development centre-style end-point assessment which comprises five challenging assessments including the opportunity to present to the CEO as well as other members of the senior leadership team on how they are using their new skills, behaviour, and knowledge to make an impact within their departments.

Internal mentoring

We understand the importance of providing comprehensive support to employees who have recently been promoted into a new role. As such, all newly promoted Valuers and Associate Negotiators are enrolled onto a ten-week peer-to-peer mentoring scheme during which they are assigned a mentor to support them with their enhanced responsibilities.

Diversity, respect and inclusion training

As part of the Group's commitment to creating an inclusive workplace, where individual differences are respected and valued, 2023 saw the launch of a new diversity, respect and inclusion training programme to ensure the Board, and our employees, understand their role in this important area.

Training to improve skills

55

employees completed our in-house management training programme, Impact, in 2023.

87%

of employees agree or strongly agree that they know what to do to be successful in their role.[1]

81%

of employees believe the information to do their job effectively is readily available.[1]

78%

of employees believe they have access to the learning and development they need to do their job well.[1]

[1] Results from the 2023 employee engagement/culture survey, independently administered by CultureAmp. 68% of the workforce responded to the 2023 survey.

3. COMMUNITY

We support the communities we serve through our mix of community outreach partnerships and charitable activities.

OUR APPROACH

Social mobility and diversity are a key part of what make Foxtons' culture and ultimately drives our success. As a result Foxtons has consistently given opportunities to Londoners from all backgrounds and walks of life. This organic approach to social mobility and diversity led us to partner with organisations that help us to improve the wellbeing of the communities in which we operate and provide opportunities to the young people that live within them.

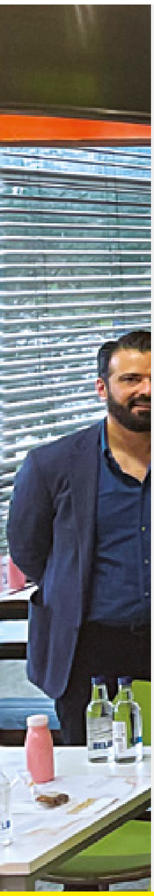
OUR KEY INITIATIVES AND PROGRESS IN 2023

Career Ready

In 2021 we established our partnership with Career Ready, a national social mobility charity that works with employers, schools, and volunteers to support young people across the UK. 2023 was the final year of this partnership that has enabled us to work directly with young people, primarily 16 to 18 year olds based in London, who face barriers in education and employment.

During the partnership Foxtons welcomed 17 Career Ready students to our Head Office and branch network across London for month-long internships. These internships were aimed at developing participants' core employability skills and helping students find the right career path for them. Members of the Foxtons team volunteered their time to run masterclasses for over 400 students on communication and leadership. These masterclasses drew on the hosts' own experiences and gave an insight into what it is like to work at London's leading estate agent.

Through our partnership we have provided financial support to Career Ready and supported them with our time and expertise. Everyone at Foxtons has had the opportunity to get involved in Career Ready's structured programme and we have helped to make a positive difference to social mobility in our communities.



2023 HIGHLIGHTS

Career Ready partnership

100

Students sponsored through our annual donation

OVER 400

Students supported through skills masterclasses over the last three years

17

Student internships at our head office and branch network over the last three years

RESPONSIBLE BUSINESS CONTINUED

Selecting a new charity partner

In 2023 we explored new partnerships in social mobility, homelessness, and social issues, and following a process selected three potential partners in the homelessness space to work with and asked our workforce to vote for their preferred partner. Following the process we selected the Single Homeless Project, a London-wide charity that provides supported accommodation and community-based support for people who are homeless or at risk of homelessness, as our new charity partner.

Foxtons will be supporting the Single Homeless Project by providing volunteers, knowledge and donations to support the charity in helping people avoid homelessness or support people out of a homeless situation. Single Homeless Project's work makes a difference to 10,000 lives every year across all 32 of London's boroughs.

shp Single Homeless Project

MY NAME'5 DODDIE FOUNDATION

In 2023 we sponsored a fitness challenge to support James Clarke, a former Foxtons colleague, in his efforts to raise awareness of Motor Neurone Disease (MND) and fundraise for the My Name'5 Doddie Foundation. Our efforts saw 80 Foxtons and Alexander Hall employees take part in the fitness challenge, set by TV's Jason Fox and MANOR LONDON gym which raised over £20,000.

MY NAME'5 DODDIE foundation

£20,000

Raised through fundraising activity for the My Name'5 Doddie Foundation

Pride Month

All of Foxtons' London offices are LGBTQ+ safe spaces, so should a member of the community need a safe place to spend some time they can ask our teams for help in a safe and secure environment. This commitment also means that our clients from the community know they are working with an agent who will respect them.

Notting Hill Carnival

In 2023, we commissioned a piece of artwork by graffiti artist ATOM and his team of local artists, which was installed on our Notting Hill office as we joined in the Notting Hill Carnival celebrations.

Social Mobility Pledge

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

4. OTHER RESPONSIBILITIES

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

Governance and ethics

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

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

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

Whistleblowing

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

The Group's whistleblowing policy aims to:

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

Employees have a number of routes to report whistleblowing matters, including through our confidential whistleblowing helpline run by an independent third party. The whistleblowing helpline is advertised in the business, including prominently in the staff handbook which is accessible to all employees. The Audit Committee regularly reviews any matters reported to the whistleblowing helpline as detailed on → PAGE 89.

RESPONSIBLE BUSINESS CONTINUED

Supplier/customer relationships and responsibilities

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

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

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

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

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

Human rights and modern slavery

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

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

Health and safety

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

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

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

All employees are made aware of the Health and Safety Policy through publication in the Employee Handbook and induction training. It is also made available on the Group's intranet. The Group uses an appropriately qualified external third party expert to provide support with the Group's ongoing compliance with health and safety regulations. During the year the ESG Committee reviewed health and safety matters on a regular basis.

Our wider responsibilities and lobbying

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

From time to time we engage with industry influencers, such as regulators, industry bodies, government and the media, to discuss sector regulation.

NON-FINANCIAL INFORMATION AND SUSTAINABILITY STATEMENT

The table below, and information throughout the 2023 Annual Report and Accounts and on our website that it refers to, is intended to help our stakeholders to understand our position on key non-financial and sustainability matters and satisfy the requirements of Section 414CA and 414CB of the Companies Act 2006.

Non-financial matter	Relevant polices/ documents that govern our approach	Risk management and additional information		Associated KPIs and other published metrics	
Business model	• Our strategic priorities (refer to → PAGE 16) • Matters reserved for the Board[1]	• Principal risks: Market risk and competitor challenge • Stakeholder engagement • Resilient business model • Foxtons Operating Platform • Delivering against our strategy	→ PAGES 32 TO 37 → PAGES 18 TO 21 → PAGES 12 AND 13 → PAGES 14 AND 15 → PAGES 16 AND 17	• Refer to key performance indicators section	→ PAGES 22 AND 23
Employees	• Data protection policies • Health and safety policies • Employee handbook • Equal opportunities policy • Whistleblowing policy	• Principal risks: People • Stakeholder engagement • Responsible business • Directors' Report • Corporate Governance Report • Directors' Remuneration Report	→ PAGE 36 → PAGES 18 TO 21 → PAGES 40 TO 62 → PAGES 122 TO 124 → PAGES 69 TO 125 → PAGES 92 TO 121	• Employee engagement score • Gender and ethnicity diversity • Workforce remuneration • Gender pay gap (www.foxtonsgroup.co.uk/our-responsibility/gender-pay-gap)	→ PAGE 23 → PAGE 55 → PAGE 108 → PAGE 110
Human rights	• Environmental, social and governance policy • Modern slavery and human trafficking policy[1]	• Our other responsibilities (governance and ethics, whistleblowing, supplier relationships and human rights and modern slavery)	→ PAGES 61 TO 62	• Modern slavery and human trafficking statement (www.foxtonsgroup.co.uk/modern-slavery)	
Social matters	• Environmental, social and governance policy • ESG Committee terms of reference[1] • Board diversity policy[1]	• Principal risks: People, and reputation and brand • Stakeholder engagement • Responsible business	→ PAGE 36 → PAGES 18 TO 21 → PAGES 40 TO 62	• Employee engagement score • Employee survey outcomes • Gender and ethnicity diversity • Community engagement metrics	→ PAGE 23 → PAGES 23, 55 AND 57 → PAGE 55 → PAGE 59
Anti-corruption and bribery	• Anti-money laundering and anti-bribery policies • Employee handbook • Environmental, social and governance policy	• Principal risks: Compliance with the legal and regulatory environment • Responsible business • Audit Committee Report	→ PAGE 36 → PAGES 40 TO 62 → PAGES 86 TO 91	• Whistleblowing reporting review	→ PAGES 89 AND 90
Environmental matters	• Environmental, social and governance policy • Recycling policy	• Emerging risks: Climate-related risks • Stakeholder engagement • Task force on climate-related financial disclosures • Responsible business • ESG Committee Report	→ PAGE 37 → PAGES 18 TO 21 → PAGES 46 TO 51 → PAGES 40 TO 62 → PAGES 84 AND 85	• Streamlined Energy and Carbon Reporting • Progress against environmental commitments	→ PAGE 44 → PAGE 42

[1] Published at www.foxtonsgroup.co.uk/our-responsibility/corporate-governance. Other listed policies/documents are internal policies and not published externally.

The Strategic Report, from → PAGES 1 TO 63, has been reviewed and approved by the Board of Directors on 4 March 2024.

Guy Gittins
Chief Executive Officer

Chris Hough
Chief Financial Officer

CORPORATE GOVERNANCE REPORT

"A focus on strategic clarity, while being committed to a high standard of governance, is key to delivering sustainable success for the benefit of all our stakeholders."

Nigel Rich CBE Chairman

Chairman's governance introduction

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

Board priorities

The Board continues to focus on delivering against the strategic priorities set out in March 2023 with the target to deliver £25 million to £30 million of adjusted operating profit in the medium-term and maximise stakeholder value. One of the key areas of focus for the Board has been improving operational fundamentals so that the Company is better equipped to fulfil its true potential. This includes enhancing internal processes, data capabilities and investing in staff training and development.

Governance

The Board is entrusted with the task of steering the Group and ensuring the implementation of a robust and solid governance framework. This structure is designed to foster vigorous discussions and challenge all Board members, thereby facilitating effective decision making within acceptable timeframes and based on precise information. Our commitment to achieving excellent governance standards is a crucial element in delivering on our strategic objectives and in creating shareholder value, while also addressing broader stakeholder interests. The Group has adhered to the UK corporate governance code issued in July 2018 throughout the year.

Purpose, culture and values

Our purpose remains **getting the right deal done for London's property owners**, a testament to our results-driven approach. Our brand message, **we get it done**, coupled with our core values, forms the bedrock of our culture. These values guide our employees in their contributions towards the Group's success, support business growth, and promote a collaborative environment to achieve our goals.

The Board is committed to investing in and maintaining a high-performance culture that attracts and retains talented people who deliver outstanding results for our customers. Fostering this high-performance culture is critical to delivering on our strategic priorities and ultimately enhances the success of the Group.

Further details on our purpose, culture and values can be found on → PAGES 52 TO 58.

Stakeholder engagement

In line with the provisions of Section 172 of the Companies Act 2006, the Board has consistently taken into account the interests of all stakeholders when making significant decisions throughout the year.

Utilising various methods, the Board has interacted with all stakeholders over the year, including both formal and informal channels of communication with employees. These channels are crucial in enabling the Board to effectively monitor the Company's culture. As we progress with the turnaround plan, open dialogue with shareholders has been especially important and is key to fostering mutual understanding. We maintain regular communication with our major shareholders and in 2023, we enhanced our scheduled shareholder engagement programme with additional discussions on the business' key developments.

A comprehensive review of our stakeholder engagement, including our Section 172 statement and examples of how we considered stakeholders in making key board decisions, can be found on → PAGES 18 TO 21 of the Strategic Report.

Board changes

Alan Giles and Sheena Mackay stepped down from their Non-Executive Director roles at the 2023 AGM. Annette Andrews and Jack Callaway were recruited as Independent Non-Executive Directors and joined the Board on 1 February 2023. Annette Andrews became Chair of the Remuneration Committee and Chair of the ESG Committee at the 2023 AGM. Additionally, Rosie Shapland became Senior Independent Director at the 2023 AGM.

Further details regarding these Board changes can be found in the Nomination Committee Report on → PAGES 78 TO 83.

Shareholder returns

During the year the Board paid an interim dividend of 0.2p per share (2022: 0.2p) and proposed a final dividend of 0.7p per share (2022: 0.7p) providing a total dividend of 0.9p per share (2022: 0.9p). Additionally, £1.1 million of share buybacks were completed which utilised the authority that was in place at the end of 2022. Further information on the share buyback activity is set out on → PAGES 5 AND 29.

Remuneration

As set out in the 2022 Directors' Remuneration Report, minor changes to the Group's remuneration policy were proposed and presented to shareholders at the 2023 AGM. The policy received approval from shareholders and has been implemented accordingly in 2023. Details on remuneration can be found in the Directors' Remuneration Report on → PAGES 92 AND 121.

Audit, risk and internal control

The Audit Committee's work has continued to focus on protecting the interests of shareholders and strengthening the Group's risk management and internal control systems. The Audit Committee has focused on monitoring and strengthening internal controls and risk management processes. The internal audit programme has continued to progress with PwC internal audit reporting on three reviews in the year. Further information on audit, risk and internal controls can be found in the Audit Committee report on → PAGES 86 TO 91.

Environmental, social and governance (ESG)

The ESG Committee plays an important role in providing oversight of the Group's ESG strategy and related responsibilities. The Committee has reviewed a number of areas including our environmental commitments, compliance with the Task Force on Climate-Related Financial Disclosures (TCFD), reviewing the employee engagement/culture survey results, workforce health and safety metrics, and our broader community programmes. Further information on the work of the ESG Committee can be found on → PAGES 84 AND 85.

Board evaluation

An internal Board evaluation was completed in the second half of 2023 to review the performance of the Board, its Committees and the individual Directors. Rosie Shapland, Senior Independent Director, led the Directors in evaluating my performance as Chairman. Details of the process undertaken and a summary of the results and proposed actions for 2024 are set out on → PAGES 82 AND 83.

Annual General Meeting

We plan to hold our AGM on 7 May 2024 with details of the arrangements for the meeting set out in the AGM notice which is included as a separate document within this mailing. The AGM notice is also available on our website at www.foxtonsgroup.co.uk/investor-relations/agm.

Nigel Rich CBE
Chairman
4 March 2024

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Nigel Rich CBE
Chairman

Appointed
to the Board
1 October 2021

Committee memberships
C

Skills and experience

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

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

External appointments

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

Rosie Shapland[1]
Senior Independent Non-Executive Director

Appointed
to the Board
5 February 2020

Committee memberships
C

Skills and experience

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

External appointments

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

Peter Rollings
Independent Non-Executive Director

Appointed
to the Board
1 December 2021

Committee memberships

Skills and experience

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

External appointments

Non-Executive Director at Viewber Limited.

Annette Andrews[2]
Independent Non-Executive Director

Appointed
to the Board
1 February 2023

Committee memberships
C C

Skills and experience

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

External appointments

Non-Executive Director and Chair of the Remuneration Committee at Cavendish Finance PLC and Sole Director of Acaria Coaching & Consulting Ltd.

EXECUTIVE DIRECTORS

Jack Callaway
Independent Non-Executive Director

Appointed

to the Board
1 February 2023

Committee memberships

Skills and experience

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

External appointments

Board Member of the Cholangiocarcinoma Foundation.

Guy Gittins
Chief Executive Officer

Appointed

to the Board
5 September 2022

Committee memberships

N/A

Skills and experience

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

External appointments

None

Chris Hough
Chief Financial Officer

Appointed

to the Board
1 April 2022

Committee memberships

N/A

Skills and experience

A Chartered Accountant having qualified with Deloitte LLP where he was a Director within Deloitte's audit and assurance practice working across a range of sectors. Prior to his appointment as CFO, Chris joined the Group in 2019 as the Group's Director of Finance and Company Secretary, and played a key role in the financial management of the business.

External appointments

None

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

Directors who served during the year: **Alan Giles** Senior Independent Non-Executive Director (until 9 May 2023) and **Sheena Mackay** Independent Non-Executive Director (until 9 May 2023).

[1] Rosie Shapland was appointed Senior Independent Non-Executive Director upon Alan Giles retiring from the Board at the 2023 AGM.
[2] Annette Andrews was appointed as Chair of the Remuneration Committee and ESG Committee upon Alan Giles's and Sheena Mackay's retirement from the Board at the 2023 AGM.

EXECUTIVE LEADERSHIP TEAM

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

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

THE EXECUTIVE LEADERSHIP TEAM IS RESPONSIBLE FOR:

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

EXECUTIVE LEADERSHIP TEAM

Jean Jameson, Chief Sales Officer

Gareth Atkins, Managing Director | Lettings

Richard Merrett[1], Managing Director | Financial Services

Imran Soomro, Chief Information Officer

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

Guy Gittins, Chief Executive Officer

Chris Hough, Chief Financial Officer

Sarah Tonkinson, Managing Director | Lettings Build to Rent

[1] Appointed 2 January 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT OVERVIEW

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

Code Category	Code Principles	Key elements of the Code	Report detail
1 **BOARD LEADERSHIP AND GROUP PURPOSE, VALUES AND STRATEGY**	A. Effective Board B. Purpose, values and strategy C. Governance Framework and Board resources D. Stakeholder engagement E. Workforce policies and practices	The Board's role is to: • Establish a purpose, values and strategy and ensure these are aligned with its culture. • Promote the long-term sustainable success of the Group, generating value for shareholders and contributing to wider society. • Ensure the necessary resources are in place for the Group to meet its objectives and measure its performance. • Establish a framework of prudent and effective controls for the assessment and management of risk. • Ensure effective engagement with shareholders and other stakeholders. • Ensure workforce policies are consistent with the Group's values and that the workforce can raise any concerns.	**This section explains:** (i) The role of the Board and matters reserved for the decision of the Board. (ii) How we have assessed the basis on which the Group generates and preserves value over the long term. (iii) Our purpose and how we have assessed and monitored our culture. (iv) The methods used to engage with our shareholders and other key stakeholders, including engagement with our workforce. Refer to → PAGES 70 AND 71.
2 **DIVISION OF RESPONSIBILITIES**	F. Board roles G. Independence H. External commitments and conflicts of interest I. Board policies, processes and resources	The Chairman leads the Board and is responsible for its overall effectiveness. The Board should include an appropriate balance of Executive and Independent Non-Executive Directors. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the business. Non-Executive Directors should devote sufficient time to meet their responsibilities. The Board, supported by the Company Secretary, should ensure it has appropriate policies, processes and resources to function effectively.	**This section explains:** (i) The Group's governance framework including Board and Board Committee membership. (ii) The role of the Chairman, Executive Directors, the Senior Independent Director and other Non-Executive Directors. (iii) Board and Committee meetings and Director attendance during the year. (iv) Board activity in 2023. Refer to → PAGES 72 AND 77.
3 **COMPOSITION, SUCCESSION AND EVALUATION**	J. Appointments to the Board K. Board skills, experience and knowledge L. Annual Board evaluation	Board appointments should be subject to a formal, rigorous and transparent process. A succession plan should be maintained for Board and Senior Management. The Board and its Committees should have a combination of skills, experience and knowledge. The annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives.	**The report of the Nomination Committee includes a review of:** (i) The role of the Nomination Committee. (ii) The activities of the Committee during 2023, including succession planning and related Board changes. (iii) The Group's policies and practices in relation to Board appointments, Directors' induction and professional development. (iv) The Board's diversity policy. (v) The nature of the performance evaluation and outcomes for 2023. Refer to → PAGES 78 AND 83.
4 **AUDIT, RISK AND INTERNAL CONTROL**	M. Financial reporting and external and internal audit N. Fair, balanced and understandable O. Internal financial controls and risk management	The Board should establish formal and transparent policies to ensure the effectiveness of internal and external audit functions. The Board should satisfy itself as to the integrity of the financial and narrative statements and should present a fair, balanced and understandable assessment of the Group's position and prospects. The Board should establish procedures to manage risk, oversee internal controls and determine the nature and extent of the principal and emerging risks facing the Group.	**The report of the Audit Committee includes details of the policies, and the activities of the Audit Committee during 2021, in relation to:** i) Financial and narrative reporting. (ii) Significant accounting judgements. (iii) The relationship with and appointment of the external auditor. (iv) Risk management and internal controls, including reviewing the work of the Group's internal auditor. Refer to → PAGES 86 AND 91.
5 **REMUNERATION**	P. Linking remuneration with purpose and strategy Q. Procedure for developing policy on Executive remuneration R. Judgement and discretion when authorising outcomes	Remuneration policies should be designed to support strategy and promote long-term sustainable success. There should be a formal and transparent procedure for developing policy on executive remuneration and for determining Director and Senior Management remuneration. Directors should exercise independent judgement and discretion when authorising remuneration outcomes.	**The report of the Remuneration Committee sets out:** (i) The annual statement from the Chair of the Remuneration Committee. (ii) Summary of the remuneration policy. (iii) 2023 Annual Report on Remuneration. Refer to → PAGES 92 AND 121.

CORPORATE GOVERNANCE REPORT CONTINUED

1 BOARD LEADERSHIP AND PURPOSE

Statement of Compliance with the UK Corporate Governance Code

In the year ended 31 December 2023 the Group has applied the Principles and complied with all the Provisions of the UK Corporate Governance Code published in July 2018. This report outlines the key features of the Group's corporate governance framework and sets out how the Group has applied the Principles of the Code.

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

The role of the Board

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

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

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

Matters reserved to the Board

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

The Board's specific responsibilities include:

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

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

Our purpose

To get the right deal done for London's property owners – in 2022, our business embarked on a journey of transformation with refreshed purpose, under the guidance of new leadership. Our newly appointed CEO steered the Company towards a results-based business model, focusing on delivering measurable outcomes and creating value for our stakeholders.

In 2023 we have continued to drive growth through a multi-pronged strategy that includes organic growth, strategic acquisitions, and expanding our market share. Our focus is not just achieving success across the Group, but also making a positive impact on our customers, employees, and the communities we serve.

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

Our culture

The Board is dedicated to upholding a high-performance sales culture, which is pivotal in attracting and retaining talented individuals. Our focus is on delivering results for our clients, and our culture has been instrumental in the reconstruction of our estate agency's DNA. The Board being the driving force behind our culture, sets the tone from the top and promotes a high-performance sales environment. This approach not only allows us to remain competitive in the market but also ensures that we consistently deliver value to our stakeholders. We believe in maintaining an optimal culture, underpinned by robust corporate governance. This is reflected in our commitment to acting responsibly and making the right decisions. Effective monitoring and regular assessments facilitate this while helping us to ensure we continue to thrive in a competitive market.

How we monitor culture

The Board monitors culture through a number of mechanisms including:

- Non-Executive Directors attending the Employee Engagement Committee (EEC) meetings on a rotational basis to directly canvass the views of employees, including areas of improvement and areas of success. More detail on the EEC, its operation and its areas of focus is provided on → PAGE 56.
- Reviewing the outcome of the annual employee engagement/culture survey and identifying themes from the survey relevant to the monitoring of culture.
- Regular engagement with Senior Management to understand the internal tools used to monitor culture, including employee retention metrics, training programme materials, exit interview feedback and social media scanning.
- Informal engagement with the workforce through branch visits, regular engagement with line managers, involvement in divisional meetings and shadowing departmental activity.
- Reviewing whistleblowing reports and outcomes.
- Receiving regular updates from Senior Management on the Group's compliance programmes and results.
- Receiving regular updates on progress against the Group's people strategy, including training and recruitment strategies.
- Reviewing workforce diversity, equality and inclusion initiatives.

Our values

Our values are the architects of our culture. They serve as a compass for our employees, directing their contributions towards the Group's success and instilling a commitment to uphold the highest ethical standards.

INNOVATIVE

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

PROFESSIONAL

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

AMBITIOUS

Wanting to get the best results for our customers.

RELENTLESS

Maintaining consistently high standards day in and day out.

AUTHORITATIVE

Being the most knowledgeable agents in the market.

Board stakeholder engagement

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

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

The Board regularly interacts with shareholders to facilitate effective dialogue, both through recurring scheduled events, such as investor roadshows and trading updates, and through one-to-one shareholder meetings led by the Chairman or CEO.

Shareholder communications are also supported by regular coverage from external analysts who cover the financial performance of the Group.

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

CORPORATE GOVERNANCE REPORT CONTINUED

2 DIVISION OF RESPONSIBILITIES

Our governance model in 2023

At 31 December 2023, the Board comprised the Non-Executive Chairman, four independent Non-Executive Directors and two Executive Directors. This page shows the Group's corporate governance structure and provides an overview of the Committees of the Board.

THE BOARD

Chair: Nigel Rich

Other members: Annette Andrews, Jack Callaway, Peter Rollings, Rosie Shapland, Guy Gittins, Chris Hough.

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

Board activities in 2023, refer to → PAGE 75.

Board biographies, refer to → PAGES 66 AND 67.

Roles and responsibilities, refer to → PAGES 72 AND 73.

Nomination Committee

Chair: Nigel Rich

Other members: Annette Andrews, Jack Callaway, Peter Rollings, Rosie Shapland

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

Refer to → PAGES 78 TO 83 for more information.

Audit Committee

Chair: Rosie Shapland

Other members: Annette Andrews, Jack Callaway, Peter Rollings

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

Refer to → PAGES 86 TO 91 for more information.

Remuneration Committee

Chair: Annette Andrews

Other members: Jack Callaway, Nigel Rich, Peter Rollings, Rosie Shapland

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

Refer to → PAGES 92 TO 121 for more information.

ESG Committee

Chair: Annette Andrews

Other members: Jack Callaway, Nigel Rich, Peter Rollings, Rosie Shapland

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

Refer to → PAGES 84 AND 85 for more information.

2023 roles and responsibilities

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

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

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

The roles and responsibilities of the Board members and Company Secretary as at 31 December 2023 are set out below.

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

2023 Board changes

The Board underwent some changes in 2023.

On 1 February 2023, Annette Andrews and Jack Callaway were appointed as Non-Executive Directors, with Annette Andrews becoming Chair of the Remuneration and ESG Committees at the 2023 AGM.

Both Alan Giles and Sheena Mackay retired at the 2023 AGM.

CORPORATE GOVERNANCE REPORT CONTINUED

Board governance

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

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

Board and Committee meetings

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

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

To ensure the continued effectiveness of the Board, the Chairman meets with the Non-Executive Directors without the presence of the Executive Directors when necessary. Similarly, the Senior Independent Director consults when necessary with the other Non-Executive Directors, without the Chairman being present, to consider the Chairman's performance. Refer to → PAGES 77, 82 AND 83 of the Nomination Committee Report on the Group's evaluation procedures.

Directors' attendance at scheduled Board and Board Committee meetings held during 2023 is provided in the table below:

	Meetings attended				
Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	ESG Committee
Nigel Rich	6/6	4/4	3/3	3/3	3/3
Guy Gittins	6/6	4/4	3/3	3/3	3/3
Chris Hough	6/6	4/4	3/3	3/3	3/3
Annette Andrews (appointed 1 February 2023)[1]	5/6	4/4	3/3	3/3	3/3
Jack Callaway (appointed 1 February 2023)	6/6	4/4	3/3	3/3	3/3
Alan Giles (retired 9 May 2023)	2/2	1/1	1/1	1/1	2/2
Sheena Mackay (retired 9 May 2023)	2/2	1/1	1/1	1/1	2/2
Rosie Shapland[2]	5/6	4/4	3/3	3/3	3/3
Peter Rollings	6/6	4/4	3/3	3/3	3/3

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

[1] Annette Andrews could not attend the June 2023 Board meeting due to a pre-existing commitment arranged prior to appointment to the Board.
[2] Rosie Shapland could not attend the June 2023 Board meeting due to an unavoidable medical appointment.

Board activity in 2023

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

The Board held six scheduled meetings during the year, with one additional meeting held to approve the appointment of two new Non-Executive Directors. The main activities of the Board during 2023 were as follows:

Strategy and execution

- Reviewing technology, data and marketing strategies.
- Considering market outlook and competitor activity.
- Reviewing financial and operational performance, cost base reduction initiatives and resource allocation.
- Reviewing ongoing customer service levels.
- Reviewing acquisition proposals and sector consolidation.
- Reviewing potential impact of the Renters Reform Bill.
- Reviewing strategic options for the Group.

Stakeholders impacted:
- Our Shareholders
- Our Customers
- Our People

Shareholder engagement

- Engagement with shareholders through recurring scheduled events such as investor roadshows and trading updates.
- One-on-one shareholder meetings covering topical matters including results, strategy, capital allocation, Director remuneration and ESG matters.
- Considering views of investors, including feedback from external brokers and shareholders following investor meetings.
- Consideration of market reaction to key announcements.

Stakeholders impacted:
- Our Shareholders

Employees and culture

- Reviewing outcomes from employee engagement at EEC meetings and considering any follow up actions.
- Review of external social / community engagement programmes.
- Review of people programmes including recruitment, engagement and performance management/ recognition (underpinned by diversity, equity and inclusion).
- Monitoring culture through a range a mechanisms (refer to → PAGE 56 for further details).
- Reviewing and making recommendations in relation to employee training programmes.

Stakeholders impacted:
- Our People

Internal control and risk management

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

Stakeholders impacted:
- Our Shareholders
- Our Customers
- Our Suppliers
- Our People

Financial oversight

- Reviewing and approving the annual budget and reviewing the five-year strategic plan.
- Approving 2022 annual results and 2023 interim results for 2023. Annual results for 2023 were approved in March 2024.
- Reviewing acquisition opportunities.
- Approving trading updates.
- Considering the Group's financial position, including viability and going concern.
- Reviewing capital allocation and buyback programme strategy.
- Reviewing refinance of Revolving Credit Facility.
- Reviewing the dividend policy.

Stakeholders impacted:
- Our Shareholders
- Our Suppliers
- Our People

Governance

- Reviewing compliance with the Code, including the approval of the Annual Report and Accounts.
- Reviewing terms of reference of Committees and matters reserved for the Board.
- Reviewing governance, legal and regulatory matters and the impact of regulatory changes on the Group.
- Considering Board evaluation results for 2023.
- Reviewing ongoing ESG programmes and targets.
- Reviewing remuneration matters.

Stakeholders impacted:
- Our Shareholders
- Our Customers
- Our Suppliers
- Our People
- Our Communities

CORPORATE GOVERNANCE REPORT CONTINUED

2023

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

Month	Board and committee meetings	Key business considered at Board meetings	Key market announcements
January	• Unscheduled Board Meeting[1] • Unscheduled Nomination Committee meeting[1]	• Appointment of Non-Executive Directors	• Year end trading update • Directorate change
February	• Main Board • Audit Committee • Remuneration Committee • Nomination Committee • ESG Committee	• 5 year plan review • Capital allocation • Approval of acquisition of Atkinson McLeod Ltd	
March			• Acquisition of Atkinson McLeod Ltd • 2022 final results & final dividend declared • 2022 Annual Report & Accounts • Notice of AGM 2023
April			• Q1 trading update
May	• Main Board • ESG Committee	• AGM proxy voting results • Cash management & RCF refinancing	• Results of 2023 AGM
June	• Main Board	• Lettings market regulatory changes (RRB) • Technology updates • Revolving credit facility approval • Annual review of management advisers	
July	• Main Board • Audit Committee • Nomination Committee	• Capital allocation • Half year results • Interim dividend approval	• 2023 half year results & interim dividend
September	• Main Board • Audit Committee • Remuneration Committee • ESG Committee	• Acquisition update • Board strategy day – reviewing all elements of the Group's strategy and operation	
October			• Q3 trading statement
November			• Acquisition of Ludlow Thompson Holdings Ltd
December	• Main Board • Audit Committee • Remuneration Committee • Nomination Committee	• Review and approval of 2024 budget • Review of 5 year plan • Review of 2023 Board evaluation results • Review of Financial Services business	

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

Conflicts of interest

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

Time commitment

All Non-Executive Directors are required to set aside sufficient time to carry out their Board responsibilities and show commitment to their role. During the year the Nomination Committee, as part of their review of the results of the Board evaluation process, considered the time commitment of all the Directors and agreed that the required time commitment is still appropriate. For the year ended 31 December 2023, and at the date of the publication of this Annual Report, the Board is satisfied that none of the Directors are over committed and that each Director devotes sufficient time to discharge their responsibilities.

Independence

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

NOMINATION COMMITTEE REPORT

3 COMPOSITION, SUCCESSION AND EVALUATION

"On behalf of the Nomination Committee, welcome to our report for the financial year ended 31 December 2023."

Nigel Rich CBE Chair of the Nomination Committee

Members of the Nomination Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Director Committee members are considered independent by the Board and in accordance with the Code. The Chair of the Committee was considered to be independent on his appointment as Chair of the Group. Biographical information can be found on → PAGES 66 AND 67. Members' attendance at Committee meetings is set out in the table on → PAGE 74. The Company Secretary acts as Secretary to the Committee.

Chair: Nigel Rich

Members as at 31 December 2023[1]: Annette Andrews, Jack Callaway, Peter Rollings, Rosie Shapland

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

2023 area of focus

- Appointment of two new Non-Executive Directors
- Appointment of the Senior Independent Director
- Board and Senior Management succession planning

Non-Executive Director changes

As announced on 27 January 2023, Annette Andrews and Jack Callaway joined the Board as Independent Non-Executive Directors on 1 February 2023. Annette Andrews became Chair of the Remuneration Committee and ESG Committee and Rosie Shapland became Senior Independent Director at the 2023 AGM. Further details regarding the recruitment process are set out on → PAGE 80.

Board and Senior Management succession planning

During the yearly strategy meeting, the Committee evaluated and deliberated on the succession planning of the Board and Senior Management. This was done to ensure the continued presence of a variety of viewpoints and perspectives at the Board and leadership level, which we consider crucial for our success. The Committee continues to monitor succession planning and talent development to guarantee that we possess the necessary skills for our future.

Board performance evaluation

An internal Board evaluation was completed in the second half of 2023. This exercise was carried out to review the performance of the Board, its Committees and the individual Directors. The internal Board evaluation was facilitated by Link Company Matters Limited, which has no connection to the Group (other than the provision of Company Secretarial services) or its individual Directors and was led by the Chair.

We set out on → PAGES 78 AND 79 details of the composition and work of the Nomination Committee during the year.

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

Role and responsibilities and activities undertaken during the year

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

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

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

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

Board composition

- Appointed two Non-Executive Directors.
- Reviewed the time commitment required from the Chairman and Non-Executive Directors to fulfil their roles
- Reviewed the structure, size and composition of the Board.
- Reviewed the skills, experience and knowledge of each Board member and of the Board as a whole, against the needs of the Board (refer to → PAGES 66 AND 67 for details of Board members' experience).
- Considered and recommended to the Board the re-election of Directors at the 2024 AGM.

Succession planning

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

Governance

- Considered and confirmed that each Non-Executive Director remained independent and committed to their role.
- Approved the report from the Nomination Committee in the 2023 Annual Report and Accounts.
- Reviewed its terms of reference.
- Reviewed the gender balance of those in Senior Management and their direct reports.
- Reviewed Board performance evaluation results relating to composition of the Board.
- Reviewed and updated the Company's Board Diversity Policy.

Committee effectiveness

- Reviewed progress against matters arising from the 2022 Board evaluation and considered the matters arising from the 2023 Board evaluation.
- Participated in the evaluation of its performance and agreed a plan to address any issues arising.

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

NOMINATION COMMITTEE REPORT CONTINUED

Appointment of Non-Executive Directors in 2023

On 27 January 2023 the Company announced the appointment of Annette Andrews and Jack Callaway as Non-Executive Directors with effect from 1 February 2023. Fidelio Partners, an independent external search consultancy which has no connection to the Company or its individual Directors, was engaged to assist with the search for both candidates with the search process led by the Chairman. The search specification for the first Non-Executive Director, who was also to be appointed Remuneration Chair, included experience of overseeing remuneration policies and having the capability of chairing a listed Remuneration Committee. The search specification for the second Non-Executive Director role included corporate finance experience. Fidelio Partners were directed to include diverse candidates, women in particular, in line with the Board's diversity policy.

From a long list of potential candidates, a number were selected for interview by a subcommittee of the Nomination Committee which excluded the retiring Non-Executive Directors. After due consideration, the Committee recommended the appointment of Annette Andrews and Jack Callaway to the Board, which then agreed their appointment. Biographical details can be found on → PAGES 66 AND 67.

At the end of the 2023 AGM Annette Andrews became Chair of the Remuneration Committee and Chair of the ESG Committee, Rosie Shapland became Senior Independent Director (SID).

Directors' service contracts

All of the Directors have service agreements or letters of appointment which are available for inspection at the Company's registered office during normal business hours. Details of the letters of appointment for Non-Executive Directors and the service contracts for Executive Directors can be found in the Directors' Remuneration Report on → PAGES 92 TO 121. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

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

Directors' induction and professional development

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

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

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

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

Overview of Non-Executive Directors' inductions to the Board

Annette Andrews and Jack Callaway both received an induction post-appointment that focused on the culture, operations, markets, risks and opportunities for the Group. Key elements of the induction comprised:

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

Election and re-election of Directors

The relevant experience and effectiveness of the Directors, and how that furthers the Company's business, is kept under review. The Committee and the Board have concluded that each Director standing for election and re-election at the AGM continues to demonstrate the necessary skills, experience and commitment to contribute effectively and add value to the Board. Biographies setting out the skills, experience and knowledge of each Director are available on → PAGES 66 TO 67. It is the Committee's and the Board's view that the Directors' biographies illustrate why each Director's contribution is, and continues to be, important to the Company's long-term sustainable success.

Details of the Board evaluation and effectiveness process can be found on → PAGES 81 AND 82.

Succession planning

Succession planning is a key priority for the Committee and enables the Board to deal with strategic and operational opportunities and challenges by ensuring that there is a systematic process in place to refresh the Board. Board succession planning takes into account the Board diversity policy (available at www.foxtonsgroup.co.uk/our-responsibility/corporate-governance) and the existing skills and experience of the Board and future requirements. The policy has been implemented as part of the succession planning activity in 2023, particularly during the search and appointment process for our two recent Non-Executive Director appointments effective in February 2023.

The Board's approach to Senior Management succession is to develop a talent pipeline. The Committee will continue to oversee the succession plans for the Board and Senior Management and is focused on ensuring there is a robust talent pool from which high-potential colleagues identified are developed and supported to prepare for leadership roles. This includes strengthening the leadership development proposition, supporting mentoring initiatives and planning role moves to provide more experience earlier in the careers of potential future successors.

Due to the Company's size, it is not always practicable for the Company to have an internal successor identified for all Senior Management roles. Where there is no obvious successor, the Committee is satisfied that the Company has a plan for appropriate short-term cover until a permanent successor can be recruited.

In 2023, in addition to the policy implementation following the selection and appointment of the Non-Executive Directors referenced, the Committee also reviewed the CEO's Senior Management succession plan and necessary actions were agreed following the review.

Diversity

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

Board diversity

The Board's policy on diversity is to ensure that the Directors on the Board have a broad range of experience, skills and knowledge, with diversity of thinking, background and perspective. When identifying suitable candidates for appointment to the Board, the Nomination Committee considers candidates on merit against objective criteria, having regard to the recommendations of the FTSE Women Leaders Review, the Parker Review and the Financial Conduct Authority's Listing Rule 9.8.6R(9), alongside the established needs of the Company. Any search firm engaged to assist the Nomination Committee in identifying candidates for appointment to the Board will be expected to include diverse candidates.

Targets set in Listing Rule 9.8.6.R (9) provides:

(i) At least 40% of individuals on the Board of directors are women;

(ii) At least one senior position on the Board of directors is held by a woman; and

(iii) At least one Director from a minority ethnic background on the Board.

The Board had not, as at the date of this Annual Report, met the targets set out in (i) or (iii) above however, target (ii) was met when Rosie Shapland, Chair of the Audit Committee, was appointed Senior Independent Director at the AGM on 9 May 2023, and Annette Andrews became Chair of both the Remuneration and ESG Committee at the same time.

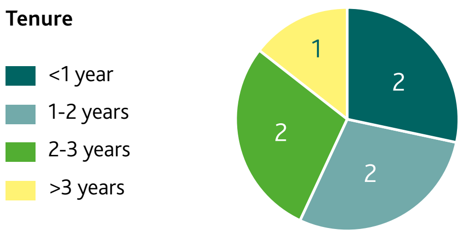
Gender identity	Number of Board members	% of the Board	Number of senior Board positions[1]	Number in Executive Leadership Team	% of Executive Leadership Team
Men	5	71%	3	6	75%
Women	2	29%	1	2	25%
Ethnic background					
White British or other White (including minority-white groups)	7	100%	4	7	87.5%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	1	12.5%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1 Senior Board positions are defined as the Chairman, Senior Independent Director, CEO and CFO.

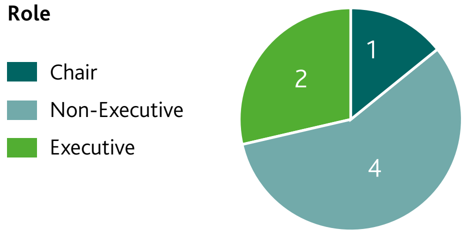
NOMINATION COMMITTEE REPORT CONTINUED

Board composition as at 31 December 2023

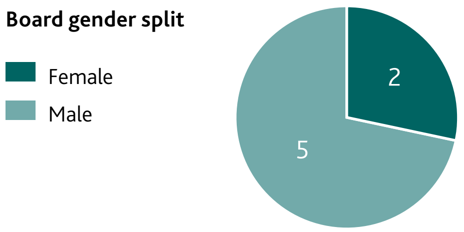
Tenure



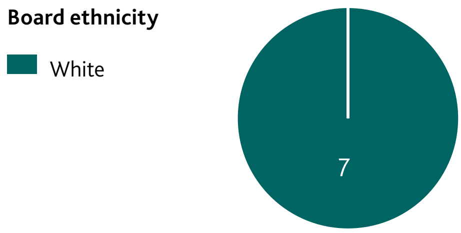
Role



Board gender split



Board ethnicity



Workforce diversity

The Committee continues to be broadly satisfied with the diversity at employee level within the Group but aspires to improve the gender balance and ethnic diversity at the senior level. In 2023 we prioritised succession planning for women and developing female talent pools. A key step taken in the year includes forming the Talent Management and Succession Planning Committee to identify top female talent to pipeline into senior positions, refining the Senior Management promotion process with clearer, more objective competency-based promotion criteria, and introducing a standardised interview and selection process to reduce bias across the recruitment and promotion process. Other initiatives in this area include mentoring, development programmes and flexible working, and the Committee will continue to monitor progress on behalf of the Board.

The Group's diversity reporting and diversity and inclusion initiatives are set out on → PAGES 55 AND 56. This includes details of the gender and ethnicity breakdown of Directors, Executive Leadership Team, Senior Management and all other employees.

Foxtons Limited, the Group's main trading entity, published its gender pay gap figures as at 5 April 2023 in line with the relevant regulations. The report can be found on the Group's website at www.foxtonsgroup.co.uk/our-responsibility/gender-pay-gap.

Board evaluation and effectiveness

An internal Board evaluation was completed in the second half of 2023. This exercise was carried out to review the performance of the Board, its Committees and the individual Directors. The internal Board evaluation was led by the Chairman and facilitated by Link Company Matters Limited, the Group's Company Secretary. The evaluation took the form of a questionnaire which gave Directors the opportunity to provide comments on areas of focus, including the structure of the Board and the effectiveness of the Board and its Committees. The responses to the evaluation of the Board and the Committees were collated, analysed and reported on by Link Company Matters Limited. The actions agreed by the Directors will be monitored by the Board during 2024.

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

Overview: Our internal Board evaluation process

Questionnaire

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

Questions were designed to focus the evaluation by Board members in a number of key areas and to cover the performance of the Board and its Committees as well as that of the Chairman and areas of focus for 2023.

Appraisal

Following receipt of the completed questionnaires during December 2023, Link Company Matters Limited reviewed the responses and produced a report which compiled the results of the evaluation exercise.

Evaluation

The Chairman reviewed the results of the evaluation exercise and shared the findings with Board members at the December 2023 Board meeting.

Outcomes

In December 2023, the Board reviewed the results of the evaluation exercise and agreed actions for 2024.

The Nomination Committee reviewed the evaluation results in December 2023 as far as responses impacted on Board size, composition, induction and training.

The diagram on → PAGE 83 summarises the 2023 evaluation outcomes and proposed actions. Additionally, we have set out the 2022 evaluation outcomes and actions taken.

2022 outcomes and actions taken

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

2023 outcomes and proposed actions

2023 assessment outcomes	Proposed actions
• Overall positive feedback for the refreshed Board. • Consideration to be given to holding separate days for Board and committee meetings thus allowing more time for focus on strategic matters as well as operational and governance matters. • The development of a workforce KPI dashboard will enhance the Board's review of key workforce matters. • Provision of refresher training on governance matters for Directors.	• Key Board and committee meeting sessions to be held over two days to enable additional discussion on strategic matters. • Workforce dashboard covering a wide range of measures to be developed and reviewed periodically by the ESG Committee. • Individual Directors to monitor their own training needs as part of continuous development.

Annual evaluation of the Nomination Committee's performance

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

Governance

During the year, the Committee received briefings from the Company Secretary on corporate governance matters. We have reported on the Company's compliance with the Code on → PAGE 70 of the Corporate Governance Report.

Priorities for 2024

The Committee will continue to focus on succession planning for both the Board and Senior Management, taking into account our Board diversity policy and the FCA's Board diversity rules applicable for 2024. Furthermore, across the wider organisation, management continues to strive to develop a workforce that reflects the communities we serve and cultivate an environment where every employee feels motivated to excel and empowered to reach their full potential.

Nigel Rich CBE
Chairman of the Nomination Committee
4 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE REPORT

"The Committee focuses on enhancing our approach to ESG issues, which in turn strengthens our overall business performance and stakeholder relationships."

Annette Andrews Chair of the ESG Committee

Members of the ESG Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Board and in accordance with the Code. Nigel Rich was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on → PAGES 66 AND 67. Members' attendance at Committee meetings is set out in the table on → PAGE 74. The Company Secretary acts as Secretary to the Committee.

The Committee Chair has relevant ESG experience having 30 years' HR and people experience in both regulated and commercial businesses. Other Committee members have relevant experience through other external appointments, knowledge of the Group's operations and broader experience of working in customer facing businesses.

Chair: Annette Andrews[1]

Members as at 31 December 2023: Jack Callaway[1], Nigel Rich, Peter Rollings, Rosie Shapland

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

Our Responsible Business report on → PAGES 40 TO 62 provides details on a range of environmental and social matters, including our environmental and social commitments.

2023 areas of focus

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

Environmental matters

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

Social matters

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

Governance

During the year, the Committee received briefings from the Company Secretary on ESG related corporate governance matters as relevant. We have reported on the Company's compliance with the Code on → PAGE 70 of the Corporate Governance Report.

The environmental and social governance framework, which establishes the reporting lines on environmental and social matters and Senior Management responsibilities, has been reviewed in the period.

1 Annette Andrews and Jack Callaway were appointed to the Board and ESG Committee on 1 February 2023. Annettee Andrews was appointed as Chair of the Committee at the 2023 AGM.

Role and responsibilities and activities undertaken during the year

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

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

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

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

Environment

- Reviewing the annual Streamlined Energy and Carbon Reporting statement and other relevant key performance indicators.
- Reviewing progress of the Group's emission reduction initiatives, including the vehicle fleet electrification programme, the branch energy usage reduction programme and progress against the Group's interim 2030 emission reduction target.

Social – employees

- Reviewing the Group's people programme, and specifically the Group's employee value proposition.
- Reviewing the annual employee engagement/culture survey results and review of management's response plan.
- Reviewing employee diversity and inclusion activities.
- Reviewing the Group's health and safety governance framework and performance.
- Reviewing the Group's modern slavery statements and ongoing compliance.

Social – communities

- Reviewing the Group's community initiatives.
- Providing oversight to the Group's selection of a new charity partner in the context of the Group's values and priorities.

Governance

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

- Reviewing the framework, strategy, activities and commitments relating to the Group's environmental and social responsibilities.
- Agreeing the Committee's agenda for 2023 and 2024.
- Reviewing ESG related Annual Report disclosures, including TCFD reporting.

Annual evaluation of the ESG Committee's performance

As part of the internal Board evaluation this year, the performance of the ESG Committee was reviewed and found to be satisfactory with no issues identified.

Priorities for 2024

The Committee's priorities include reviewing the implementation of the redesigned employee value proposition (refer to → PAGE 54 for further details), reviewing charitable activities relating to the Group's new charity partner, Single Homeless Project, and continuing to monitor progress against the Group's environmental commitments.

Annette Andrews
Chair of the ESG Committee
4 March 2024

AUDIT COMMITTEE REPORT

4 AUDIT, RISK AND INTERNAL CONTROL

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

Rosie Shapland Chair of the Audit Committee

Members of the Audit Committee and attendance at meetings

The membership of the Committee is set out below. All Committee members are considered independent by the Board and in accordance with the Code. Biographical information can be found on → PAGES 66 AND 67. Members' attendance at Committee meetings is set out in the table on → PAGE 74. The Company Secretary acts as Secretary to the Committee.

Chair: Rosie Shapland

Members as at 31 December 2023[1]: Annette Andrews, Jack Callaway and Peter Rollings

The Committee's work continues to focus on protecting the interests of shareholders by monitoring the effectiveness of risk management processes, internal controls and financial reporting processes. The Committee has focused on monitoring and strengthening internal controls, risk management processes and monitoring emerging risks, including the impact of climate change. The Committee also monitors the control environment of Alexander Hall, the Group's FCA regulated Financial Services arm, by engaging with management, reviewing third party internal control reports, and receiving a specific update on the risk and compliance framework.

The Group's internal audit programme has continued to be delivered by PwC with three internal audit reviews providing assurance over significant risk or strategically important areas. Internal audit reviews in the year have covered Lettings acquisition execution, Alexander Hall compliance and the estate agency workforce performance management framework. During the year, PwC also reported to the Committee management's progress in addressing audit findings identified from prior reviews and validated management's response.

During the year, the Committee reviewed a number of key financial reporting matters including the annual brand impairment review, with particular focus on the cash flow forecasts, charges presented as adjusted items in the period, alternative performance measures, acquisition accounting and the Group's going concern assumption and longer-term prospects and viability statement.

Role of the Audit Committee

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

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

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

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

Composition of the Committee

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

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

Significant financial reporting matters

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

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

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

AUDIT COMMITTEE REPORT CONTINUED

Other relevant financial reporting matters

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

- **Adjusted items and alternative performance measures**
  The Committee considered the presentation and disclosure of £4.5 million of adjusted items which have been recognised in the period (refer to Note 4 of the financial statements for further details). The Committee reviewed the quantification and the nature of the adjusted items, with reference to the Group's adjusted items policy (refer to Note 1 of the financial statements), and concluded the classification and disclosure of the items was appropriate and the policy had been consistently applied across financial years. Additional alternative performance measures have been presented in the year: adjusted EBITDA; adjusted EBITDA margin; and adjusted profit before tax. These measures provide readers of the financial statements with additional information to assess the performance of the Group (refer to Note 28 for further details). The Committee determined the Group's alternative performance measures disclosure to be appropriate.
- **Going concern and longer-term prospects and viability statement**
  The Committee reviewed management's assessment of the Group's going concern assumption and longer-term prospects and viability statement. The review included consideration of forecast cash flows, specifically uncertainties in relation to the macroeconomic outlook, the reverse stress scenario sensitivity and the Group's liquidity over the relevant forecast period.

  For the purposes of assessing the going concern assumption, an 18-month forecast period from the date of the approval of the 2023 financial statements was considered, including the results of a reverse-stress scenario. A longer period of five years was used for assessing viability, which is consistent with the Group's strategic planning period. The viability assessment included the consideration of severe, but plausible, scenarios and the impact such scenarios could have on the Group's future financial position. The Committee confirmed preparing the financial statements on a going concern basis continues to be appropriate and recommended the approval of the long-term prospects and viability statement as set out on → PAGES 38 AND 39.

The Committee also reviewed other key estimates:

- **Acquisition accounting**
  As set out in Note 13 of the financial statements, the Group acquired two businesses in the year. Management's purchase price allocation exercises identified £5.9 million of acquired intangible assets relating to customer contracts and relationships and £14.7 million of goodwill arising on the acquisitions. The Committee reviewed the key valuation assumptions and is satisfied that the acquisition accounting is appropriate.
- **Provisions**
  The Group has provisions of £4.6 million (refer to Note 20 of the financial statements) which primarily relate to property related liabilities. The Committee reviewed the key assumptions used to determine the year end provision balance and concluded the valuation of the provision is appropriate.
- **Branch impairment assessment**
  The Committee also reviewed management's branch impairment assessment and is satisfied that the carrying value of branch property, plant and equipment and right-of-use assets as at 31 December 2023 is appropriate (refer to Note 11 and Note 12 of the financial statements).
- **Impairment of trade receivables and contract assets**
  The Committee reviewed the Group's approach to measuring impairment of trade receivables and contract assets, and concluded the recognised expected credit losses against both balances to be appropriate (refer to Note 16 and 19 of the financial statements).

The Committee also reviewed the continuing rationale for not recording client monies in the Group's financial statements. The Committee concluded there was no judgement in this area, and no amounts should be recorded in the Group's financial statements, since these funds belong to tenants. Refer to Note 26 of the financial statements for details of the value of client money held at 31 December 2023.

Financial reporting

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

Risk management and internal controls

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

The Board has defined its risk appetite for strategic, financial, operational and compliance risks as set out on → PAGE 33 of the Strategic Report. A standard methodology for risk assessment is applied across the Group to assist with monitoring gross and residual risk and comparing residual risk against risk appetite. As required by the Code, the Board, through the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Group, including those that could threaten its business model, future performance, solvency or liquidity. Further details can be found on → PAGES 35 AND 36 of the Strategic Report.

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

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

On the basis of the above procedures and the monitoring processes employed, the Board, supported by the Audit Committee, has reviewed the effectiveness of the risk management and internal control systems during 2023, and up to the date of the approval of the Annual Report and Accounts. No significant failings or weaknesses were identified during the period under review.

Internal audit

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

During 2023 PwC reported on three internal audits covering lettings acquisition execution, Alexander Hall compliance and the estate agency workforce performance management framework. The independent reports issued in these areas were scoped with reference to the risk profile of each area and all areas were reported to be satisfactory, with only low or medium findings being reported against certain areas. Appropriate remediation plans have been put in place to respond to the findings with good progress made against these items in the year.

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

Whistleblowing

The Group believes that it is important to have a culture of openness and accountability in order to prevent situations relating to possible impropriety, financial or otherwise, from occurring or to address them when they do occur. The Group's independent whistleblowing helpline open to all employees, continues to be in operation and activity reports are provided to the Committee, with any matters relating to Senior Management being reported directly to the Audit Committee Chair.

AUDIT COMMITTEE REPORT CONTINUED

Any material whistleblowing matters are raised to the Board and responded to accordingly. The Committee is satisfied that the whistleblowing policy and its administration remain effective.

Fair, balanced and understandable

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

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

The process outlined, together with the review and challenge of management by the Committee and its recommendation to the Board, provides comfort to the Board that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's business model, strategy, position and performance. The Directors confirm this statement within the Directors' Responsibilities Statement on → PAGE 125.

External auditor

BDO were re-appointed as external auditor by shareholders at the AGM in 2023. The 2023 audit was led by Tim Neathercoat. Under the partner rotation rules set out in the applicable ethical standards, his final year as partner will be 2024 after five years of service.

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

- Reviewing the external auditor's plan, with specific focus on the auditor's approach to auditing areas of heightened interest to the Audit Committee, or are new or unique to the 2023 audit, such as the acquisition accounting for the two businesses acquired in the year and an increase in the Group's contract asset balance driven by the introduction of shorter billing terms.
- Discussing the results of the external auditor's testing, including their views on material accounting issues, key judgements and estimates, and their audit report. The auditor's reporting to the Committee included details of how the audit procedures challenge management's key judgements in relation to the other financial reporting matters set out on → PAGES 87 AND 88.
- Considering the robustness of the audit process, specifically how the auditor has challenged management's key assumptions and demonstrated professional scepticism throughout the audit.
- The Committee assessed the auditor's professional scepticism in a number of ways, including making enquiries with the audit partner in relation to the extent of audit procedures, challenging the auditor's IT specialist on the extent of general IT controls testing, and as noted above, challenging the auditor's assessment of management's key assumptions and judgements. Specific attention was paid to the auditor's professional scepticism in relation to the significant financial reporting matters and other relevant financial reporting matters set out on → PAGES 87 AND 88.
- Reviewing the quality of people and service provided by BDO, including a review of the FRC's latest Audit Quality Review of BDO and BDO's response to the FRC's findings.
- Confirming the independence and objectivity of BDO.

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

Non-audit services

In brief, there are certain services termed 'excluded services' that are not permitted to be provided by the external auditor as set out in the Group's non-audit service policy (full policy available at www.foxtonsgroup.co.uk/our-responsibility/corporate-governance). Excluded services comprise services prohibited under the applicable regulatory and ethical guidance. All permitted non-audit services provided by the external auditor are subject to prior approval by the Committee. With the exception of the interim review performed under International Standard on Review Engagements (UK and Ireland) 2410 and an accountant's report required as a Propertymark member, there were no other non-audit services undertaken during the year. Total non-audit fees for services provided by BDO for the year ended 31 December 2023 were £47,000 (2022: £45,000). Audit fees for the year were £475,000 (2022: £375,000).

Evaluation of the Audit Committee's performance

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

Conclusion

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

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

KEY ACTIVITIES

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

Role	Tasks	July 2023	Sept 2023	Dec 2023	Feb 2024
Financial reporting	Monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements, including any relevant changes in accounting or reporting standards.	●	●	●	●
	Review of key financial reporting matters (key matters are set out on → PAGES 87 AND 88).	●	●	●	●
	Reviewing the plan for the production of the 2023 Annual Report and Accounts, including the plans for reporting on the UK Corporate Governance Code.			●	
	Receiving the annual and half yearly financial statements and advising the Board on whether the Annual Report and Accounts are fair, balanced and understandable. In fulfilling this task, the Audit Committee reviewed the process undertaken to produce the Annual Report and Accounts, which included guidance given to contributors, internal verification processes and content approval procedures.	●			●
	Reviewing the going concern paper which analysed the profitability and cash generation of the Group and agreeing with the adoption of the going concern basis.	●		●	●
	Reviewing the Group's assessment of the Task Force on Climate-Related Financial Disclosures framework and reviewing the related disclosures in the Annual Report and Accounts with reference to the ESG Committee's recommendations.				●
	Considering and reviewing the viability statement and supporting sensitivity analysis which assessed the potential impact of the principal risks on the future performance and liquidity of the Group over a five-year period.			●	●
External audit	Approving the appointment of the external auditor and their terms of engagement and fees for the financial year 2023.		●		
	Considering the scope of work to be undertaken by the external auditor, assessment of the auditor's professional scepticism and reviewing the results of the work undertaken.	●	●		●
	Receiving the external auditor's audit planning paper for 2023 and reviewing materiality thresholds and areas of risk where the auditor would concentrate.		●		
	Reviewing and monitoring the independence of the external auditor and approving their provision of non-audit services.		●		●
	Reviewing the effectiveness of the external auditor.	●			
	Reviewing the external auditor's interim review, pre year end and year end report (no material issues were identified in any of BDO's reports).	●		●	●
Internal audit	Reviewing internal audit's assurance map and risk assessment. Approving the internal audit plan for 2024.			●	
	Reviewing internal audit reports following the completion of specific audits, monitoring progress against the internal audit plan and assessing ongoing effectiveness of internal audit.	●	●	●	
Internal controls	Ensuring compliance with the UK Corporate Governance Code.				●
	Reviewing the whistleblowing policy and helpline reports.			●	●
	Reviewing internal control reports from external audit, internal audit and relevant management committees; and advising the Board on the effectiveness of the Group's systems of internal controls in order to allow the Board to assert as such in the Annual Report and Accounts.	●	●	●	●
Risk Management	Reviewing the Group's risk appetite and risk monitoring systems which assess gross risk, mitigating controls and residual risk across the Group and comparing residual risk against the Board's risk appetite.			●	●
	Reviewing controls within the IT function through reports received from the Chief Information Officer, the internal auditor and the external auditor, including progress with the Group's cyber security strategy, response to cyber threats and attacks and the general IT control environment.		●	●	●
	Reviewing a report on legal and compliance matters within the Group.		●		
Governance	Reviewing the Committee's terms of reference.			●	
	Reviewing the Group's non-audit services policy.		●		

Rosie Shapland
Chair of the Audit Committee
4 March 2024

DIRECTORS' REMUNERATION REPORT

5 REMUNERATION

"The Remuneration Policy, approved by shareholders at the May 2023 AGM, has been implemented with the outturns reflecting the significant progress made in 2023 against the Group's strategic priorities."

Annette Andrews Chair of the Remuneration Committee

Members of the Remuneration Committee and attendance at meetings

The membership of the Committee is set out below. All of the Non-Executive Directors who are Committee members are considered independent by the Board and in accordance with the UK Governance Code. Nigel Rich was considered to be independent on his appointment as Chairman of the Company. Biographical information can be found on → PAGES 66 AND 67. Members' attendance at Committee meetings is set out in the table on → PAGE 74. The Company Secretary acts as Secretary to the Committee.

Chair: Annette Andrews[1]

Members as at 31 December 2023: Jack Callaway[1], Nigel Rich, Peter Rollings, Rosie Shapland

Annual Statement from the Remuneration Committee Chair Refer to → PAGES 93 AND 94	Overview statement from the Committee Chair providing relevant background for remuneration decisions and a summary of key decisions.
The work of the Committee Refer to → PAGE 95	An overview of our work in the year.
Directors' Remuneration Report at a glance Refer to → PAGES 96 TO 98	A summary of remuneration in respect of 2023.
Summary of Directors' Remuneration Policy Refer to → PAGES 99 TO 102	Summary of the Policy that was approved at the 2023 AGM, and how it will be implemented in 2024.
2023 Annual Report on Remuneration Refer to → PAGES 102 TO 121	The Annual Report on Remuneration includes the following sub-sections: • Our approach to fairness and wider workforce considerations. • How we implemented the Policy in 2023. • Additional information.

The 2023 Annual Report on Remuneration, including the Annual Statement from the Remuneration Committee Chair, will be subject to an advisory vote at the 2024 AGM.

[1] Annette Andrews and Jack Callaway were appointed to the Board and Remuneration Committee on 1 February 2023. Annette Andrews was appointed as Chair of the Committee at the end of the 2023 AGM.

ANNUAL STATEMENT FROM THE REMUNERATION COMMITTEE CHAIR

On behalf of the Board, I am delighted to present my first Directors' Remuneration Report as the Chair of the Remuneration Committee, for the year ended 31 December 2023. I would like to thank Alan Giles, my predecessor, for his support throughout our transition, and all members of the Committee over the period.

2023 was the first year of implementation of the Remuneration Policy approved by shareholders in May 2023, which received overwhelming support of 97.45%. This annual statement sets out a summary of business performance, the incentive outcome for this year as well as remuneration decisions for implementation in 2024.

Introduction

In a year where macro pressures, in particular rising mortgage rates, have significantly impacted the sector and influenced customer trends, Foxtons has performed well delivering resilient earnings despite a challenging sales market. Significant progress has been made against the Group's turnaround plan, with market share gains delivered across Lettings, Sales and Financial Services reflecting the operational changes made to date.

Management and the broader team have also demonstrated continued progress against our strategy to drive recurring and non-cyclical earnings growth, with the successful completion of two lettings acquisitions in 2023. The Group's strategy of acquiring lettings businesses, coupled with Lettings organic growth, has protected profitability in a lower volume sales market to a far greater extent than in previous years. This strong performance has been reflected in the shareholder experience, with share price growth over the period of 55%, and the full year dividend being maintained at 0.9p per share.

2023 variable pay

Variable pay continues to form a core part of the reward for Executive Directors, Senior Management and fee earners, reflective of the culture at Foxtons, and in the residential property industry more generally. Full year earnings were ahead of consensus market expectations, with adjusted operating profit of £14.3 million (2022: £13.9 million) despite sales market headwinds. Non-financial KPIs performed well, in particular market share growth which has been driven by improvements in data, core processes, culture and brand, alongside investment in fee earners.

The formulaic outcome under the Bonus Banking Plan (BBP) for Executive Directors is 82.7% of maximum for the year ending 31 December 2023. This reflects strong performance against the adjusted operating profit, Lettings market share % growth, Sales market share % growth and employee experience performance measures. Further details of performance against each of the 2023 BBP targets are set out on → PAGE 115.

The Committee carefully considered the appropriateness of the 2023 BBP targets and the respective formulaic BBP outcomes in light of the overall business performance on a holistic basis, including consideration of the experience of stakeholders in 2023. Shareholders will recall that the Committee exercised downwards discretion in respect of the 2022 BBP outcome having taken a number of factors into consideration in addition to the formulaic outcome, however the Committee determined that no discretionary adjustment would be appropriate to the 2023 BBP outcome and that the formulaic outcome fairly reflects the underlying performance of the business. Further details of the experience of stakeholders in 2023 are set out on → PAGE 98.

Whilst neither of the current Executive Directors, nor the Former CEO and Former CFO have 2021 RSP awards that will vest in May 2024, the Committee considered the issue of windfall gains given that a pro-rated award is due to vest to the Former COO, Patrick Franco. Following detailed consideration, the Committee has determined that no adjustment would be appropriate to the vesting of the award on the basis it was granted at a share price that was stable for much of the period of 2021, and has not materially increased over the vesting period, and therefore there is no windfall gain incorporated within the value of the award. The final vesting of this award will be disclosed in the Directors' Remuneration Report next year.

In line with the 2023 Remuneration Policy, the CEO and CFO received an RSP grant of 100% and 75% of salary, respectively in 2023. As set out in detail in last year's report, a qualitative holistic underpin continues to apply to the RSP, which will be assessed at the point of vesting. This allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.

2024 implementation

CEO base salary review

Following appointment in September 2022, the Committee has not awarded the CEO with a salary increase to date. Following review, the Remuneration Committee has awarded the CEO with a 4% base salary increase from 1 April 2024, in line with the average salary increase awarded to eligible employees. This results in a base salary of £468,000.

CFO base salary review

Chris Hough was appointed as CFO with a gross base salary of £250,000 which is significantly below that of his predecessor (£305,400) and below the market rate for a business of the size and complexity of Foxtons. As set out in last year's Chair letter, the Committee did this with the intention of keeping his salary under review with the potential to move it towards the market rate as the CFO developed and established himself in the role.

DIRECTORS' REMUNERATION REPORT CONTINUED

As disclosed in last year's report the Committee considered moving the CFO's base salary in early 2023 to align with pay levels for equivalent roles in the market. In light of inflationary pressures the wider workforce had experienced and the cost of living crisis, the Committee determined it inappropriate to award either Executive Director a salary increase at that time. The Committee committed to keep this under review with the intention of aligning the CFO's salary with the market in 2024, subject to continued performance in role.

Having reviewed the CFO's continued strong performance and progression within the role over 2023, the Committee determined that the CFO's salary should be increased in line with the market rate for a business the size and complexity of Foxtons. Having considered this carefully, the Committee agreed that an appropriate salary level for the CFO is around £300,000 which is positioned between the lower quartile and median of the FTSE Small Cap, and remains below that of the previous CFO. This salary level will be achieved over two years subject to continued strong performance in role as follows; from 1 April 2024, the CFO's salary will increase by 9.6% to £274,000, and by a further 9.5% to £300,000 from 1 April 2025. The CFO will be eligible for normal annual salary increases as determined appropriate by the Committee following 2025.

The CFO will continue to receive a proportion of his salary in Salary Substitute Restricted Shares, creating further alignment to the shareholder experience. The Committee has determined that the proportion of the CFO's salary that will be paid in Salary Substitute Restricted Shares from 1 April 2024 will be set at 10%, reduced from the current 20%, to align his arrangements with the approach taken for the CEO.

2024 incentives

2024 incentives will be operated in line with the shareholder approved 2023 Remuneration Policy. As such, the CEO and CFO will be eligible for a BBP opportunity of 150% and 125% of salary, respectively, and an RSP grant of 100% and 75% of salary, respectively.

The BBP will continue to be based on adjusted operating profit, Sales market share growth, Lettings market share growth and an assessment of the employee experience. A qualitative holistic underpin will continue to apply annually to the unpaid balance of the BBP and at the point of vesting for the RSP.

The discretionary underpin allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted. The Committee is satisfied that the operation of a holistic underpin is the most appropriate approach for Foxtons, and the Committee will continue to implement the framework that was developed last year to assess performance over the period, to ensure that it is robustly and thoroughly assessed.

Wider workforce

During 2023, Foxtons reviewed wider workforce salaries in light of the continued high inflation levels and cost of living crisis and awarded an average salary increase of 3.3% across the business. For those members of the wider workforce who receive variable pay, which includes commission payments and bonuses, the average increase from 2022 to 2023 was 13%.

For 2024, base salary increases for eligible employees will average c.4%, with certain junior employee groups receiving higher base salary increases, for example Trainee Negotiators will receive a c.10% base salary increase in April 2024 to reflect the uplift in the National Living Wage.

ESG measures

Employee engagement continues to be a well-established component of our annual bonus performance measures, and for 2023 the Committee modified the measure in order for it to make a broader assessment of how employees have been managed and their overall experience rather than a single narrow engagement measure.

As described in the ESG Committee report, the Group has various environmental commitments, including an interim emissions target to reduce Scope 1 and Scope 2 emissions by 30% by 2030 (from a 2021 baseline) and to electrify the vehicle fleet by 2030.

The Committee will continue to review the importance of a range of ESG measures, including those that relate to the environment, but do not propose to introduce further measures into incentive plans unless they are material to the Group's strategy and can be robustly measured.

Conclusion

The performance in 2023 was strong on a range of metrics and the Executive team have continued to establish themselves in role following their respective appointments, delivering on the business's strategy. We look forward to receiving any shareholder feedback and hope to receive support in favour of our Remuneration Report at our upcoming AGM.

Annette Andrews
Chair of the Remuneration Committee
4 March 2024

THE WORK OF THE COMMITTEE

How many times did the Committee meet and what did we do?

We met as a Committee three times since the last Directors' Remuneration Report. We believe it is important that the Committee keeps up to date on an ongoing basis during the year to ensure discussions are timely where business decisions may affect remuneration. The Committee's key activities since the 2022 Directors' Remuneration Report was issued are set out below.

September 2023

- Reviewed ESG remuneration trends and developments.
- Reviewed wider workforce topics, including pay fairness and the employee value proposition.

December 2023

- Reviewed the Committee's performance evaluation results.
- Reviewed the training and development needs of the Committee.
- Reviewed trends and governance developments.
- Reviewed Senior Management remuneration.
- Reviewed the Executive Directors' and the Chairman's remuneration for 2023.

February 2024

Matters relating to 2023:

- Reviewed and approved the outturn of 2023 bonus payments for Executive Directors and Senior Management.
- Reviewed and approved the 2023 Directors' Remuneration Report.
- Reviewed workforce remuneration.
- Reviewed the latest Gender Pay Gap Report.

Matters relating to 2024, policies and other matters:

- Reviewed Executive Director remuneration, including 2024 packages, BBP 2024 targets and 2024 share awards.
- Reviewed Senior Management remuneration, including 2024 packages and share-based awards.

Who supports the Committee?

During the year, we sought internal support from the CEO and CFO whose attendance at Committee meetings was by invitation from the Chair, to advise on specific questions raised by the Committee and on matters relating to the performance and remuneration of the Senior Management team. The Company Secretary acts as Secretary to the Committee. No Director was present for any discussions that related directly to their own remuneration. Our adviser is PwC, with further details provided on → PAGE 121.

What are the Committee's responsibilities?

The key responsibilities of the Remuneration Committee are to:

- Determine the Remuneration Policy for Executive Directors and Senior Management, in the context of pay and conditions across the wider workforce.
- Review workforce remuneration and related policies across the Company as a whole.
- Design and approve specific remuneration packages and their implementation, which include salaries, bonuses, equity incentives, pension rights and benefits.
- Review the Executive Directors' service contracts.
- Consider the external business environment, market changes and benchmarking data.
- Ensure failure is not rewarded and that steps are always taken to mitigate loss on termination, within contractual obligations.
- Approve the terms, recommend grants and approve the vesting outcomes under the Group's incentive plans.

The Committee's terms of reference, which are reviewed regularly, are set out on the Company's website (www.foxtonsgroup.co.uk).

Annual evaluation of the Remuneration Committee's performance

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

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION REPORT AT A GLANCE

Remuneration in respect of 2023

The Remuneration Policy operated as intended during the year. The following tables set out what our Executive Directors earned during the year:

Fixed components

Current Executive Directors

Guy Gittins, CEO

- **Salary:** £450,000 (10% in Salary Substitute Restricted Shares)
- **Pension:** 3% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Chris Hough, CFO

- **Salary:** £250,000 (20% in Salary Substitute Restricted Shares)
- **Pension:** 3% of base salary
- **Benefits:** Company car (or allowance), life assurance and private medical insurance

Variable components

2023 Annual BBP outcome

	Bonus outcome (% of maximum)	**Maximum bonus** (% of salary)	**Salary** (£'000)	**Bonus outcome** (£'000)	**Bonus outcome** (% of salary)
CEO Guy Gittins	82.7%	150%	450.0	558.0	124%
CFO Chris Hough		125%	250.0	258.3	103%

More detail on the performance condition outcomes are set out on → PAGE 116.

Each year the bonus outcome contributes to the participants' plan account with a proportion paid out in cash and a proportion paid out in shares. 100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant. 2023 was the fourth year of the first cycle of the BBP and as such, the full balance of cycle one will be settled in shares and cycle two of the BBP comes into operation.

The table below summarises the movements in participants' cycle one plan account from 31 December 2023 onwards:

	CEO Guy Gittins (£'000)	**CFO Chris Hough** (£'000)
Value of deferred notional shares in plan account at 31 December 2023 (end of year four of the plan)	110.7	118.0
Bonus contribution made at the start of 2024 in respect of performance over 2023	–	–
Cumulative account following contribution and dividends	**113.0**	**120.4**
Less: 2024 cash payment out of the plan account	–	–
Value of deferred notional shares to be paid in shares in early 2024 (£'000)	**113.0**	**120.4**

The table below summarises the movements in participants' cycle two plan account from 31 December 2023 onwards:

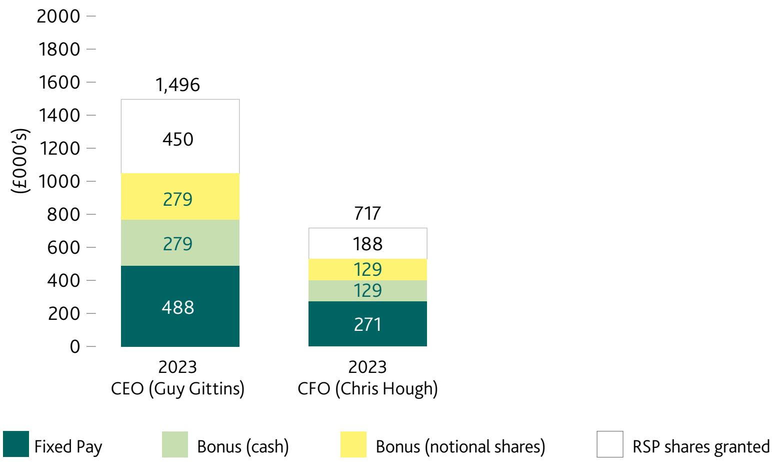
	CEO Guy Gittins (£'000)	CFO Chris Hough (£'000)
Value of deferred notional shares in plan account at 31 December 2023 (end of year one of the plan)	n/a	n/a
Bonus contribution made at the start of 2024 in respect of performance over 2023	558.0	258.3
Cumulative account following contribution and dividends	**558.0**	**258.3**
Less: 2024 cash payment out of the plan account	(279.0)	(129.2)
Value of deferred notional shares carried forward over to 2024	**279.0**	**129.2**

Long-term incentive plans vesting during 2023

Long-term incentives	CEO Guy Gittins (£'000)	CFO Chris Hough (£'000)
No RSP awards were due to vest during the year[1]	n/a	n/a

[1] No RSP awards were due to vest during the year for incumbent Executive Directors. In line with the default treatment, the Former CEO's unvested RSP awards were forfeited on cessation of employment. This treatment also applied to the Former CFO's in-flight RSP awards.

Total single figure of remuneration



[1] In line with the remuneration reporting regulations, and as explained on → PAGE 116, the RSP awards (which have a 3 year vesting period and a 2 year holding period) have been included in the year of grant for the purposes of calculating the total single figure of remuneration. Fixed pay includes base salary (cash and Salary Substitute Restricted Shares), pension and benefits.

In line with the remuneration reporting regulations, the RSP awards have been included in the year of grant, which impact both the 2022 and 2023 total single figure. While the RSP award is included in the total single figure amount in the year of grant, it does not actually vest until three years after grant and is then subject to a further two-year holding period. Only once it vests is the Executive Director unconditionally entitled to the award.

When considering the appropriateness of incentive outcomes, the Committee considers these in light of business performance, as set out in the Annual Statement from the Remuneration Committee Chair, as well as the wider stakeholder experience. The table below sets out the stakeholder experience in the year. On this basis, the Committee is satisfied that the above incentive outcomes are appropriate.

DIRECTORS' REMUNERATION REPORT CONTINUED

	Experience during 2023
Employees	• The overall employee base of the Group has remained stable with fewer than 5 redundancies in the year. • Wider workforce inflationary basic salary increases of c.3% (excluding Executive Directors) and wider workforce variable pay outcomes were c.13% up on 2022 (excluding Executive Directors). • Bonus outcomes of 87% of maximum bonus opportunity for Senior Management, excluding specific outliers. • Enhanced employee experience through several CEO led initiatives, including improving employee communication, investing in training, reviewing employee incentive schemes and reviewing the employee value proposition.
Investors	• Share price increased by 55% from 29.7p at the end of 2022 to 46p at the end of 2023. • Total shareholder return (TSR) performance of 59% in 2023. • Total 2023 dividend of 0.9p per share (interim dividend of 0.2p per share and final dividend of 0.7p per share proposed), compared to a total 2022 dividend of 0.9p per share. • Bought back £1.1 million of shares to return excess capital to shareholders following the strong trading performance during the period.
Directors	• No increase to base salary for Non-Executive Director fees for 2023, including the Chairman. • No increase to base salary for Executive Directors for 2023, with both the CEO and CFO appointed on a reduced package compared to predecessors. • CEO and CFO took 10% and 20% of salary in shares respectively with significant vesting and holding periods.
Customers	• Increased focus on driving customer service across all elements of the business through customer engagement and feedback, employee training and rewarding excellent customer service delivery. • Continued to deliver high levels of customer satisfaction as evidenced by the 2023 Trustpilot score of 4.7 out of 5.
Wider society	• Environmental and social initiatives continue to be progressed, further details are provided in the ESG Committee's report set out on → PAGES 84 AND 85.

SUMMARY OF THE DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN 2024

Executive Director remuneration under the 2023 Remuneration Policy

This section sets out a summary of the Group's Remuneration Policy for Executive and Non-Executive Directors which was approved by shareholders at the AGM on 9 May 2023 and is intended to apply for three years. The full policy report is set out on → PAGES 103 TO 113 of our 2022 Annual Report and Accounts which is available at www.foxtonsgroup.co.uk.

The Company applies the following remuneration principles throughout the organisation at all levels:

- The Company's policy is to target a remuneration package that is at around median, for median performance, and in the upper quartile for exceptional performance, and which is closely linked with the Company's strategic objectives;
- In setting all elements of remuneration the Company seeks to benchmark itself against comparable companies; and
- The aim of the Company's policy is to attract, retain and continue to motivate talented employees while aligning remuneration with the achievement of the Company's strategic objectives.

The diagram below sets out the key components of Executive Director remuneration with each element colour coded and referred to throughout the Report.

Base Salary		Benefits		Pension		BBP		RSP		
Competitive salary to attract the right calibre of Executive Paid 10% in Salary Substitute Restricted Shares for the CEO and CFO[1], respectively	+	Competitive benefits to attract the right calibre of Executive	+	Both Executive Directors: In line with workforce (3%)	+	150% (CEO), 125% (CFO) of salary maximum Key financial, operational and stakeholder performance indicators 50% deferral in shares	+	100% (CEO), 75% (CFO) of salary maximum Three-year vesting subject to underpin Two-year holding period	=	**Total Remuneration**

Shareholding guidelines: 250% of salary for CEO and 200% for CFO, extending in full for two years post–cessation of employment

[1] The Committee has determined that the proportion of the CFO's salary that will be paid in Salary Substitute Restricted Shares from 1 April 2024 will be set at 10%, to align his arrangements with the approach taken for the CEO. The current approach of 20% of salary will continue to apply until this date.

Our key objective for the Remuneration Policy is to help promote the long-term sustainable success of the Company by providing fair and competitive remuneration packages that attract, retain and motivate Executive Directors and Senior Management of the right calibre to deliver the Company's strategy, while aligning remuneration with shareholder interests. This is achieved by a significant proportion of remuneration being in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals, as well as a significant proportion of remuneration delivered in long-term equity to encourage sustainable shareholder value creation. The Committee aims to ensure that remuneration arrangements are clear, simple, not excessive and are aligned with the Company's purpose, culture and values, with mechanisms in place to ensure there are no rewards for failure. When setting the Remuneration Policy, the Committee takes into account remuneration across the organisation as a whole, where variable pay is a relatively high component throughout.

DIRECTORS' REMUNERATION REPORT CONTINUED

A summary of the Policy and how it is intended to operate in 2024 is set out in the following table.

Purpose and link to strategy	Operation/details	Implementation in 2024
Base salary		
Core element of remuneration set at a level to attract and retain Executive Directors of the required calibre to successfully deliver the Group's strategy. Salary Substitute Restricted Shares increase alignment to the shareholder experience.	Salary increases are typically in line with those of the wider workforce. Typically reviewed on an annual basis considering several factors, including: • Scope and responsibilities of role. • Individual skills, experience and performance. • Business performance and the external economic environment. • Appropriate market data. • Pay and conditions elsewhere in Foxtons. A portion of base salary will typically be paid in Salary Substitute Restricted Shares. Note that the full gross base salary (cash plus Salary Substitute Restricted Shares) will be used to calculate all other remuneration elements that are set as a percentage of base salary.	Base salary from 1 April 2024: CEO: £468,000 (paid 90% in cash and 10% in Salary Substitute Restricted Shares) (4% rise). £450,000 prior to 1 April 2024. CFO: £274,000 (paid 90% in cash and 10% in Salary Substitute Restricted Shares) (9.6% rise). £250,000 prior to 1 April 2024. Base salary increases for eligible employees estimated to be 4% on average.
Benefits		
To provide Executive Directors with market competitive benefits consistent with the role.	May include (but are not limited to) a company car or cash equivalent, life assurance, private medical insurance, health club membership and other benefits as appropriate.	All Executive Directors: Company car (or allowance), life assurance and private medical insurance.
Pension		
To provide funding for Executive Directors' retirement.	Pension contributions are, and will continue to be, set in line with the majority employer contribution for the wider workforce.	CEO: 3% of base salary CFO: 3% of base salary
BBP		
Variable pay opportunity set at a market competitive level designed to motivate and reward Executive Directors for the achievement of business objectives on an annual basis to enable successful implementation of the Group's strategy. Aligns the interests of Executive Directors with shareholders and contributes to the retention of key individuals by deferring part of the annual bonus in shares or share-linked units.	Maximum opportunity is 150% of salary. For threshold performance, 25% of the maximum will be payable. For target performance, 50% of the maximum will be payable. For maximum performance, 100% of the maximum will be payable. Upon annual assessment of performance by the Committee, a contribution will be made by the Company into the participant's plan account and 50% of the cumulative balance will be paid in cash for each of the first three years of the plan. Any remaining balance will be converted into shares or share-linked units. 100% of the balance in the final fourth year of the plan will normally be settled in the form of shares transferred or allotted to the participant. Malus and clawback provisions apply.	Maximum opportunity for 2024: CEO: 150% of base salary CFO: 125% of base salary Performance measures for 2024 (% weighting): • 70% adjusted operating profit; • 10% sales market share growth; • 10% lettings market share growth; and • 10% assessment of the employee experience Targets are considered commercially sensitive and will be disclosed retrospectively for all information that is no longer commercially sensitive. The deferred balance in the participant's plan account is subject to an annual discretionary forfeiture underpin, see below for further details.

Purpose and link to strategy	Operation/details	Implementation in 2024
RSP		
To encourage and facilitate substantial long-term share ownership and reward the delivery of sustainable value over time in a cyclical business.	Maximum award of 100% of salary. Awards vest after three years, subject to continued employment and assessment of an underpin. Following vesting, an additional two-year holding period will apply, such that shares are not released until five years from grant. Malus and clawback provisions apply.	CEO: 100% of base salary CFO: 75% of base salary No performance measures are associated with the grant of awards. Vesting is subject to a discretionary underpin. See below for further details.
Shareholding guidelines		
The Committee believes that Executive Directors should build a sizeable shareholding in the Company over time to ensure that they are as closely aligned as possible with the shareholder ownership experience.	The minimum shareholding guideline is 250% of gross basic salary for the CEO, and 200% of gross basic salary for other Executive Directors. Executive Directors are required to retain the post-tax number of vested shares from the RSP until the minimum shareholding requirement is met and maintained. Shares that count towards the shareholding requirement include: • Shares owned outright. • Unvested shares which are not subject to further performance conditions, on a net of tax basis. Employment conditions and performance underpins may apply to these shares i.e. unvested Salary Substitute Restricted Shares. • Shares which have vested, but which remain subject to a holding period and/or clawback, may count towards the shareholding requirement. On cessation of employment, Executive Directors are required to retain the lower of their minimum shareholding requirement and actual shareholding immediately prior to departure for two years.	

Malus and clawback policies / Malus is the adjustment of annual bonus contributions or the balance in a participant's plan account, unvested RSP awards or unvested Salary Substitute Restricted Share Awards, because of the occurrence of one or more circumstances listed below. The adjustment may result in the value being reduced to nil.

Clawback is the recovery of payments made under the annual bonus, vested RSP awards or vested Salary Substitute Restricted Share Awards as a result of the occurrence of one or more circumstances listed below. Clawback may apply to all or part of a participant's payment or award and may be affected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- Discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group Company.
- If the assessment of any performance condition or condition was based on error, or inaccurate or misleading information.
- The discovery that any information used to determine the plan contribution or RSP award was based on error, or inaccurate or misleading information.
- Action or conduct of a participant which amounts to fraud or gross misconduct.
- A material failure of risk management.
- Corporate failure.
- Events or the behaviour of a participant have led to the censure of a Group Company by a regulatory authority which has led to a significant detrimental impact on the reputation of any Group Company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant.

	BBP	RSP
Malus	Up to the date of a payment under the plan	To the end of the three–year vesting period
Clawback	Two years post the date of any payment under the plan	Two years post–vesting

DIRECTORS' REMUNERATION REPORT CONTINUED

Framework to assess the BBP and RSP qualitative underpin

Payouts and vesting under the BBP and RSP are subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Company considerations that the vesting should be adjusted.

The Committee is satisfied that the operation of a holistic discretionary underpin is the most appropriate approach for Foxtons. Given the challenges inherent in setting long-term targets, it is essential that the Committee retains the flexibility to assess performance 'in the round' and review all elements of performance as a whole, rather than implementing quantitative targets that may reduce the relevance of the underpin at the point of final assessment.

To ensure that the qualitative underpin is robustly and thoroughly assessed, the Committee has developed a framework to assess performance over the period, which will be used going forward. In particular, the Committee will reduce the vesting level of the BBP and RSP if any of the following are considered to be below a satisfactory level:

- Underlying financial performance, considering key financial indicators in particular.
- ESG performance and impact.
- Operational performance.
- Individual performance.
- Stakeholder experience, including, but not limited to shareholders.

How our BBP performance measures in 2024 support the implementation of our strategy

In executing our strategy, we aim to create sustainable value and positive outcomes for our shareholders and all other stakeholders. We have reviewed the performance measures we use for our incentives to ensure that they support the delivery of our new strategy. The diagram below demonstrates how our incentive measures align to our strategy.

OUR STRATEGIC PRIORITIES

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

Refer to → PAGES 16 AND 17 of the Strategic Report for further details on the Group's strategic priorities.

Measuring performance

Financial performance	Operational performance	Employees and customers
Revenues Transaction volumes Adjusted operating profit Net free cash flow	Market share growth Balance of business Productivity	Employee engagement and experience Customer satisfaction

BBP

The following 2024 performance measures support the implementation of our strategy:

Adjusted operating profit	**Market share growth (sales and lettings)**	**Employee experience**

RSP

Supports the delivery of sustainable shareholder value through the build-up of a material shareholding and provides a shared ownership experience with the Group's shareholders.

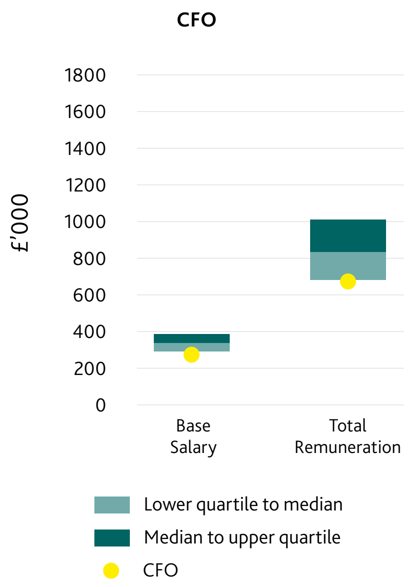
DIRECTORS' REMUNERATION REPORT CONTINUED

External relativities

The following charts show for the CEO and CFO the position of their base salary and on-target total remuneration compared to the FTSE Small Cap. The charts demonstrate the normal annual package of the CEO and CFO, i.e. salaries from 1 April 2024 on a full year basis and excluding buyout awards that were awarded to the CEO on appointment to compensate for the forfeiture of incentive arrangements held with his previous employer.

The CFO was appointed with a gross base salary significantly below that of his predecessor (£305,400) and below the market rate for a business of the size and complexity of Foxtons. As set out in further detail in the Chair's letter, the Committee considers an appropriate salary level for the CFO is around £300,000 which is positioned between the lower quartile and median of the FTSE Small Cap and remains below that of the previous CFO. The CFO's salary will be level will be achieved over two years subject to continued strong performance in role as follows; from 1 April 2024, the CFO's salary will increase by 9.6% to £274,000, and by a further 9.5% to £300,000 from 1 April 2025.

The CEO package is competitively positioned in relation to the FTSE Small Cap.



Alignment to Provision 40

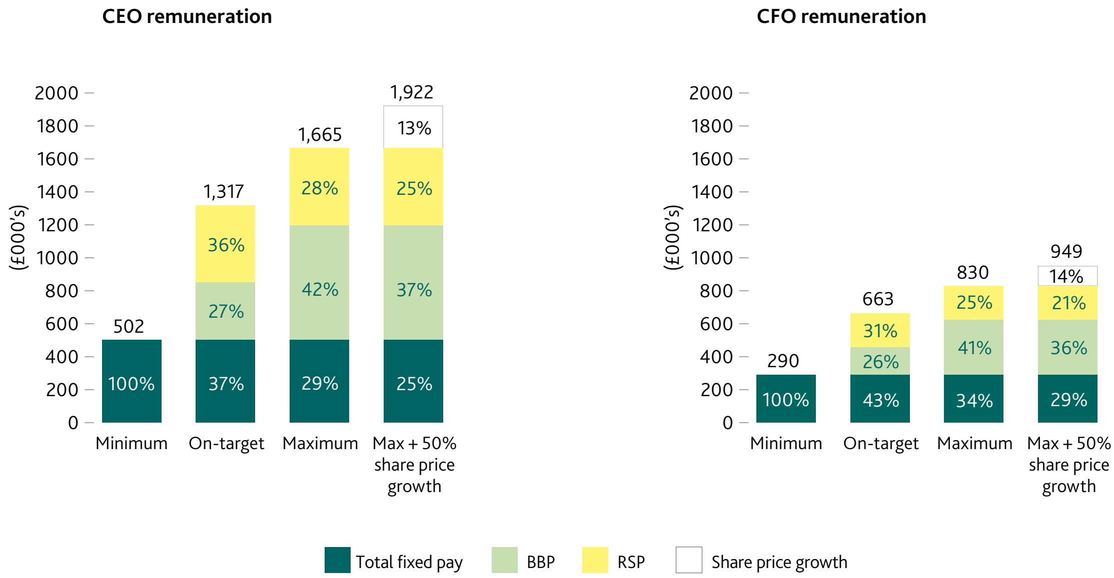
In determining the new Remuneration Policy, the Committee paid attention to Provision 40 of the 2018 UK Corporate Governance Code. The table below sets out how the Committee addresses the factors of clarity, simplicity, risk, predictability, proportionality and alignment to culture, as set out in Provision 40 of the Code.

Factor	How the Committee addressed these factors
Clarity Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	• The BBP performance conditions are based on the core KPIs (which includes the employee experience) of the strategy and therefore there is a clear link to all stakeholders between their delivery and reward provided to management. • The RSP and Salary Substitute Restricted Shares provide annual grants of shares which must be retained for the longer term to ensure a focus on sustainable performance in an inherently cyclical market. This provides complete clarity of the alignment of the interests of management and shareholders.
Simplicity Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	• The performance conditions for the BBP are based on the Group's KPIs. This alignment of reward with the delivery of key markers of the success of the implementation of the strategy ensures simplicity. Restricted shares are a simple mechanism and avoid the setting of long-term performance conditions which tend to inherently make remuneration more complex.
Risk Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	The Policy includes: • Requiring the deferral of a substantial proportion of the incentives in shares for a material period. • Aligning the performance conditions with the strategy of the Group. • Ensuring a focus on long-term sustainable performance through the RSP and Salary Substitute Restricted Shares. • Forfeiture thresholds. • Ensuring there is enough flexibility to adjust payments through malus and clawback and an overriding discretion to depart from formulaic outcomes. These elements mitigate against the risk of target-based incentives by: • Deferring the value in shares for the long-term which helps ensure that the performance earning the award was sustainable and thereby discouraging short-term behaviours. • Aligning any reward to the agreed strategy of the Group. • The use of an RSP supports a focus on the sustainability of the performance over the longer term. • Reducing the awards or cancelling them if the behaviours giving rise to the awards are inappropriate. • Reducing the awards or cancelling them if it appears that the criteria on which the award was based do not reflect the underlying performance of the Group. We set out a clear framework for assessing the BBP and RSP qualitative underpin to support this.
Predictability The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.	• Our Policy sets out clearly the range of values and discretions in respect of the remuneration of management. • The RSP increases the predictability of the rewards received by Executive Directors, and the BBP, being based on annual targets, operates over a time cycle where performance is more predictable compared with traditional long-term incentive plan schemes thereby allowing the Remuneration Committee to more effectively ensure desirable remuneration outcomes for all stakeholders.
Proportionality The link between individual awards, the delivery of strategy and the long term performance of the Company should be clear. Outcomes should not reward poor performance.	• The BBP provides a clear link between the reward provided to management and the delivery of the strategy through incentivising management to deliver the KPIs. • The RSP and salary substitute shares provides a focus on the long-term sustainable performance of Foxtons through the build up of a long-term locked in shareholding. • Both the BBP and the RSP includes performance underpins that allow the Remuneration Committee to exercise its discretion to override formulaic outcomes.
Alignment to culture Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.	• The BBP drives behaviours consistent with Foxtons' strategy. • The RSP drives behaviours consistent with the Group's purpose and values which are focused on the long-term future of the business throughout the business cycle.

DIRECTORS' REMUNERATION REPORT CONTINUED

Illustrations of total remuneration opportunity

The charts below provide estimates of the *potential future* reward opportunities under the Policy for the CEO and CFO (annualised basis) and the potential split between the different elements of remuneration under four different performance scenarios: 'Minimum', 'On Target', 'Maximum' and 'Maximum with share price growth of 50% over three years'. The 'Minimum' scenario includes base salary, pension and benefits only (i.e. fixed remuneration).



Element	Assumptions
Total fixed pay	Base salary: Pro-rated to reflect salary increases and actual pay expected in 2024: 1 January 2024 – 31 March 2024: • CEO £450,000 (10% paid in Salary Substitute Restricted Shares) • CFO £250,000 (20% paid in Salary Substitute Restricted Shares) 1 April 2024 – 31 December 2024: • CEO £468,000 (10% paid in Salary Substitute Restricted Shares) • CFO £274,000 (10% paid in Salary Substitute Restricted Shares)
	Pension: 3% of salary for the CEO and the CFO
	Benefits: As disclosed in single figure table on → PAGE 114
BBP	Minimum: No payout On-target: 50% of maximum (75% of salary for the CEO, 62.5% of salary CFO) Maximum: 100% of maximum (150% of salary for the CEO; 125% of salary for CFO)
RSP	Minimum: No vesting due to operation of the underpin On-target: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO) Maximum: 100% of maximum (100% of salary for the CEO, 75% of salary for the CFO)
Share price growth	Impact of 50% share price appreciation on maximum remuneration over three years (on Restricted Shares and Salary Substitute Restricted Shares).

Policy for Chairman and Non-Executive Directors / The Non-Executive Directors, including the Chairman, do not have service contracts. The appointment of the Chairman and each of the Non-Executive Directors is for an initial period of up to three years, which is renewable, and is terminable by the Chairman/Non-Executive Director (as applicable) or the Company on three months' notice. No contractual payments would be due on termination. The Directors are subject to annual re-election at the AGM. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

Non-Executive Directors do not receive benefits from the Company, and they are not eligible to join the Company's pension scheme or participate in any bonus or share incentive plans. Where specific cash or share arrangements are delivered to the Chairman or Non-Executive Directors, these will not include share options or any other performance related elements. Any reasonable expenses that they incur in the furtherance of their duties are reimbursed by the Company (including any tax liability thereon).

Details of the policy on Non-Executive Director fees are set out in the table below:

Purpose and link to strategy	Operation	Fee levels
To enable the Group to attract and retain Non-Executive Directors of the required calibre by offering market competitive fees.	The Chairman is paid an annual all-inclusive fee for all Board responsibilities. Non-Executive Directors receive a basic annual Board fee. Additional fees may be payable for additional Board responsibilities such as chairship or membership of a Committee, or the role of Senior Independent Director. The Chairman and/or Non-Executive Directors may receive part of their fee(s) in company shares. The Chairman's fee is determined by the Committee, and fees to Non-Executive Directors are determined by the Board. Fees are reviewed periodically, considering time commitment, scope and responsibilities, and appropriate market data. Expenses incurred in the performance of non-Executive duties for the Company may be reimbursed or paid for directly by the Company, including any tax due thereon.	Fee increases are typically expected to be in line with wider employee rises. In exceptional circumstances (including, but not limited to, material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil the role) the Board may make appropriate adjustments to fee levels to ensure they remain market competitive and fair to the Director. The maximum annual aggregate fee for all Non-Executive Directors will be within the limit set out in the Company's articles of association (currently £600,000).

Further information on the policy

The full Remuneration Policy, approved by shareholders at the 2023 AGM, is set out on → PAGES 103 TO 113 of the 2022 Annual Report and Accounts and includes further information on:

- Considerations when determining remuneration policy.
- Committee discretions.
- Approach to remuneration on recruitment.
- Executive Directors' service contracts and Non-Executive Directors' letters of appointment.
- Policy on payment for loss of office.
- Consistency with remuneration for the wider Group.

DIRECTORS' REMUNERATION REPORT CONTINUED

2023 ANNUAL REPORT ON REMUNERATION

Our approach to fairness and wider workforce considerations

This section in the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to Executive remuneration by explaining our employee policies and our approach to fairness, including the following:

- General pay and conditions in the Group.
- Gender and diversity.
- Comparison metrics on Executive and employee remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives the Committee receives a report annually setting out key details of remuneration throughout the Group. A summary of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table below summarises the Group's approach to workforce remuneration across five employee groups.

			Variable pay[2]				
Employee group	**% of workforce**	**Average increase in base salaries[1]**	**Commission schemes**	**Annual bonus**	**Share plans[3]**	**Pension[4]**	**Benefits[5]**
Executive Directors	<1%	0%	No	Yes	Yes	Yes	Yes
Senior Management	3%	2.6%	No	Yes	Yes	Yes	Yes
Senior Sales Staff	14%	2.7%	Yes	Yes	No	Yes	Yes
Sales and Sales Support Staff	70%	4.2%	Revenue earners only	No	No	Yes	Yes
Administrative Staff	13%	3.0%	No	Role dependent	No	Yes	Yes
Total	**100%**	**3.3%**					

1 Base salaries
- Base salaries are market competitive and determined with reference to role type, experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type. The base salaries of fee earners are subject to periodic market benchmarking rather than annual salary reviews due to the commission structures in place.
- Average increase in base salaries are for 2023 versus 2022, and have been calculated by comparing basic salaries at the start of the year to those at the end of the year (for those in employment for the full year).

2 Variable pay
- In line with our approach to Executive Director remuneration, a significant proportion of the remuneration of the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Group's strategic goals.
- Approximately 80% of the workforce benefit from variable pay which is linked to the Group's performance in the form of commission schemes or annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of objectives which are aligned to the Group's strategic priorities (refer to → PAGES 16 AND 17 of the Strategic Report).

3 Share plans
- Senior Management restricted share plans increase alignment to shareholder experience and cascade the principles of the Executive Director arrangements. These awards are subject to a two-year vesting period and leaver provisions. No holding period applies.

4 Pension
- Employer contributions are consistent across the Group (3% employer contribution), with minor deviations appropriate for role type.

5 Benefits
- Consistent approach applied and determined with reference to role type, market practice and seniority.

The Committee does not seek a homogeneous approach to workforce remuneration since the level and type of remuneration will vary across the Group depending on the employee's seniority and role. The Committee, when conducting its review of workforce remuneration, pays particular attention to:

- Whether the element of remuneration is consistent with the Group's remuneration principles see → PAGE 108.
- If there are differences, whether they are objectively justifiable.
- Whether the approach is fair and equitable in the context of other employees.

The key findings and outcomes from the Committee's 2023 review are as follows:

- Average salary increases for employees across the Group are being applied on an equitable and objective basis.
- In light of the impact that rising inflation and the cost-of-living crisis has had on our workforce, Foxtons reviewed wider workforce salaries and awarded an average salary increase of c. 3% across the business (excluding Directors), and there have been limited redundancies.
- For those members of the wider workforce who receive variable pay the average increase from 2022 was c.13%.
- Senior Management restricted share award arrangements cascade the principles applied to Executive Directors and increase alignment to the shareholder experience for this population.
- The majority of employees have the ability to share in the success of the Group through incentive compensation in the form of variable pay linked to performance.
- All employees are eligible for enrolment in a defined contribution pension arrangement and the Executive Directors' pension contributions are aligned to the wider workforce.
- Benefits are offered according to the level of seniority of the role in line with market practice.

The Committee is satisfied that the approach to remuneration across the Group is consistent with the Group's principles of remuneration, strategy and culture. Furthermore, in the Committee's opinion the approach to Executive and Senior Management remuneration aligns with the wider Group approach and there are no anomalies specific to the Executive Directors.

Communication and engagement with employees

The Board is committed to ensuring there is an open dialogue with our employees over various decisions and the Committee has the authority to ask for additional information from the Group in order to carry out its responsibilities. → PAGES 23, 56 AND 57 explain the key approaches used by the Board to engage with employees during 2023.

As explained on → PAGE 56, the Employment Engagement Committee (EEC) facilitates engagement between the Board and the workforce, with each meeting attended by a Non-Executive Director. The Remuneration Committee Chair attends the EEC annually to discuss the Executive Directors' Remuneration Policy and its application with members of the EEC. At this meeting, the Chair provided employees with an overview of the Group's approach to Executive Remuneration, how Executive remuneration aligns with wider company pay policy and the key elements of the policy and key considerations. There was a good level of employee engagement during the discussion, which allowed for a range of topics to be debated and questions to be answered. The session further informed the Remuneration Committee Chair's view of the workforce on the Group's approach to pay.

In 2023, a new engagement/culture survey was implemented which provides the Board with a rounded assessment of the Group's culture. Refer to → PAGE 57 for further details of the culture survey process and key findings.

Living wage, equal opportunities and diversity initiatives

A summary of the Group's general policies in relation to living wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living wage employer	Our policy is to ensure that all employees, whatever their age, are paid the National Living Wage or above.
Equal opportunities and diversity initiatives	The Group is committed to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion. All decisions relating to employment practices are objective, free from bias and based solely upon work criteria and individual merit. The Group is responsive to the needs of its employees, customers and the community. We are an organisation which uses everyone's talents and abilities, and where diversity is valued. The Group ensures its promotion and recruitment practices are fair and objective and encourages the continuous development and training of its employees, as well as the provision of equal opportunities for the training and career development of all employees. Further details are provided in the Strategic Report on → PAGES 52 TO 58.

DIRECTORS' REMUNERATION REPORT CONTINUED

Gender pay gap

Having a diverse workforce which reflects the communities we serve in is important to us and means we can better serve our customers. As set out on → PAGES 54 AND 55, we hire from diverse backgrounds, and our recruitment policies, salary and bonus structures are designed to be gender neutral. At 31 December 2023, the gender balance across the Group is split 56% men and 44% women.

As set out in our Gender Pay Gap report, which is available at www.foxtonsgroup.co.uk/our-responsibility/gender-pay-gap, a gender pay gap exists which is primarily due to there being a higher proportion of male employees in senior roles. We are taking steps to reduce the gender pay gap and are progressing a number of initiatives to increase female representation at more senior levels within the organisation.

CEO pay ratio

We have set out the ratio of CEO pay (based on the single total figure of remuneration) to that of employees for 2019 to 2023, in the table below. The calculation has been performed in line with 'Option A' under the regulations in line with best practice and is based on the total single figure of remuneration methodology.

		CEO pay ratio			
Financial year	Method used	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio	CEO total pay (£000)
2023	Option A	50:1	38:1	24:1	1,496
2022[1]	Option A	47:1	35:1	21:1	1,272
2021[2]	Option A	66:1	45:1	27:1	1,707
2020[2]	Option A	61:1	44:1	28:1	1,605
2019	Option A	48:1	37:1	22:1	1,257

1 As reported in the 2021 Remuneration Report, the Former CEO received an RSP grant on 1 April 2022 with a value of £434,700 in line with the Remuneration Policy, which was subsequently forfeited on his departure. As a result, the value of this RSP award is not included in the total single figure of remuneration for 2022. As such, the 2022 single figure, and therefore pay ratio, is lower than if the 2022 RSP had not been forfeited due to the departure of the Former CEO.

2 The 2021 and 2020 single figure include £579,600 and £569,400 of RSP grants respectively which have been forfeited in full in 2022. Removing these grants reduces the CEO 2021 and 2020 single figure to £1,127,000 and £1,036,000 respectively, which would reduce the CEO pay ratio at each of the percentiles as explained further below.

Total remuneration for each employee was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile employees identified as at 31 December 2023. The hourly rates were annualised using the same number of contractual hours as the CEO. Employee total remuneration includes: basic salary, maternity/paternity pay, annual cash bonus, commissions earned and benefits. The total remuneration for the relevant employees was compared to that of the CEO.

In 2023, the employee total pay and benefits at the 25th, 50th and 75th percentile was £29,734, £39,849 and £62,321 respectively, and the basic salary for the same employees, excluding variable pay, was £29,000, £36,210 and £61,000 respectively.

In 2023, the pay ratios increased compared to 2022 at all three percentiles reflecting higher CEO total pay in 2023 compared to 2022. The year-on-year increase is primarily due to the Interim CEO, who was in office 30 May 2022 to 18 September 2022, not participating in any incentive arrangements.

The increase in the pay ratios in 2020 and 2021 compared to 2019 is due to 2020 being the first year the current Remuneration Policy was implemented. In line with the remuneration reporting regulations for the CEO single figure, the RSP award has been included in the year of grant for 2020 and 2021 (rather than in the year of vest as our previous share option scheme would be reported). Therefore, the CEO single figure includes a long-term incentive in 2020 onwards, which it did not in 2019 and earlier.

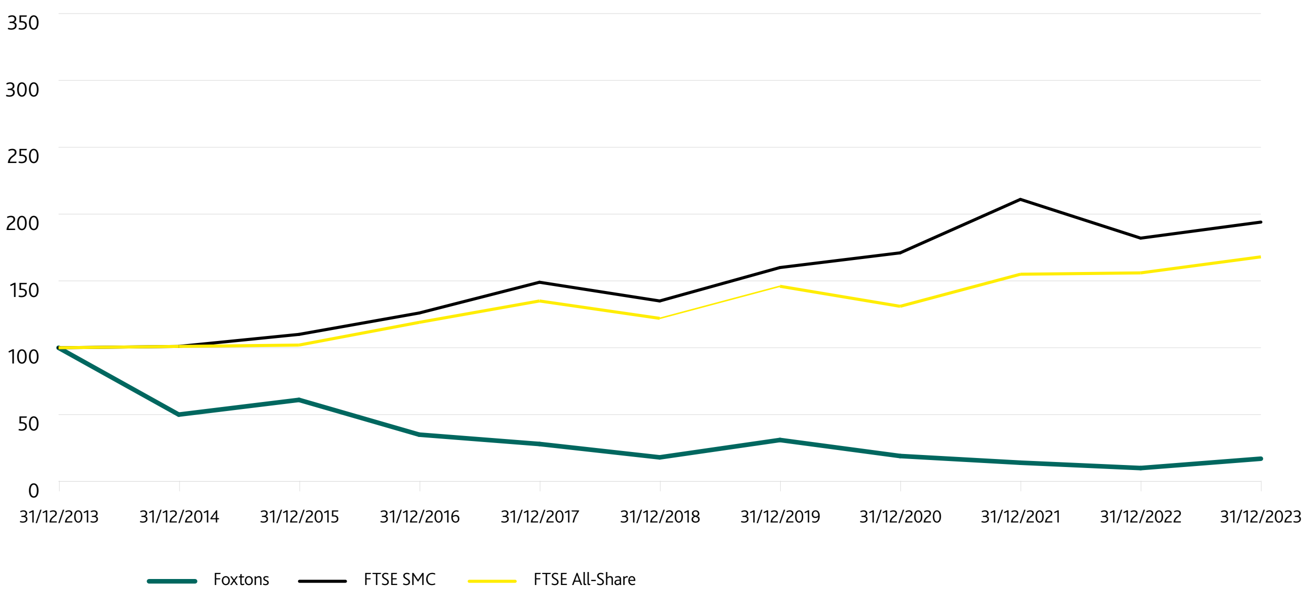
In assessing our pay ratio versus last year's market numbers from industry peers, we believe that we are well positioned comparably, but note that annual and long-term incentive payments have varied considerably amongst this group. We also recognise that ratios will be influenced by levels of employee pay and in the real estate sector employee pay will be lower than in many other sectors of the economy.

Over time, we expect that there may be significant volatility in the CEO pay ratio. We recognise that the ratio is driven by the different structure of the pay of our CEO versus that of our employees (for example, the inclusion of a higher proportion of variable incentive pay), as well as the make-up of our workforce. This ratio varies between businesses even in the same sector. What is important from our perspective is that this ratio is influenced only by the differences in structure, and not by divergence in fixed pay between the CEO and wider workforce. Where the structure of remuneration is similar, as for Senior Management and the CEO, the ratio is likely to be much more stable over time.

CEO and average employee pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time, and the pay of our average employee, each rebased to 1 January 2014. We have also included our TSR performance over this period against the FTSE Small Cap and FTSE All Share indices, based on £100 invested at listing.

Pay performance: TSR chart (£'000)



DIRECTORS' REMUNERATION REPORT CONTINUED

	2014[1]	2015	2016	2017	2018	2019	2020	2021	2022[2]	2023
Incumbent	M. Brown / N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden	N. Budden / P. Rollings / G. Gittins	G. Gittins
CEO single figure of remuneration – excluding RSP awards (2020 – 2023 only) (£'000)[3]	257 / 327	856	982	914	910	1,257	1,036	1,127	534 / 135 / 459	1,046
RSP awards (2020 – 2023 only) (£'000)[4]	–	–	–	–	–	–	569	580	– / n/a / 145	450
CEO single figure of remuneration (£'000)	257 / 327	856	982	914	910	1,257	1,605	1,707	534 / 135 / 603	1,496
Annual bonus / BBP earning (% of maximum)[5]	n/a / 20%	51.5%	36.5%	26.4%	30%	70%	45.6%	51.2%	68.8% / n/a / 68.8%	82.7%
Long-term incentives[6] (% of maximum)	n/a / n/a	n/a	0%	0%	0%	0%	100%	100%	n/a / n/a / 100%	100%

1 Michael Brown stepped down as CEO on 30 June 2014 and was replaced by Nic Budden on 1 July 2014.

2 Nic Budden stepped down as CEO on 30 May 2022. Guy Gittins was appointed Group CEO with effect from 5 September 2022. Peter Rollings, currently an Independent Non-Executive Director, acted as Interim CEO between the date of Nic Budden stepping down and the date at which Guy Gittins took up his appointment. The single figure for 2022, above, includes the amounts received by Nic Budden and Guy Gittins in relation to their Executive positions during the year (excluding the 2022 RSP grant to the Former CEO which was forfeited on his cessation of employment), as well as the fee that Peter Rollings received during his time as Interim CEO.

3 The CEO single figure of remuneration is shown excluding the restricted stock awards that have been granted from 2020 onwards. This is because, while the regulations require the restricted stock to be disclosed at the time of grant, the value is not released to the CEO until the end of the three-year vesting period following the assessment of an underpin, and the shares are then subject to a further two-year holding period. Therefore, for transparency we also show the CEO's single figure excluding the restricted stock award as it better reflects the value that each CEO has earned and received in respect of that year.

4 From 2020 onwards the long-term incentive has been delivered in the form of an RSP award with a three-year vesting period subject to the achievement of the underpin. Whilst the RSP grants are included in the above table, in line with the required single figure of remuneration treatment, we note that the Former CEO's in-flight awards were forfeited in full on cessation of employment, and the Interim CEO was not eligible to receive incentive awards. Therefore, the Former CEO's 2022 RSP award with a face value of £434,700 is excluded from the above table.

5 The 2022 annual bonus / BBP earnings figure relates to both the former and current CEOs, who were both eligible to receive a pro-rated annual bonus for 2022. The Interim CEO was not eligible to receive any incentive awards.

6 The 2016 to 2019 long-term incentive value of 0% relates to the historic LTIP and Share Option Plan awards which did not vest in those years due to performance conditions not being achieved. The first award under the LTIP was granted in 2014 and had a three-year performance period and therefore no awards were scheduled to vest in 2014 and 2015. The Former CEO (Nic Budden) also had options under the 2017 Share Option Plan that were due to vest during 2022. These options lapsed due to the TSR performance conditions and as such, paid out at 0% of maximum.

Percentage change in Directors' remuneration

The Committee monitors the changes year-on-year between our Directors' pay and average employee pay. As per our Policy, base salary increases applied to Executive Directors will typically be in line with those of the wider workforce. The table below shows the percentage change in Executive Director and Non-Executive Director total remuneration compared to the change for the average of employees within the Group. The comparator group is based on all employees of the Group.

	Salary/fees					Taxable benefits					Short-term variable pay[1]				
	2019	2020	2021[6]	2022	**2023**	2019	2020	2021	2022	**2023**	2019	2020	2021	2022	**2023**
Executive Directors															
Guy Gittins[2]	–	–	–	–	**0%**	–	–	–	–	**25%**	–	–	–	–	**23%**
Chris Hough[2]	–	–	–	–	**0%**	–	–	–	–	**7%**	–	–	–	–	**20%**
Non-Executive Directors															
Nigel Rich	–	–	–	0%	**0%**	–	–	–	–	**–**	–	–	–	–	**–**
Annette Andrews	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–	**–**
Jack Callaway	–	–	–	–	**–**	–	–	–	–	**–**	–	–	–	–	**–**
Peter Rollings[3]	–	–	–	183%	**(65%)**	–	–	–	–	**–**	–	–	–	–	**–**
Rosie Shapland[4]	–	–	6%	0%	**4%**	–	–	–	–	**–**	–	–	–	–	**–**
Former Non-Executive Directors															
Sheena Mackay[2]	0%	(3%)	3%	16%	**0%**	–	–	–	–	**–**	–	–	–	–	**–**
Alan Giles[2]	–	12%	3%	0%	**0%**	–	–	–	–	**–**	–	–	–	–	**–**
All other employees[5]	7%	2%	2%	4%	**3%**	14%	1%	5%	1%	**0%**	23%	(1%)	52%	22%	**13%**

1 Short-term variable pay includes annual bonus and/or BBP and commission payments.

2 This Director was not in office for a full 12 months in 2023 or 2022. Therefore, when calculating the year-on-year percentage change in remuneration, annualised remuneration figures have been used for the year the Director was not in office for a full 12 months.

3 Peter Rollings acted as Interim CEO in the period between 30 May 2022 and 4 September 2022. During this period, and for a short handover period after the incoming CEO joined, Peter Rollings' annual Non-Executive Director fee was increased to an annual rate of £450,000. As such, his increase in 2022 remuneration and decrease in 2023 remuneration is reflective of this change in role.

4 Rosie Shapland's fee increase in 2023 reflects the additional responsibility following appointment as Senior Independent Director.

5 Reflects the average of all employees of the Group due to the listed Parent Company having no employees who are not Directors.

6 For Board members, the 2021 increase in salary was calculated on a salary/fees paid basis (in line with the single figure methodology), which therefore incorporated the impact of the 20% voluntary reduction in basic pay taken in April and May 2020 during Covid-19. For 'All other employees', the percentage change has been calculated by comparing basic salaries at the start of the year to those at the end of the year (for those in employment for the full year), and therefore does not capture any voluntary pay reductions taken by the workforce in April and May 2020.

DIRECTORS' REMUNERATION REPORT CONTINUED

How we implemented the Policy in 2023

This section provides details of how our Remuneration Policy was implemented during the financial year ended 31 December 2023.

Single figure of the Executive and Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Director for the year ended 31 December 2023 and the prior year.

		Salary / fees paid[4]	Taxable benefits[5]	BBP[6]	RSP[7]	Buyout awards[8]	Pension[9]	Total[10]	Total fixed remuneration	Total variable remuneration
Guy Gittins	**2023**	**450**	**24**	**558**	**450**	**–**	**14**	**1,496**	**488**	**1,008**
	2022	147	7	151	145	150	4	603	157	446
Chris Hough	**2023**	**250**	**14**	**258**	**188**	**–**	**8**	**717**	**271**	**446**
	2022	188	9	161	141	n/a	6	504	203	302
Nigel Rich[1]	**2023**	**150**	**–**	**–**	**–**	**–**	**–**	**150**	**150**	**–**
	2022	150	–	–	–	–	–	150	150	–
Annette Andrews[2]	**2023**	**67**	**–**	**–**	**–**	**–**	**–**	**67**	**67**	**–**
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jack Callaway[2]	**2023**	**58**	**–**	**–**	**–**	**–**	**–**	**58**	**58**	**–**
	2022	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Peter Rollings[3]	**2023**	**63**	**–**	**–**	**–**	**–**	**–**	**63**	**63**	**–**
	2022	179	–	–	–	–	–	179	179	–
Rosie Shapland	**2023**	**76**	**–**	**–**	**–**	**–**	**–**	**76**	**76**	**–**
	2022	73	–	–	–	–	–	73	73	–
Former Non-Executive Directors										
Alan Giles[2]	**2023**	**26**	**–**	**–**	**–**	**–**	**–**	**26**	**26**	**–**
	2022	73	–	–	–	–	–	73	73	–
Sheena Mackay[2]	**2023**	**26**	**–**	**–**	**–**	**–**	**–**	**26**	**26**	**–**
	2022	73	–	–	–	–	–	73	73	–

1 Nigel Rich assumed the role of Chairman from 1 October 2021 and since appointment has been paid £150,000/annum in fees, of which, £50,000 is paid in shares at the prevailing market price.

2 Alan Giles and Sheena Mackay stepped down from the Board at the 2023 AGM on 9 May 2023. Annette Andrews and Jack Callaway were appointed to the Board on 1 February 2023. 2023 fees for these individuals are therefore pro-rated reflecting the period of the year that they were in role.

3 Peter Rollings joined the Board as a Non-Executive Director with effect from 1 December 2021, and for the period 30 May 2022 to 5 September 2022 was Interim CEO. Peter Rollings' annual Non-Executive Director fee was increased to an annual rate of £450,000 for the period he was Interim CEO and for a short handover period from 5 September 2022 to 18 September 2022). Thereafter, his fees returned to the annual rate of £63,000 for Non-Executive Directors. During his tenure as Interim CEO, Peter did not participate in any incentive arrangements, and his total fees received for his Interim Executive role were £134,659.

4 Salary includes base salary paid in cash and Salary Substitute Restricted Shares for Executive Directors, and fees paid in cash and shares for Non-Executive Directors.

5 Taxable benefits received in 2023 include a car or car allowance, medical and life assurance.

6 This column reflects the BBP contribution in respect of performance during the relevant year. In 2023 and 2022, amounts earned under the BBP are paid into the participant's plan account, with 50% paid as cash and the remaining 50% held in shares or share-linked units in the participants plan account. In addition, as the fourth year of the first BBP cycle, 100% of the remaining balance of the first cycle is paid out in shares, in early 2024. Further details of the performance criteria, achievement and resulting awards for the 2023 BBP are set out on → PAGE 115.

7 This column reflects the RSP awards granted in April 2022 and 2023 (refer to → PAGE 116 for the face value of the April 2023 RSP award).

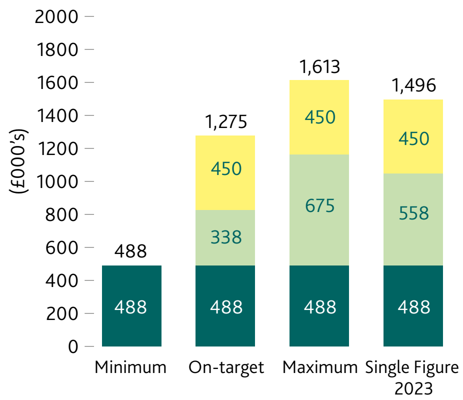
8 Buyout awards totalling £150,000 awarded in 2022 and paid as cash in two equal tranches; half was paid in February 2023 and the other half paid in February 2024.

9 During 2022 and 2023, the Executive Directors received a pension contribution or cash allowances in lieu of a pension contribution. For 2023, this was 3% of salary for all Executive directors.

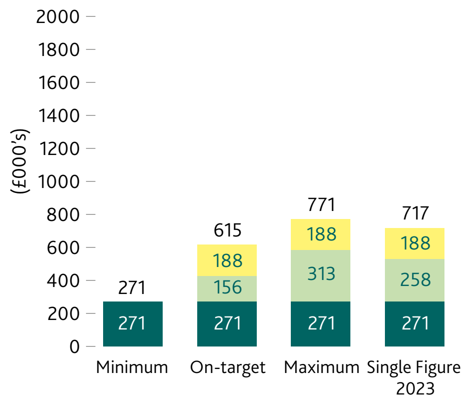
10 No share price appreciation (or estimate of) is included in the values included in the single figure table. The RSP is included in the single figure table based on the value at grant. No performance measures are associated with the grant of awards; although the Committee will consider Group and individual performance before determining any grant. Vesting is subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted.

The following charts show the total single figure of remuneration for the CEO and CFO compared to the Policy scenarios under the 2023 Remuneration Policy which applied during the year.

CEO remuneration



CFO remuneration



Total fixed pay   Annual bonus/BBP   RSP

Annual BBP outcome in respect of 2023 (audited)

Executive Directors' objectives continue to be linked to the delivery of the Group's strategic priorities. In determining the outcome of some objectives, the Committee sought input from the wider Board and other Board Committees as appropriate. The Committee is committed to providing as much retrospective detail of the measures as possible, setting out clearly the decision-making process and the levels of attainment achieved, but mindful that any information which could be considered commercially sensitive cannot be disclosed.

The table below sets out the 2023 annual bonus targets, performance against these targets and the resulting annual formulaic bonus outcome.

2023 annual bonus outcome

	Weighting	Threshold (25% payable)	Target (50% payable)	Maximum (100% payable)	Actual	Outcome (% of element)	Outcome (% of maximum)
Adjusted operating profit	60%	£11.8m	£12.7m	£15.5m	£14.3m	78%	47%
Lettings market share growth[1]	15%	2.5%	5.0%	10.0%	11.4%	100%	15%
Sales market share growth	15%	2.5%	5.0%	10.0%	21.0%	100%	15%
Employee experience	10%	Holistic assessment			60%	60%	6%
						Bonus outcome (% of maximum)	82.7%

1 Lettings market share growth calculated on an organic basis which removes the impact of acquisitions.

In making its holistic assessment of the employee experience in 2023 the Committee reviewed data on workforce pay, retention, internal promotions, exit interviews, investment in recruitment, investment in training, employee engagement, health and wellbeing, Glassdoor and Indeed reports, quality of internal communication, redundancies, grievances and whistleblowing, making comparisons to 2022 and, where possible, external benchmarks. It concluded that on most measures there had been a good level of success during the year, with focus being placed strengthening culture and overall employee experience.

DIRECTORS' REMUNERATION REPORT CONTINUED

Scheme interests granted during 2023 (audited)

RSP Share Awards

Executive Directors were granted the following nil-cost option awards over the Group's ordinary shares under The Foxtons Group plc 2020 RSP. Awards were granted on 1 April 2023, in line with the typical RSP grants.

No consideration was paid for the grant of the RSP Awards which are structured as nil cost options.

The number of ordinary shares granted under RSP Awards have been calculated using an ordinary share price of 40.12 pence per share being the average of the closing share prices over the three dealing days preceding the date of grant.

Executive	Number of Ordinary Shares	% of salary	Face value	Share price used for calculation	Option price	Performance conditions
Guy Gittins	1,121,728	100%	£450,000	40.12p	£nil	Awards will ordinarily vest after three years subject to the grantee's continued service and a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.
Chris Hough	467,386	75%	£187,500	40.12p	£nil	

Salary Substitute Restricted Share Awards

Executive Directors were granted the following nil-cost option awards over the Group's ordinary shares under The Foxtons Group plc 2020 RSP in respect of their Salary Substitute Restricted Share Awards, granted on 1 April 2023.

The number of ordinary shares granted under the Salary Substitute Restricted Share Awards have been calculated using an ordinary share price of 40.12 pence per share being the average of the closing share prices over the three Dealing Days preceding the date of grant.

The Salary Substitute Restricted Share Awards will ordinarily vest after three years subject to the grantee's continued service.

Executive	Number of Ordinary Shares	Face value	Share price used for calculation	Option price	Performance conditions
Guy Gittins	112,172	£45,000	40.12p	£nil	Awards will ordinarily vest after three years subject to the grantee's continued service.
Chris Hough	124,636	£50,000	40.12p	£nil	

The normal vesting date for all RSP Awards granted in 2023 (both the RSP Share Awards, and the Salary Substitute Restricted Share Awards, above) will be 1 April 2026, being the third anniversary of the award dates. Once vested, the RSP Awards will normally be exercisable until the day before the tenth anniversary of the award date. The RSP Awards are subject to a two-year holding period commencing on vesting.

BBP share awards

The following table sets out the BBP accounts for the Executive Directors as at the end of 2023 which shows the paying in of the third bonus from 2022, the third payment from the bank in 2023, and subsequent deferral of notional shares over the remainder of 2023 and into the start of 2024. The notional shares are subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.

Each year, subject to the achievement of annual BBP performance conditions, a contribution will be made into the participants' plan accounts. Following the contribution for amounts earned in respect of 2022 performance, 50% of the cumulative balance of each Executive Director's plan was paid in cash.

These notional shares are a mechanism that allows the deferred element of the award to be linked to the share price. The Committee confirms that there is no intention to issue actual shares until the end of the fourth year of the cycle, when the full bank value will normally be settled in the form of shares transferred or allotted to the participant.

	CEO Guy Gittins	**CFO Chris Hough**
Number of deferred notional shares in account at the end of year three (31 December 2022)[1]	n/a	n/a
Value of deferred notional shares in account at the end of year three (31 December 2022)[1]	**n/a**	**n/a**
Bonus contribution in 2023 in respect of performance over 2022 (contribution into the account)	£151,282	£161,250
Dividend equivalent contributed	n/a	n/a
Cumulative account following contribution	**£151,282**	**£161,250**
Less: 2023 payment out of the account	£(75,641)	£(80,625)
Value of deferred notional shares carried forward over to 2023	**£75,641**	**£80,625**
Number of deferred notional shares carried forward at the end of year four (31 December 2023)[2]	248,763	265,154
Value of deferred notional shares to be paid in shares in early 2024 (reflecting latest share price and dividend equivalents)[3]	**£112,956**	**£120,399**
Number of deferred notional shares to be paid in shares in early 2024 (reflecting latest share price and dividend equivalents) [3]	**253,793**	**270,516**

1 Nil balance of deferred notional shares at 31 December 2022 reflecting Guy Gittins being appointed on 5 September 2022 and Chris Hough being appointed on 1 April 2022 and not being eligible for deferred notional share awards prior to or as at 31 December 2022.

2 The share price used to calculate the number of shares carried forward at the end of year four was the mid-market value of a share for the 30-day period to 31 December 2022, which was 30.4 pence per share.

3 The price used to calculate the number of shares to be paid in early 2024 is the mid-market value of a share for the 30-day period to 31 December 2023, which was 44.5 pence per share.

DIRECTORS' REMUNERATION REPORT CONTINUED

Statement of Directors' shareholding and share interests (audited)

The table below shows the interests of the Directors and connected persons in shares (owned outright or vested) as at 31 December 2023. There have been no changes in Directors' interests in the period between 31 December 2023 and 4 March 2024.

		Outstanding scheme interests[6]						
	Shares owned outright	Unvested shares not subject to performance[1]	Unvested share options subject to performance[2]	Notional shares held[3]	Total scheme interests	Shareholding guideline (% of salary	Current shareholding (% of salary)[4]	Guideline met
Executive Directors								
Guy Gittins	60,000	1,699,654	6,883,891	248,763	8,832,308	250%	98%	No
Chris Hough	200,000	1,049,156	–	265,154	1,314,310	200%	139%	No
Non-Executive Directors								
Nigel Rich	1,528,849	–	–	–	–	–	–	–
Annette Andrews	47,242	–	–	–	–	–	–	–
Jack Callaway	100,000	–	–	–	–	–	–	–
Peter Rollings	183,105	–	–	–	–	–	–	–
Rosie Shapland	20,000	–	–	–	–	–	–	–
Former Non-Executive Directors								
Alan Giles[5]	150,000	–	–	–	–	–	–	–
Sheena Mackay[5]	90,000	–	–	–	–	–	–	–

1 Unvested shares not subject to performance are shares granted under the RSP and Salary Substitute Restricted Shares.

2 No unvested share options subject to performance remain outstanding except for a buyout award to compensate Guy Gittins for the forfeiture of incentive arrangements held with his previous employer, Chesterton UK Services Limited (previously known as 'Chesterton Global Limited'). The LTIP buyout award has a face value of £2.5 million and is subject to a performance requirement for the share price of an Ordinary Share to be at least 70 pence for any 30 consecutive days during the vesting period. The number of Ordinary Shares granted equivalent to £2.5 million has been calculated using an Ordinary Share price of 36.32 pence per share being the average of the closing Ordinary Share prices over the three Dealing Days preceding 30 May 2022, the date that it was announced that Guy Gittins would be the incoming Chief Executive Officer.

3 Notional shares held are the number of deferred notional shares carried forward at the end of year three of the BBP scheme (31 December 2023).

4 Based on the share price on 31 December 2023 of 46.0 pence. Includes shares owned outright, shares which have vested but which remain subject to a holding period and/or clawback, unvested Salary Substitute Restricted Share awards (on a net of tax basis) and unvested RSP awards (on a net of tax basis).

5 Shares owned outright as at the date of stepping down from the Board.

6 No options were exercised by Directors in the year. There are no vested but unexercised options as at 31 December 2023.

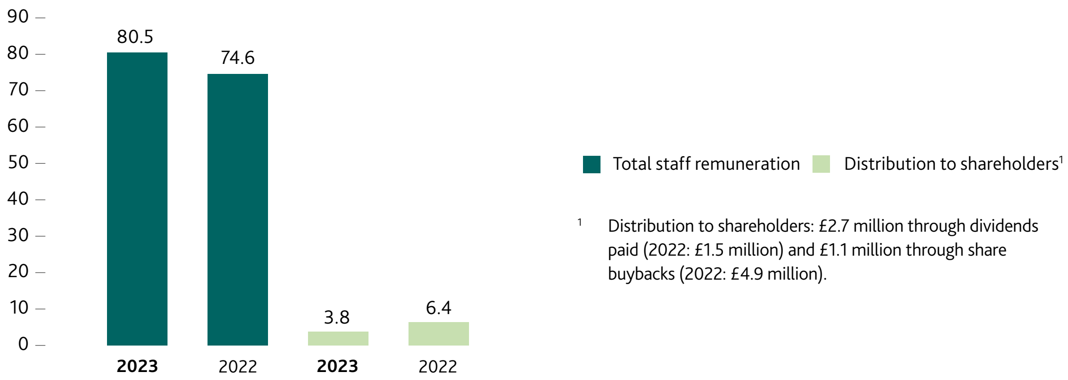
External appointments

No Executive Directors hold any external appointments.

Relative importance of spend on pay

The chart below shows the Group's actual expenditure on shareholder distributions (including dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2022 and 31 December 2023.

Relative importance of spend on pay (£m)



[1] Distribution to shareholders: £2.7 million through dividends paid (2022: £1.5 million) and £1.1 million through share buybacks (2022: £4.9 million).

Additional information

The following table sets out the other elements of the Annual Report on Remuneration and where in the Directors' remuneration report they can be found (where relevant).

Element	Page
No long-term incentive plan award vested for incumbent Executive Directors for performance ending in the 2023 financial year (audited)	→ PAGE 97
How we will apply the Policy in 2024	→ PAGES 100 TO 104
No payments for loss of office (audited)	n/a
Payments to former Directors during the 2023 financial year (audited)	→ PAGES 119 AND 120

Payments to former Directors during the 2023 financial year

As set out in last year's remuneration report, Nic Budden and Patrick Franco (the Former CEO and Former COO) had value in their BBP on departure from the Company. On the basis that the plan account balance reflects prior years achievement, the Committee determined that the plan accounts continue to be payable according to the original payout profile, subject to malus or clawback for up to two years post payment.

As such, the following table sets out the BBP accounts for the Former CEO and Former COO as at the end of 2023 which shows the paying in of the third bonus from 2022, the third payment from the bank in 2023, and subsequent deferral of notional shares over the remainder of 2023 and into the start of 2024. The notional shares are subject to a discretionary underpin that allows the Remuneration Committee to make adjustments to the level of vesting if the Committee believes due to business performance, individual performance or wider Group considerations that the vesting should be adjusted. This will include consideration of all relevant factors, including any windfall gains.

These notional shares are a mechanism that allows the deferred element of the award to be linked to the share price. The Committee confirms that there is no intention to issue actual shares until the end of the fourth year of the cycle, when the full bank value will normally be settled in the form of shares transferred or allotted to the participant. This will be in early 2024.

DIRECTORS' REMUNERATION REPORT CONTINUED

BBP year three – notional shares invested into participants' bonus bank during 2023 (in respect of 2022 performance outcome)

	Former CEO Nic Budden	Former COO Patrick Franco[2]
Number of deferred notional shares in account at the end of year three (31 December 2022)	537,481	236,002
Value of deferred notional shares in account at the end of year three (31 December 2022)[1]	**£163,431**	**£71,761**
Bonus contribution in 2023 in respect of performance over 2022 (contribution into the account)	£249,228	£87,548
Dividend equivalent contributed	£2,536	£1,109
Cumulative account following contribution	**£415,185**	**£160,418**
Less: 2023 payment out of the account	£(207,593)	£(80,209)
Value of deferred notional shares carried forward over to 2023	**£207,593**	**£80,209**
Number of deferred notional shares carried forward at the end of year four (31 December 2023)[1]	682,717	263,786
Value of deferred notional shares to be paid in shares in early 2024 (reflecting latest share price and dividend equivalents)[3]	**£310,002**	**£119,778**
Number of deferred notional shares to be paid in shares in early 2024 (reflecting latest share price and dividend equivalents)[3]	**696,523**	**269,120**

1 The price used to calculate the number of shares carried forward at the end of year four was the mid-market value of a share for the 30-day period to 31 December 2022, which was 30.4 pence per share.

2 To reflect the full amount of bonus earned in 2022, the bonus contribution amount shown for Patrick Franco is for the full four months that he was employed at the Company. As per the regulations, only three months of this value was included in the single figure table in last year's report and the 2022 Annual BBP outcome table (£65,661), reflecting the time that Patrick Franco was an Executive Director.

3 The price used to calculate the number of shares to be paid in early 2024 is the mid-market value of a share for the 30-day period to 31 December 2023, which was 44.5 pence per share.

2024 Non-Executive Director fees

Details of the Policy on Non-Executive Director fees are set out in the table below:

Implementation in 2024

Chairman and Non-Executive Director fees are as follows:
- Chairman fee: £150,000 (paid £100,000 in cash and £50,000 in shares at the prevailing market price) (2023: £150,000 with £50,000 paid in shares at the prevailing market price)
- Senior Independent Director fee: £5,000
- Non-Executive Director base fee: £63,000 (0% increase)
- Chair of Audit Committee incremental fee: £10,000 (0% increase)
- Chair of Remuneration Committee incremental fee: £10,000 (0% increase)
- Chair of ESG Committee incremental fee: £5,000 (0% increase)

Service contracts

The Executive Directors are employed under contracts of employment with Foxtons Group plc. The principal terms of the Executive Directors' service contracts are as follows. The service contracts of the Executive Directors are not of a fixed duration and therefore have no unexpired terms.

			Notice period	
Executive Director	Position	Effective date of contract	From Company	From Director
Guy Gittins	CEO	5 September 2022	12 months	12 months
Chris Hough	CFO	1 April 2022	12 months	12 months

The Chairman and Non-Executive Directors have letters of appointment. Dates of the Directors' letters of appointment are set out below:

Name	Date of original appointment	Date of most recent appointment letter	Date of appointment/ last reappointment at AGM	Notice period
Nigel Rich	1 October 2021	22 September 2021	9 May 2023	3 months
Annette Andrews	1 February 2023	26 January 2023	9 May 2023	3 months
Jack Callaway	1 February 2023	26 January 2023	9 May 2023	3 months
Peter Rollings	1 December 2021	26 November 2021	9 May 2023	3 months
Rosie Shapland	5 February 2020	9 May 2023	9 May 2023	3 months

Remuneration Committee advisers

The Remuneration Committee received advice on Executive remuneration from PwC, following appointment by the Remuneration Committee as independent adviser in 2019. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under its Code of Conduct in its dealings with the Committee. PwC's fees charged for the provision of independent advice to the Committee during the year were £72,775 (2022: £91,715). Other than in relation to advice on remuneration, PwC provides support to the Company in relation to tax compliance, internal audit and ad-hoc tax and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee, do not have connections with the Group that may impair their objectivity and independence.

Shareholder voting at the Group's AGM

The table below sets out the results of the most recent shareholder votes on the Directors' Remuneration Policy (2023 AGM) and the advisory vote on the 2023 Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration at the 2023 AGM on 9 May 2023.

	Percentage of votes cast		Number of votes cast		
Resolution	For and Discretion	Against	For and Discretion	Against	Withheld[1]
Approve the Directors' Remuneration Policy	97.45%	2.55%	194,494,392	5,096,407	15,868
Annual Statement from the Remuneration Committee Chairman and the Annual Report on Remuneration	99.88%	0.12%	199,306,717	232,381	11,569

1 A withheld vote is not a vote in law and is not counted in the calculation of the proportion of votes cast for and against a resolution.

The Directors' Remuneration Report was approved by the Board and signed on its behalf by:

Annette Andrews
Chair of the Remuneration Committee
4 March 2024

DIRECTORS' REPORT

Corporate governance

A report on corporate governance and the Group's compliance with the UK Corporate Governance Code is set out on → PAGES 69 TO 77 and forms part of this report by reference.

The Board of Directors

The members of the Board of Directors and their biographical details are shown on → PAGES 69 TO 77 and are incorporated into this report by reference. On 27 January 2023 it was announced that Annette Andrews and Jack Callaway would be appointed as Non-Executive Directors with effect from 1 February 2023, with Annette Andrews appointed as Chair of both the Remuneration and ESG Committees at the 2023 AGM.

As previously advised both Alan Giles and Sheena Mackay decided not to stand for re-election at the 2023 AGM.

Appointment and replacement of Directors

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

Directors' indemnity and compensation for loss of office

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

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on → PAGES 92 TO 121.

Engagement with stakeholders

The long-term success of the Company is dependent on its relationships with its stakeholders. In accordance with Section 172 of the Companies Act 2006, the Company's statement on engagement with its suppliers, customers, the community and others can be found on → PAGES 18 TO 21.

Employee engagement and equal opportunities policy

The Company provides employees with information on the Group's performance and on matters concerning them on a regular basis. The Board engages with employees through formal and informal channels including the Employee Engagement Committee (EEC), as set out on → PAGE 56.

Considerable value is placed on the involvement of employees, which is reflected in the principles of Foxtons' corporate practices and related guidance, which require regular, open, fair and respectful communication, zero tolerance for human rights violations, fair remuneration and, above all, a safe working environment. Foxtons operates an equal opportunities policy that aims to ensure that all employees are treated fairly and without favour or prejudice throughout selection, recruitment, training, development and promotion. The Group's policies and procedures are designed to provide for full and fair consideration and selection of disabled applicants, to ensure they are properly trained to perform safely and effectively and to provide career opportunities that allow them to fulfil their potential. Where an employee becomes disabled in the course of their employment, the Group will actively seek to retain them wherever possible by making adjustments to their work content and environment or by retraining them to undertake new roles.

The details of the wider workforce pay policies and the alignment of incentives operated by the Group are set out on → PAGE 108.

Further information on the Group's approach to diversity, inclusion and career progression are contained in the Strategic Report on → PAGES 52 TO 58. Refer to → PAGE 109 for details of how the Board engages with employees.

Share capital

At 31 December 2023, there were 330,097,758 ordinary shares of £0.01 each in issue. 28,802,778 ordinary shares were held in Treasury. Each ordinary share carries one vote; therefore, the total voting rights in issue at 31 December 2023 were 301,294,980. As at 4 March 2024, the date of this report, the Company held 28,802,778 shares in Treasury and the total voting rights in issue were 301,294,980.

Details of the Company's issued share capital and shares issued during the year can be found in Note 21 of the financial statements.

The Company was granted a general authority by its shareholders at the 2023 AGM to allot shares up to 33.33% of the Company's issued share capital. The Company also received authority to allot shares for cash on a non-pre-emptive basis up to 10% of the Company's issued share capital. These authorities will expire at the conclusion of the 2024 AGM or 30 June 2024.

A resolution will be proposed at the 2024 AGM to renew the general authority to allot shares up to 33.33% of the Company's issued share capital. In addition, as recommended by the Pre-Emption Group's revised Statement of Pre-emption Principles (as published in November 2022), the Company will propose Special Resolutions at the 2024 AGM to seek shareholder authority to disapply pre-emption rights of up to 10% of issued share capital and a further 10% of issued share capital in relation to the financing of a share issue in connection with an acquisition or specified capital investment.

The Company was granted authority by its shareholders at the 2023 AGM to purchase up to 30,322,518 of its ordinary shares, being 10% of the issued share capital. This authority will expire at the conclusion of the 2024 AGM or 30 June 2024.

On 2 November 2022, the Company announced the commencement of up to £3 million share buyback and purchased 8,897,597 of its ordinary shares, having an aggregate nominal value of £88,976, for a total consideration of £3 million.

The total number of shares purchased and held in treasury represented 8.73% of the Company's issued share capital as at 31 December 2023. These shares were purchased through Numis Securities Limited at an average price of 0.42p. All the shares purchased under the share buyback programmes are held in treasury. Since the first share buyback on 11 December 2020 to 4 March 2024, the date of this report, the Company has purchased a total of 28,802,778 of its ordinary shares, having an aggregate nominal value of £288,028, for a total consideration of £17,129,951. The total number of shares purchased and held in treasury (as at 4 March 2024) represented 8.73% of the Company's issued share capital as at as at 4 March 2024.

In order to retain flexibility, the Company will propose a resolution at the 2024 AGM to renew the Company's authority to purchase up to 10% of its ordinary shares at the Directors' discretion. If the resolution is passed, the new authority will replace the existing authority, which will lapse at the conclusion of the AGM on 7 May 2024.

Dividends

In line with the Company's policy, the Directors are recommending the payment of a final dividend on its ordinary shares for the year ended 31 December 2023 of 0.7p per share (2022: 0.7p). Subject to the approval of shareholders at the forthcoming AGM, the proposed final ordinary dividend will be payable on 28 May 2024 to shareholders on the register at the close of business on 12 April 2024. The ex-dividend date will be 11 April 2024.

Major shareholdings

The table below shows notifications received by the Company in accordance with DTR 5 during financial year ended 31 December 2023. This information was correct at the date of notification. It should be noted that these holdings may have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Institution	Voting rights at 31 Dec 2023	% of capital at 31 Dec 2023
Platinum Investment Management Limited	30,441,089	10.00%
3G Capital Management LLC	28,717,285	9.53%
Converium Capital Master Fund LP	15,100,000	5.01%
Lombard Odier Asset Man (Europe) Limited	14,638,923	4.86%
Australian Retirement Trust	12,890,132	4.28%
Hosking Partners LLP	11,541,774	3.81%
Azvalor Asset Management	9,513,579	3.13%

Rights and obligations attaching to shares

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

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

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

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

Significant agreements

With the exception of the revolving credit facility agreement with Barclays Bank plc, which may be terminated by Barclays and all outstanding loans declared immediately due and payable following a change of control, the Group is not a party to any significant agreements that would take effect, alter or terminate on a change of control of the Group.

DIRECTORS' REPORT CONTINUED

Streamlined Energy and Carbon Reporting and Task Force on Climate-Related Financial Disclosures

Information on the Group's Streamlined Energy and Carbon Reporting and Task Force on Climate-Related Financial Disclosures is set out in the Strategic Report on → PAGES 44 TO 51 and forms part of this report by reference.

Risk management and internal controls

The Board has carried out a robust assessment of the Group's principal and emerging risks as set out on → PAGES 32 TO 37 of the Strategic Report.

The Group's financial risk management objectives and policies, including its use of financial instruments, are set out in Note 24 of the financial statements.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the consolidated financial statements. Furthermore, Note 24 of the financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

- The Directors believe the Group has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements due to its existing, and forecast, availability of cash resources. For this reason, they continue to adopt the going concern basis in preparing the financial statements. The Directors have made this assessment after consideration of forecast cash flows, specifically uncertainties in relation to the macroeconomic outlook, the reverse stress scenario sensitivity and the Group's liquidity over the relevant forecast period.

Auditor

The Directors holding office at the date of this annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware. Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

BDO LLP, the external auditor of the Group, has advised of its willingness to continue in office and a resolution to reappoint them as auditor and the authority for their remuneration to be determined by the Audit Committee will be proposed at the 2024 AGM. Further details on how the objectivity and independence of the auditor is safeguarded and assessed can be found in the report of the Audit Committee on → PAGE 90.

Information presented in other sections of this report

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

Section	Listing Rule Requirement	Location	Page
12 and 13	Shareholder waivers of dividends and future dividends	Directors' Report	→ PAGE 123

Political Donations

No political donations were made or political expenditure incurred for 2023 (2022: £nil).

AGM

The Company's AGM will take place at 10.00 am on 7 May 2024 at the Company's registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The Notice of Meeting, which sets out the resolutions to be proposed at the forthcoming AGM and attendance arrangements, accompanies the Annual Report and Accounts and can also be found on the Group's website at www.foxtonsgroup.co.uk/investor-relations/agm.

Post balance sheet events and future developments

Refer to Note 29 of the financial statements for details of post balance sheet events.

Details of the Group's business activities and the factors likely to affect its future development, performance and position are set out in the Strategic Report on → PAGES 1 TO 63 and form part of this report by reference.

On behalf of the Board

Guy Gittins
Chief Executive Officer
4 March 2024

Chris Hough
Chief Financial Officer

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with applicable law and UK adopted international accounting standards. The Directors have elected to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company of the profit or loss of the Group for that period.

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

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

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

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

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

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

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

Responsibility statement

We confirm that to the best of our knowledge:

- The consolidated and Parent Company financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole.
- The Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider that the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

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

Guy Gittins
Chief Executive Officer
4 March 2024

Chris Hough
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Foxtons Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, notes to the financial statements, Parent Company Statement of Financial Position, Parent Company Statement of Changes in Equity and notes to the Parent Company financial statements, including a summary of material accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the findings included in our Completion Report reported to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Directors on 13 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ending 31 December 2020 to 31 December 2023. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of the appropriateness of the approach and model used by the Directors when performing their going concern assessment, including the following procedures:
  - Subjected the going concern model to checks of the mechanical accuracy of the underlying formulae in both the base case and reverse stress test case.
  - Challenged the Directors on the accuracy of substantial non-profit cash flows and regular operating profit derived cash movements within the going concern model (including working capital, capital expenditure, taxes and acquisition consideration, and unwinding of accumulated contract assets for lettings revenue) by agreement to supporting documentation where available.
  - Checked the basis of the covenants and definition of those within the revolving credit facility agreement. Further, we checked the covenant compliance calculations built into the going concern assessment model to determine whether this was calculated accurately and complied with the financial covenants included within the revolving credit facility agreement.
  - Tested the underlying figures of the forecast by agreeing the opening cash and borrowings balances for 2024 to the current tested balances as at 31 December 2023 .
  - Considered the adequacy of disclosures made in respect of going concern in light of the Directors' going concern assessment (Note 1.7).

- An evaluation and challenge of the underlying data and key assumptions used to make the assessment (focussing on revenue growth rates, Group profitability and the timing and quantum of significant future cash flows). Challenge over assumptions included:
  - Key assumptions (being; revenue growth, costs and profitability) were challenged to supporting evidence and initiatives with business segment leaders within the Group.
  - Comparison of the revenue growth estimates noted above against market research (both corroborative and contradictory) to determine the reasonableness of the estimates made and the likelihood of the reverse stress test output occurring.
  - Evaluation of the Directors' historic forecasts against the achieved actuals for the year ended 31 December 2023 to establish the accuracy with which cash flows have been budgeted (together with assessment of previous years).
- We challenged the Directors on the net current liability position recorded by the Group as at 31 December 2023 understanding the reason for this position having been realised at this date. We subsequently tested the reversal of the net current liability position through our audit work performed on the reverse stress test scenario, the assumptions and calculations of which have been tested as noted above.
- We considered the availability of the revolving credit facility within the reverse stress test scenario as noted above based on covenant compliance calculations.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2022: 100%) of Group profit before tax 99% (2022: 98%) of Group revenue 98% (2022: 97%) of Group total assets		
Key audit matters		**2023**	2022
	1. Impairment risk due to potential non-achievability of cash flows underlying the brand asset value in use.	✓	✓
	2. Impairment risk due to the use of inaccurate assumptions included within the weighted average cost of capital ('WACC') used in the brand asset value in use.	X	✓
	Key Audit Matter 2 (2022) was not considered to be a Key Audit Matter for the year ended 31 December 2023. This is on the grounds of its relative insensitivity when taken against the first Key Audit Matter (achievability of cash flows), together with the reasonably non-complex methodology of its calculation which does not vary significantly year-on-year, thus warranting less auditor attention in the year ended 31 December 2023.		
Materiality	Group financial statements as a whole – £1.090m (2022: £1.0m) based on 0.75% (2022: 0.75%) of forecast revenue for the year.		

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Significant components:

Component	Nature of entity	Type of work performed
Foxtons Limited	Estate Agency services (Sales and Lettings)	Full scope audit
Foxtons Group plc	Parent Entity (including consolidation journals)	Full scope audit

Non-significant components:

Other than the two significant components noted above, there were 18 (2022: 14) other components within the Group which formed part of our Group audit.

The following three non-significant components were subjected to a full scope audit on account of them being part of a non-small Group and being entities that do not avail themselves of a parental guarantee from audit under s479A of the Companies Act 2006:

Component	Nature of entity	Type of work performed
Foxtons Intermediate Holdings Limited	Intermediate Holding entity	Full scope audit
Foxtons Operational Holdings Limited	Intermediate Holding entity	Full scope audit
Alexander Hall Associates Limited	Mortgage Broking services	Full scope audit

All 15 (2022: 11) of the remaining non-significant components were subjected to desktop review procedures. All audit work on all entities (significant and non-significant) was undertaken by the Group audit team.

Climate change

Our work on the assessment of potential impacts of climate-related risks on the Group's operations and financial statements included:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual Report;
- Our own qualitative risk assessment taking into consideration the sector in which the Group operates and how climate change affects this particular sector; and
- Review of the minutes of Board and Audit Committee meetings and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out on → PAGE 84 may affect the financial statements and our audit.

We challenged the extent to which climate-related considerations, including the expected cash flows from the initiatives and commitments have been reflected, where appropriate, in management's going concern assessment and viability assessment and in management's judgements and estimates in relation to the cash flows attributable to the value in use assessment of the indefinite life brand asset (Note 1.21).

We also assessed the consistency of management's disclosures included as 'Other Information'/'Statutory Other Information' within the Group's 'Task force on climate-related financial disclosures' report on → PAGE 46 with the financial statements and with our knowledge obtained from the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Impairment risk due to potential non-achievability of cash flows underlying the brand asset value in use.	The Group has a historical brand asset of £99 million (2022: £99 million) which has an indefinite useful economic life and is therefore subject to a mandatory annual impairment review under IAS 36 (accounting policy 1.14 and Note 10). The audit of the cash flow assumptions included within the impairment review of the indefinite life brand asset is considered to be a significant risk as it requires consideration of value in use of the business as a whole and includes a high level of management estimation uncertainty in relation to the two following (key) areas: • Management's assessment of future cash flows from the estate agency business, which include assessment of revenue growth across the two business segments and business profitability (incorporating both short term movements in 2024 and mid-term movements in 2025-2028). • Management's assessment of the long-term growth rate applied to the cash flows into perpetuity. The level of audit work required on the challenge of management's judgements over future growth make this a key audit matter.	Our audit work on the challenge of achievability of cash flows included within the indefinite life brand asset included the following procedures: • Reconciled the cash flows from the impairment review model to internal strategic plans approved by the Board. • Challenged the key revenue assumptions within the model to supporting evidence, including, inspection of support for internal growth-driving actions, and benchmarking the achievability of key growth metrics (including expected market volumes and unit pricing in both the lettings and sales market) to both corroborative and contradictory external market intelligence. • Challenged management's assumptions around the future costs within the model, including the inflation rates applied to cost budgets for future years together with reconciling to growth forecast in costs from 2024 to 2025. We also reconciled the model to confirm that future (uncommitted) cost savings had not been incorporated into the model since these are prohibited by IAS 36. • Assessed management's budgeting reliability and Board plans by comparing past budgets to in year trading results and current budgets to actual Q4 trading results and post year end trading. • Reconciled the rental cash flows to the gross lease liabilities audited as part of our audit work on leases. • Reconciled the long-term growth rate used to discount the cash flows into perpetuity back to external sources of long term growth indices expected within the UK residential housing sector. **Key observations:** Based on our audit work performed, we consider management's judgements made around the cash flows to be reasonable and achievable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent Company financial statements	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Materiality	1,090	1,000	981	900
Basis for determining materiality	0.75% of forecast revenues (equating to 0.74% of final audited revenues).	0.75% of forecast revenues (equating to 0.71% of final audited revenues).	90% of Group materiality	90% of Group materiality
Rationale for the benchmark applied	We consider revenue to be the most appropriate materiality benchmark as it provides a more stable measure of year-on-year performance and is a key performance indicator for the Group.		The Parent Company does not trade. Materiality was set at a percentage of Group materiality given the assessment of aggregation risk.	
Performance materiality	760	700	686	630
Basis for determining performance materiality	70% of Group materiality	70% of Group materiality	70% of Parent Company materiality	70% of Parent Company materiality
Rationale for the percentage applied for performance materiality	Continued low level of historic and anticipated misstatements and brought forward uncorrected misstatements. Continued rationalisation in complex estimates in the Group, reflecting a lower level of management judgement across the Group financial statements.		Continued low level of historic and anticipated misstatements and brought forward uncorrected misstatements.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 75% and 90% (2022: 90%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Significant component materiality ranged from £825,000 to £981,000 (2022: £900,000). In the audit of each significant component, we further applied performance materiality levels of 70% (2022: 70%) of the significant component materiality to our testing to ensure that the risk of errors exceeding significant component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £44,000 (2022: £40,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on → PAGE 124. • The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on → PAGE 88.
Other Code provisions	• Directors' statement on fair, balanced and understandable as set out on → PAGE 90. • Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on → PAGE 124. • The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems as set out on → PAGE 32. • The section describing the work of the Audit Committee as set out on → PAGE 86.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.
Directors' remuneration	In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement on → PAGE 125, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOXTONS GROUP PLC CONTINUED

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance, those responsible for legal and compliance procedures, and the Company Secretary; and
- Obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be:

- Those that relate to the reporting framework (UK adopted international accounting standards);
- The Companies Act 2006 and UK Corporate Governance Code;
- Accounting Rule 1 of the Conduct and Membership Rules of Propertymark;
- FCA regulations; and
- Relevant tax compliance.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be.

- The health and safety legislation; and
- Estate Agents Act 1979, the Money Laundering Regulations 2007, the Proceeds of Crime Act, and the Data Protection Act.

Our procedures in respect of the above included:

- Enquiries with Alexander Hall Associates Limited's Risk Compliance and Technology Director (to ascertain the extent of any potential compliance breaches or potential claims lodged by customers of the FCA regulated mortgage broking business), the Legal and Compliance Director, and Group Management.
- Review of minutes of meetings of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit;
- Assessing the provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's and components' ability to operate. These include compliance with the Estate Agents Act 1979, the Money Laundering Regulations 2007, the Proceeds of Crime Act, and the Data Protection Act;
- Third-party confirmations were obtained directly from the Group's external legal counsel to assess the completeness of claims and legal matters made available to us; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

The engagement partner assessed the audit team as collectively holding the appropriate competence and capabilities to identify and/or recognise non-compliance with laws and regulations. Where appropriate, additional specialists were involved as members of engagement team discussions to direct the audit procedures toward identifying irregularities as above.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to: detecting and responding to the risks of fraud; and Internal controls established to mitigate risks related to fraud.
- Review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be;

- Impairment review of brand assets (specifically the achievability of forecast cash flows) given significant judgement involved in their forecasting and a resultant bias to prevent an impairment being recognised (refer to the Key Audit Matter 1 above).
- Fraudulent journals posted to manipulate revenue and profit through the recording of manual IFRS 15 adjustments directly to the accounting system.
- Management override of controls.

Our procedures in respect of the above included:

- Checked the accuracy of the lettings revenue reconciliation for the year between the Group's business operating system and the Group's accounting system. We corroborated reconciling items back to movements in audited balance sheet areas (including the lettings contract assets and contract liabilities and the rental collection deferral). Where the reconciling items related to revenue codes either not included in the business operating system or not included within the accounting system, a sample of these items were agreed to further supporting documentation.
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation.
- Assessing significant estimates made by management for bias including but not limited to impairment reviews (refer to key audit matters for further detail) and purchase price allocation in respect to acquisitions in the period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Tim Neathercoat (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street, London, W1U 7EU
4 March 2024

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

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

Continuing operations	Notes	2023 £'000	2022 £'000
Revenue	2	**147,127**	140,322
Direct operating costs		**(53,881)**	(49,011)
Other operating costs		**(83,456)**	(77,471)
Operating profit		**9,790**	13,840
Other losses		**–**	(35)
Finance income	5	**381**	137
Finance costs	5	**(2,277)**	(2,003)
Profit before tax from continuing operations		**7,894**	11,939
Tax charge	6	**(2,404)**	(2,377)
Profit for the year from continuing operations		**5,490**	9,562
Discontinued operations			
Loss after tax for the year from discontinued operations	7	**–**	(435)
Profit for the year attributable to shareholders of the Company		**5,490**	9,127
Earnings per share			
From continuing operations			
Basic earnings per share	9	**1.8p**	3.0p
Diluted earnings per share	9	**1.7p**	3.0p
From continuing and discontinued operations			
Basic earnings per share	9	**1.8p**	2.9p
Diluted earnings per share	9	**1.7p**	2.8p
Adjusted measures			
From continuing operations			
Adjusted EBITDA[1,4]	28	**17,511**	16,489
Adjusted operating profit[2,4]	2	**14,256**	13,909
Adjusted profit before tax[1,4]	28	**12,360**	12,008
Adjusted basic earnings per share[3,4]	9	**3.0p**	3.1p

1 Adjusted EBITDA and Adjusted profit before tax are APMs and are reconciled to the nearest statutory measure in Note 28. Both measures exclude £4.47 million of adjusted items (2022: £0.07 million) which are detailed in Note 4.

2 Adjusted operating profit is an APM and is reconciled to statutory profit before tax in Note 2. The measure excludes £4.47 million of adjusted items (2022: £0.07 million) which are detailed in Note 4.

3 Adjusted basic earnings per share from continuing operations is an APM and is reconciled to statutory earnings per share in Note 9.

4 Further details of the APMs are provided in Note 28.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Profit for the year attributable to shareholders of the Company		**5,490**	9,127
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	14	–	(3,711)
Other comprehensive loss for the period		–	(3,711)
Total comprehensive income for the period		**5,490**	5,416
Total comprehensive profit attributable to shareholders of the Company arising from:			
Continuing operations		**5,490**	5,851
Discontinued operations		–	(435)
Total		**5,490**	5,416

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Goodwill	10	**40,709**	26,050
Other intangible assets	10	**114,897**	109,309
Property, plant and equipment	11	**9,459**	10,692
Right-of-use assets	12	**42,471**	42,570
Contract assets	19	**4,748**	1,688
Investments	14	**31**	6
Deferred tax assets	6	**1,905**	1,386
		214,220	191,701
Current assets			
Trade and other receivables	16	**17,432**	16,016
Contract assets	19	**14,256**	5,688
Current tax assets		**–**	745
Cash and cash equivalents		**4,989**	12,027
Assets classified as held for sale	7	**450**	–
		37,127	34,476
Total assets		**251,347**	226,177
Current liabilities			
Trade and other payables	17	**(21,303)**	(16,694)
Current tax liabilities		**(79)**	–
Borrowings	18	**(11,682)**	–
Lease liabilities	12	**(10,686)**	(10,708)
Contract liabilities	19	**(11,770)**	(9,745)
Provisions	20	**(1,609)**	(1,506)
		(57,129)	(38,653)
Net current liabilities		**(20,002)**	(4,177)
Non-current liabilities			
Lease liabilities	12	**(36,915)**	(35,753)
Borrowings	18	**(98)**	–
Contract liabilities	19	**(439)**	(289)
Provisions	20	**(3,008)**	(1,765)
Deferred tax liabilities	6	**(28,153)**	(27,049)
		(68,613)	(64,856)
Total liabilities		**(125,742)**	(103,509)
Net assets		**125,605**	122,668
Equity			
Share capital	21	**3,301**	3,301
Merger reserve	22	**20,568**	20,568
Other reserves	22	**2,653**	2,653
Own shares reserve	23	**(12,092)**	(10,993)
Retained earnings		**111,175**	107,139
Total equity		**125,605**	122,668

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 4 March 2024.

Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES OF EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	**Share capital £'000**	**Merger reserve £'000**	**Other reserves £'000**	**Own shares reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2023		**3,301**	**20,568**	**2,653**	**(10,993)**	**107,139**	**122,668**
Profit for the year attributable to shareholders of the Company		**–**	**–**	**–**	**–**	**5,490**	**5,490**
Changes in fair value of equity instruments at FVOCI	14	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**5,490**	**5,490**
Dividends	8	**–**	**–**	**–**	**–**	**(2,725)**	**(2,725)**
Own shares acquired in the period	23	**–**	**–**	**–**	**(1,112)**	**–**	**(1,112)**
Credit to equity for share-based payments	27	**–**	**–**	**–**	**–**	**1,284**	**1,284**
Settlement of share incentive plan		**–**	**–**	**–**	**13**	**(13)**	**–**
Balance at 31 December 2023		**3,301**	**20,568**	**2,653**	**(12,092)**	**111,175**	**125,605**

	Notes	Share capital £'000	Merger reserve £'000	Other reserves £'000	Own shares reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2022		3,301	20,568	2,653	(6,059)	103,039	123,502
Profit for the year attributable to shareholders of the Company		–	–	–	–	9,127	9,127
Changes in fair value of equity instruments at FVOCI	14	–	–	–	–	(3,711)	(3,711)
Total comprehensive income for the year		–	–	–	–	5,416	5,416
Dividends	8	–	–	–	–	(1,487)	(1,487)
Own shares acquired in the period	23	–	–	–	(4,941)	–	(4,941)
Credit to equity for share-based payments	27	–	–	–	–	178	178
Settlement of share incentive plan		–	–	–	7	(7)	–
Balance at 31 December 2022		3,301	20,568	2,653	(10,993)	107,139	122,668

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Operating activities			
Operating profit from continuing operations	2	**9,790**	13,840
Operating loss from discontinued operations	7	**–**	(414)
Operating profit from continuing and discontinued operations		**9,790**	13,426
Adjustments for:			
Depreciation of property, plant and equipment and right-of-use assets	11, 12	**12,910**	12,197
Amortisation of intangible assets	10	**1,791**	1,551
Gain on disposal of discontinued operations	7	**–**	(180)
Net impairment/(reversal of impairment) of plant and equipment and right-of-use assets	4	**3,410**	(310)
Loss on disposal of property, plant and equipment and intangibles		**17**	114
Gain on lease surrenders and lease modifications		**(894)**	–
Sub-lease asset impairment/(net gain on recognition of sub-lease asset)		**190**	(187)
Increase in provisions		**422**	1,055
Cash settlement of share incentive plan		**–**	(7)
Share-based payment charges	27	**1,036**	178
Operating cash flows before movements in working capital		**28,672**	27,837
Increase in receivables		**(12,136)**	(2,108)
Increase in payables		**1,328**	862
Cash generated by operations		**17,864**	26,591
Income taxes paid		**(2,192)**	(2,659)
Net cash from operating activities		**15,672**	23,932
Investing activities			
Interest received		**381**	137
Proceeds on disposal of property, plant and equipment	11	**–**	53
Purchases of property, plant and equipment	11	**(2,121)**	(2,953)
Purchases of intangibles	10	**(1,495)**	(755)
Purchases of investments	14	**(25)**	(400)
Acquisition of subsidiaries (net of cash acquired)	13	**(13,935)**	(8,490)
Disposal of discontinued operations	7	**–**	(3,715)
Net cash used in investing activities		**(17,195)**	(16,123)
Financing activities			
Proceeds from borrowings		**21,573**	–
Repayment of borrowings		**(10,681)**	–
Dividends paid	8	**(2,725)**	(1,487)
Interest on borrowings		**(236)**	(38)
Interest on lease liabilities	12	**(1,971)**	(1,965)
Repayment of lease liabilities		**(10,554)**	(10,721)
Sub-lease receipts		**191**	281
Purchase of own shares	23	**(1,112)**	(4,941)
Net cash used in financing activities		**(5,515)**	(18,871)
Net decrease in cash and cash equivalents		**(7,038)**	(11,062)
Total cash and cash equivalents at beginning of year[1], comprising:		**12,027**	23,089
Cash and cash equivalents relating to continuing operations:		**12,027**	19,374
Cash and cash equivalents held for sale (discontinued operations):	7	**–**	3,715
Total cash and cash equivalents at end of year, comprising:		**4,989**	12,027
Cash and cash equivalents relating to continuing operations		**4,989**	12,027

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

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

1.1 General information

Foxtons Group plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the Company's registered office is Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. The principal activity of the Company and its subsidiaries (collectively, 'the Group') is the provision of services to the residential property market in the UK.

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

1.2 Compliance with International Financial Reporting Standards

The financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2022 and 2023.

1.3 Basis of preparation

These financial statements have been prepared on the historical cost basis as modified by items held at fair value through other comprehensive income. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

1.4 Basis of consolidation

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

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

1.5 Climate change

In preparing the financial statements, the Directors have considered the impact of climate change, particularly in the context of the climate-related risks identified in the Group's Task Force on Climate-Related Financial Disclosures. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate-related risks are not material to the Group and are not expected to have a significant impact on the Group's short-term or medium-term cash flows including those considered in the going concern and viability assessments, impairment assessments of the carrying value of non-current assets and the estimates of future profitability used in our assessment of the recoverability of deferred tax assets.

1.6 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.7 Going concern

Going concern assessment

The financial statements of the Group have been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial statements, the Group will have adequate resources to continue in operation for a period of at least 12 months from the date of approval of the consolidated financial statements. The assessment has taken into consideration the Group's financial position, liquidity requirements, recent trading performance and the outcome of reverse stress testing. At 31 December 2023, the Group was in a net debt position of £6.8 million (2022: £12.0 million net cash) and a net current liability position of £20.0 million (2022: £4.2million), both of which include the £11.7 million drawdown on the Group's £20.0 million revolving credit facility ('RCF') used to fund the Group's acquisition strategy and working capital requirements. The facility is available for use until June 2026 and has an option to extend for two further years to June 2028. For RCF terms refer to Note 18.

Reverse stress scenario

In assessing the Group's ability to continue as a going concern, the Directors have stress tested the Group's cash flow forecasts using a reverse stress scenario which incorporates a severe deterioration in market conditions. Reverse stress testing seeks to determine the point at which the Group could be considered to fail without taking further mitigating actions or raising additional funds. For the purposes of the reverse stress test, the point of failure has been defined as the point at which the Group breaches its RCF covenants.

The reverse stress scenario has taken into consideration the revenue characteristics of the Group, specifically the transactional nature of Sales revenue, which contrasts to the recurring and non-cyclical nature of Lettings revenue. The scenario assumes a severe macro-economic downturn from April 2024 to December 2025 which heavily impacts Sales and Financial Services revenues since these streams are most sensitive to the macro-economic environment. Additionally, Lettings revenues have been assumed to be impacted despite their resilient nature. The key assumptions are summarised below:

- A 30% reduction in sales market transactions and a 16% reduction in Lettings units compared to 2022, during which sales market conditions were more normalised. For context, a 30% reduction in sales market transactions would see transaction volumes fall c.10% compared to those levels seen in 2009 following the Global Financial Crisis.
- Additionally, the scenario incorporates a 10% reduction in house prices and a 13% reduction in Lettings average revenue per transaction from current levels, further reducing revenues.
- Under the reverse stress scenario, Sales revenue would be 23% lower than 2023 and Lettings revenue would be 9% lower than 2023. Noting that 2023 Sales revenues were already at a depressed level, a further fall of 23% in improving market conditions is considered to be unlikely.
- Under the scenario, it is assumed management would take mitigating action to reduce discretionary spending and right size fee earner headcount to reflect market conditions. The modelled actions include: reducing front office headcount in line with the revenue reductions; reducing back office headcount; reducing discretionary spend such as marketing; and pausing capital expenditure.

In the unlikely event of the reverse stress scenario, the Group forecasts it would breach the RCF's leverage covenant (refer to Note 18 for details of the covenants) in March 2025. Under such a scenario, further mitigating actions that could be taken, but not included in the reverse stress scenario, include further reducing discretionary spend, further rationalising headcount, seeking agreement to defer lease payments or raising additional funds.

1.8 Adoption of new and revised standards

The following standards and amendments to published standards, effective for periods on or after 1 January 2023, have been endorsed:

IFRS 17	*Insurance Contracts*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendments to IAS 8	*Accounting policies, Changes in Accounting Estimates and Errors*
Amendments to IAS 12	*Income taxes*

The Group has considered the new or revised standards above and concluded that either they are not relevant to the Group or would not have a material impact on the financial statements of the Group.

At the date of authorisation of these financial statements, the following standards, amendments and interpretations which have not been applied in these financial statements were in issue but not yet effective:

Amendments to IAS 1	*Non-current liabilities with covenants*
Amendments to IFRS 16	*Lease liability on sale and leaseback*

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year are not expected to have a material impact on the Group's financial statements.

1.9 Revenue recognition

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

Rendering of services

Under IFRS 15 'Revenue from Contracts with Customers', a five step process is taken for recognising revenue from contracts with customers. The process consists of: 1) Identifying the contract(s) with a customer; 2) Identifying the performance obligations in the contract; 3) Determining the transaction price; 4) Allocating the transaction price to the performance obligation(s); and 5) Recognising revenue when a performance obligation has been satisfied.

The Group generates revenue from customers, the majority of which are based in the UK, from three main revenue streams: Lettings; Sales; and Financial Services. The point at which transfer of control of services to customers for each performance obligation is deemed to be met, and consequently the revenue recognition point for each performance obligation, is in line with the criteria outlined below.

Lettings revenue streams

Revenue is recognised as follows for the following Lettings revenue streams:

(i) Commission for securing a tenancy for the landlord

The Group satisfies its performance obligation at the point the tenancy is secured and recognises initial Lettings commission at this point. The initial Lettings commission is determined by applying the contractual commission percentages to the value of the rental over the non-cancellable period. Once the non-cancellable period has passed, and the contract can be terminated in accordance with the break clause, the contract is accounted for as a rolling contract with optional renewals.

Contract assets represent the accrual of revenue beyond amounts invoiced for contracts where invoicing only covers part of the non-cancellable contract period, and contract liabilities represent amounts invoiced for contracts where invoicing has extended past the non-cancellable contract period.

This commission is recognised over time in line with the contract between the Group and the landlord which has been determined to be a cancellable contract, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the Group refunds any initial commissions paid by the landlord on a pro-rata basis.

(ii) Commission for collecting rent on behalf of the landlord

Commission for rent collection services is recognised over the life of the contract on a straight-line basis which is in line with the satisfaction of the performance obligation, measured using a mark-up on the estimated costs allocated to the provision of the service.

(iii) Commission for managing the tenancy on behalf of the landlord

Property management services are recognised over the life of the contract on a straight-line basis which is in line with the satisfaction of the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Sales revenue streams

Revenue is recognised as follows for the following Sales revenue streams:

(i) Commission for residential property sales

Commission earned on residential property sales is recognised at a point in time upon the exchange of contracts for such sales.

(ii) Commission for residential off-plan property sales

For contracts relating to new homes sold off-plan, the Group's commission is variable and dependent on the off-plan sale successfully completing. At the point of exchange of contract, management makes an assessment of the amount and probability of revenue expected to be received.

Variable consideration is estimated using the expected value methodology to predict the amount of consideration the Group will be entitled to. The estimate is determined with reference to historical and forecast information. Estimates are constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once any uncertainty is subsequently resolved. Constraints are determined with reference to factors outside the Group's control and the length of time between point of exchange of contracts and completion of the sale.

Financial Services revenue streams

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

Interest income

The Group deposits its cash with reputable financial institutions. Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. The Group earns interest income on its own funds which is presented as finance income. The Group also earns interest on client monies which is presented within Lettings revenue given the collection and holding of client monies (deposits for tenancy agreements) is an integral part of the lettings service provided to landlords.

1.10 Taxation

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

Current tax

The tax currently payable is based on taxable profit for the period and any adjustments in respect to prior periods. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible.

Deferred tax

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

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

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

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

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

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

1.11 Goodwill and goodwill impairment

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

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

1.12 Other intangible assets

Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognised as intangible assets when the project or process is technically and commercially feasible. Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Intangible assets under construction represent the amount of expenditure recognised in the course of an asset's construction. Amortisation of an asset is recognised from the time it is available for use.

Intangible assets, other than goodwill that are acquired by the Group (the acquired Foxtons brand, software and customer contracts), are stated at cost less accumulated amortisation and impairment losses. The brand is considered to have an indefinite economic life because of the institutional nature of the brand and the Group's commitment to develop and enhance its value. The carrying value of the brand is subject to an annual impairment review, and adjusted to its recoverable amount if required. Amortisation of customer contracts and software is included within other operating costs in the consolidated income statement, and is recognised on a straight-line basis as follows:

Customer contracts and relationships	Estimated life of the contracts/relationships
Software	20% straight-line

1.13 Property, plant and equipment

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

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

Leasehold improvements	Over the term of the lease (typical lease terms range from 5 years to 15 years)
Fixtures, fittings and equipment	Between 20% and 25% straight-line
Motor vehicles	25% straight-line

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

1.14 Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets (in relation to goodwill, refer to section 1.11 for details of the goodwill impairment policy) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

1.15 Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases for low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

a) **Lease liability:** The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using an incremental borrowing rate which is the rate of interest that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

   Lease payments included in the measurement of the lease liability primarily comprise fixed lease payments.

   The lease liability is presented across separate lines (current and non-current) in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

   The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying assets.

b) **Right-of-use assets:** Right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

   The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in line with the Group's existing impairment accounting policy.

   Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in other operating costs in the consolidated income statement.

The Group as lessor

The Group acts as an intermediate sub-lessor for certain properties. The Group accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

1.16 Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is equal to their fair value. Cash and cash equivalents excludes client monies since these funds belong to tenants (refer to Note 26 for details of the client monies held by the Group).

1.17 Financial instruments

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

a) Financial assets

The financial assets held by the Group are classified, at initial recognition, and subsequently measured at amortised cost or at fair value through other comprehensive income (OCI). All financial assets are recognised and derecognised on a trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus transaction costs.

For purposes of subsequent measurement, the financial assets held by the Group are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

All financial assets, other than cash and cash equivalents and investments classified as fair value through OCI, are measured at amortised cost using the effective interest rate (EIR) method, except for short-term receivables when the recognition of interest would be immaterial, and are subject to impairment.

Impairment of financial assets

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established an ECL model that is based on its historical credit loss experience, adjusted for forward-looking market factors specific to the debtors and the economic environment. Further information on the ECLs for trade receivables is given in note 16. The ECLs against contract assets are measured through a consideration of historic rental defaults, adjusted for forward-looking market factors that align to those of the debtors' ECLs, and applied based on the expected year of maturity.

Investments in unlisted shares

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as fair value through OCI (unless held for trading). The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are recognised through OCI.

Dividends on these investments are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Group recognises its non-listed equity investments as fair value through OCI.

b) Financial liabilities and equity

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

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest rate (EIR) method, with interest expense recognised on an effective yield basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Provisions

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

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

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

A provision for restructuring is recognised when management has a formal plan for the restructuring that identifies that portion of the business and principal locations that will be affected in detail and timing, and has raised an expectation among those affected that it will proceed with the restructuring.

Equity instruments

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

1.18 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated income statement. Additional disclosures are provided in Note 7. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

1.19 Share-based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27.

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

1.20 Alternative performance measures (APMs)

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional and helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for factors which affect IFRS measures, to aid users in understanding the Group's performance. The Group's APMs are defined, explained and reconciled to the nearest statutory measure within Notes 2 and 28.

Adjusted items

Adjusted operating profit, adjusted operating profit margin, adjusted EBITDA, adjusted EBITDA margin, adjusted profit before tax, adjusted earnings per share, exclude adjusted items.

Adjusted items include costs or revenues which due to their size and incidence require separate disclosure in the financial statements to reflect management's view of the underlying performance of the Group and allow comparability of performance from one period to another. Items include restructuring and impairment charges, significant acquisition costs and any other significant exceptional items. Refer to Note 4 for further information of the adjusted items recognised in the period.

1.21 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical accounting judgements in applying the Group's accounting policies

Critical accounting judgements, apart from those involving estimations, that are applied in the preparation of the consolidated financial statements are discussed below.

- **Useful economic life of the brand intangible asset**

The Company completed the acquisition of 100% of the equity of Foxtons Intermediate Holdings Limited on 30 March 2010. The Directors identified one material intangible asset: the Foxtons brand, which was deemed to have an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate cash inflows. This judgement continues to be appropriate noting the Group's intention and the ability to maintain the brand intangible asset so that there is no foreseeable limit on the period over which the asset is expected to generate net cash inflows. Refer to Note 10 for further consideration of the carrying value of the brand intangible asset.

Key sources of estimation uncertainty

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

- **Impairment of intangibles with an indefinite life**

Determining whether intangibles with an indefinite life are impaired requires an estimation of the value in use of the CGUs to which intangible assets with an indefinite life (i.e. the Foxtons brand) have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate present value. The carrying amount of the Foxtons brand is £99 million. The key source of estimation uncertainty relates to the forecast cash flows used to determine the value in use. Sensitivity analysis is provided in Note 10.

2. BUSINESS AND GEOGRAPHICAL SEGMENTS

Products and services from which reportable segments derive their revenues

Management has determined the operating segments based on the monthly management pack reviewed by the Directors, which is used to assess both the performance of the business and to allocate resources within the entity. Management has identified that the Board is the Chief Operating Decision Maker ('CODM') in accordance with the requirements of IFRS 8 'Operating Segments'.

The operating and reportable segments of the Group are (i) Lettings; (ii) Sales; and (iii) Financial Services.

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

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(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.

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

Segment assets and liabilities, including depreciation, amortisation and additions to non-current assets, are not reported to the Directors on a segmental basis and are therefore not disclosed. Goodwill and intangible assets have been allocated to reportable segments as described in Note 10.

The segmental disclosures include two APMs as defined below. Further details of the APMs is provided in Note 28.

Contribution and contribution margin

Contribution is defined as revenue less direct operating costs (being salary costs of front office staff and costs of bad debt). Contribution margin is defined as contribution divided by revenue. These measures indicate the profitability and efficiency of the segments before the allocation of shared costs.

Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before adjusted items (defined in Note 1.20), finance income, finance cost and other gains/losses. Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. As explained in Note 28, these measures are used by the Board to measure delivery against the Group's strategic priorities, to allocate resource and to assess segmental performance.

Segment revenues and results

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2023:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		**101,188**	**37,158**	**8,781**	**n/a**	**147,127**
Contribution	28	75,381	14,455	3,410	n/a	93,246
Contribution margin	*28*	*74.5%*	*38.9%*	*38.8%*	*n/a*	*63.4%*
Adjusted operating profit/(loss)	28	**25,838**	**(9,974)**	**654**	**(2,262)**	**14,256**
Adjusted operating profit/(loss) margin	*28*	*25.5%*	*(26.8%)*	*7.4%*	*n/a*	*9.7%*
Adjusted items	4					(4,466)
Operating profit						**9,790**
Finance income	5					381
Finance cost	5					(2,277)
Profit before tax						**7,894**

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation[1]	(8,080)	(4,815)	(15)	–	(12,910)
Amortisation from non-acquired intangibles	(205)	(130)	(60)	–	(395)
Amortisation from acquired intangibles	(1,315)	(81)	–	–	(1,396)
Total	**(9,600)**	**(5,026)**	**(75)**		**(14,701)**

[1] Total depreciation of £12.9 million consists of £2.4m million of property, plant and equipment depreciation (refer to Note 11) and £10.5 million of IFRS 16 lease depreciation (refer to Note 12).

The following is an analysis of the Group's continuing operations results by reportable segment for the year ended 31 December 2022:

	Notes	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Revenue		86,918	43,182	10,222	n/a	140,322
Contribution	28	64,788	22,040	4,483	n/a	91,311
Contribution margin	*28*	*74.5%*	*51.0%*	*43.9%*	*n/a*	*65.1%*
Adjusted operating profit/(loss)	28	17,989	(3,231)	1,767	(2,616)	13,909
Adjusted operating profit/(loss) margin	*28*	*20.7%*	*(7.5%)*	*17.3%*	*n/a*	*9.9%*
Adjusted items	4					(69)
Operating profit						13,840
Other losses						(35)
Finance income	5					137
Finance cost	5					(2,003)
Profit before tax						11,939

D&G Sales (disposed 11 February 2022) is presented as a discontinued operation. Refer to Note 7 for further details.

Depreciation and amortisation	Lettings £'000	Sales £'000	Financial Services £'000	Corporate costs £'000	Group total £'000
Depreciation[1]	(7,517)	(4,664)	(16)	–	(12,197)
Amortisation from non-acquired intangibles	(230)	(195)	(85)	–	(510)
Amortisation from acquired intangibles	(913)	(128)	–	–	(1,041)
Total	(8,660)	(4,987)	(101)	–	(13,748)

[1] Total depreciation of £12.2 million consists of £2.1 million of property, plant and equipment depreciation (refer to Note 11) and £10.1 million of IFRS 16 lease depreciation (refer to Note 12).

3. INCOME AND EXPENSES

Profit from continuing operations for the year is stated after charging/(crediting):

	Notes	**2023 £'000**	2022 £'000
Short-term leases	12	**1,438**	1,503
Depreciation of property, plant and equipment	11	**2,399**	2,063
Depreciation of right-of-use assets	12	**10,511**	10,134
Amortisation (excluding acquired intangibles)	10	**395**	510
Amortisation of acquired intangibles	10	**1,396**	1,041
Adjusted items	4	**4,466**	69
Loss/(gain) on disposal of property, plant and equipment, right-of-use assets and intangibles		**17**	(90)
Impairment loss on trade receivables and contract assets		**570**	933
Employee costs		**81,924**	74,841

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Auditor's remuneration

The remuneration of the auditor is split as follows:

	2023 £'000	2022 £'000
The audit of the Company	355	275
The audit of the Company's subsidiaries	120	100
Total audit fees	**475**	375
Audit-related assurance services	42	40
Other assurance services	5	5
Total non-audit fees	**47**	45

Details of the Company's policy on the use of the auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee report on → PAGE 90. No services were provided pursuant to contingent fee arrangements.

Employee numbers and costs

The average monthly number of employees (including Executive Directors) relating to continuing operations were:

	2023 Number of employees	2022 Number of employees
Fee earning staff	829	746
Administrative and support staff	525	455
	1,354	1,201

Their aggregate remuneration charged in the year relating to continuing operations comprised:

	Notes	2023 £'000	2022 £'000
Wages and salaries		71,712	65,802
Social security costs		8,153	7,835
Share-based payments	27	1,036	329
Defined contribution pension costs		1,023	875
		81,924	74,841

The following table details the aggregate remuneration charged in the year relating to the Executive Directors and Non-Executive Directors.

	2023 £'000	2022 £'000
Wages and salaries	1,983	1,903
Short-term non-monetary benefits	38	43
Share-based payments	878	210
Pension benefits	21	40
	2,920	2,196

4. ADJUSTED ITEMS

Adjusted operating profit, adjusted operating profit margin, adjusted EBITDA, adjusted EBITDA margin, adjusted profit before tax, adjusted earnings per share, exclude adjusted items. These APMs are defined, purpose explained and reconciled to statutory measures in Note 2 and Note 28. The following items have been classified as adjusted items attributable to continuing operations in the period.

	2023 £'000	2022 £'000
Branch asset impairment charge/(reversal)[1]	**3,410**	(310)
Net property related charge/(reversal)[2]	**671**	(439)
Transaction related costs[3]	**385**	199
Reorganisation costs[4]	**–**	619
Total net adjusted items charge	**4,466**	69

1 The branch impairment charge mainly relates to plant, property and equipment £1,037k (2022: impairment reversal of £181k) and right-of-use assets £2,373k (2022: reversal of £129k) as disclosed in Note 11 and 12, respectively.

2 Net property related charge/(reversal) include dilapidations, rates, service charges and other unavoidable costs under onerous leases, net sub-lease impairment offset by a net gain on the disposal of IFRS 16 balances.

3 Transaction related costs relate to costs involved with the acquisition of Atkinson McLeod and Ludlow Thompson (2022: for the acquisition of IMM Properties Limited).

4 Net cost of Executive reorganisation that was completed in 2022.

£4.3 million of the total net adjusted items charge relates to the following items, of which £3.3 million is cash related and £1.0 million is non-cash related:

- £3.6 million relates to the decision to integrate Ludlow Thompson into the Foxtons network to deliver cost synergies; and
- £0.7 million relates to the closure of three Foxtons branches as the Group consolidates branches to deliver cost savings.

Net cash outflow from adjusted items during the year totalled £0.6 million (2022: £1.4 million).

5. FINANCE INCOME AND COSTS

The components of finance income and finance costs recognised in the continuing operations income statement are:

	2023 £'000	2022 £'000
Finance income		
Interest income on cash and cash equivalents	**340**	85
Interest income on leasing arrangements	**41**	52
Total finance income	**381**	137
Finance costs		
Interest on borrowings	**(306)**	(38)
Interest on lease liabilities	**(1,971)**	(1,965)
Total finance costs	**(2,277)**	(2,003)
Net finance cost	**(1,896)**	(1,866)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

6. TAXATION

Recognised in the group income statement

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

	2023 £'000	2022 £'000
Current tax		
Current period UK corporation tax	**2,684**	2,078
Adjustment in respect of prior periods	**160**	82
Total current tax charge	**2,844**	2,160
Deferred tax		
Origination and reversal of temporary differences	**(471)**	376
Impact of change in tax rate	**(24)**	(12)
Adjustment in respect of prior periods	**55**	(147)
Total deferred tax (credit)/charge	**(440)**	217
Tax charge on profit on ordinary activities from continuing operations	**2,404**	2,377

Corporation tax for the year ended 31 December 2023 is calculated at 23.5% (2022: 19%) of the estimated taxable profit for the period.

The March 2021 Spring Budget announced an increase in the UK corporate tax rate from 19% to 25%, from 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets/liabilities have been recognised at 25% to the extent they are expected to unwind after 1 April 2023.

Reconciliation of effective tax charge

The tax on the Group's profit before tax from continuing operations differs from the standard UK corporation tax rate of 23.5% (2022: 19%), because of the following factors:

	2023 £'000	2022 £'000
Profit before tax from continuing operations	**7,894**	11,939
Tax at the UK corporation tax rate (see above)	**1,855**	2,268
Tax effect of expenses that are not deductible	**483**	354
Tax effect of non-taxable income	**(12)**	–
Other differences – share options	**(51)**	242
Adjustment in respect of previous periods	**215**	(65)
Impact on deferred tax of change in tax rate	**(24)**	(12)
Recognition of a deferred tax asset	**(62)**	(410)
Tax charge on profit on ordinary activities	**2,404**	2,377
Effective tax rate	**30.5%**	19.9%

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

Deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly charged to equity is £248k (2022: £8k credit) and relates to deferred tax arising on share-based payment schemes.

Deferred tax

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

	2023 £'000	2022 £'000
Deferred tax assets	1,905	1,386
Deferred tax liabilities	(28,153)	(27,049)
Net deferred tax	(26,248)	(25,663)

Deferred tax liabilities relate to the intangible assets of the Foxtons brand and purchased customer contracts and relationships, which have an indefinite life and a range of definite lives respectively. The deferred tax liability relating to the Foxtons brand will not reverse unless the Foxtons brand is impaired or sold by the Group, and the deferred tax liability relating to purchased customer contracts and relationships will unwind over the range of amortisation periods of the respective assets.

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

	Fixed assets £'000	Other temporary differences £'000	Tax losses carried forward £'000	Intangible assets £'000	Total £'000
At 31 December 2021	210	(126)	1,660	(26,504)	(24,760)
(Charge)/credit to profit or loss	(205)	301	(452)	139	(217)
Charge to equity	–	8	–	–	8
Additions through business combinations	(10)	–	–	(684)	(694)
At 31 December 2022	**(5)**	**183**	**1,208**	**(27,049)**	**(25,663)**
Credit/(charge) to profit or loss	**110**	**210**	**(238)**	**358**	**440**
Charge to equity	**–**	**248**	**–**	**–**	**248**
Additions through business combinations	**–**	**189**	**–**	**(1,462)**	**(1,273)**
At 31 December 2023	**105**	**830**	**970**	**(28,153)**	**(26,248)**

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that it is probable that these assets will be recovered through future taxable profits.

A deferred tax asset totalling £1.0 million (2022: £1.2 million) has been recognised in relation to tax losses brought forward. This relates to gross £3.9 million (2022: £4.9 million) of unused non-trade deficits in Foxtons Intermediate Holdings Limited at 31 December 2023.

Foxtons Intermediate Holdings Limited has £32.0 million of unused losses (2022: £32.3 million) for which a deferred tax asset has not been recognised on the basis that it is not considered probable that there will be future taxable profits available. These losses may be carried forward indefinitely.

The deferred tax asset on changes in fair value of equity instruments at FVOCI of £3.7 million in 2022 has not been recognised as there is no foreseeable capital gain against which this capital loss can be offset.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

7. DISCONTINUED OPERATIONS AND ASSETS/LIABILITIES CLASSIFIED AS HELD FOR SALE

As at 31 December 2023, a freehold property with a carrying value of £450k is being actively marketed and meets the IFRS 5 assets held for sale criteria.

On 11 February 2022, 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. In 2022, the results of D&G Sales for the period 1 January to 11 February 2022, which showed an operating loss of £0.4m are presented as a discontinued operation. In 2023 there are no discontinued operations.

Discontinued operations: Cash flows

The net cash flows incurred by discontinued operations are as follows:

	2023 £'000	2022 £'000
Net cash outflow from operating activities	–	(458)
Net cash outflow from investing activities	–	(3,715)
Net cash outflow from financing activities	–	(18)
	–	(4,191)

8. DIVIDENDS

	2023 £'000	2022 £'000
Final dividend for the year ended 31 December 2022: 0.70p (31 December 2021: 0.27p) per ordinary share	**2,122**	856
Interim dividend for the year ended 31 December 2023: 0.20p (31 December 2022: 0.20p) per ordinary share	**603**	631
	2,725	1,487

For 2023, the Board has proposed a final dividend of 0.70p per ordinary share (£2.1 million) to be paid on 28 May 2024.

9. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held, plus the weighted average number of ordinary shares that would be issued on conversion of all the potentially dilutive ordinary share awards into ordinary shares. The Company's potentially dilutive ordinary shares are in respect of share awards granted to employees.

	Continuing operations		Total Group (continuing and discontinued operations)	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Profit for the purposes of basic and diluted earnings per share	**5,490**	9,562	**5,490**	9,127
Adjusted for:				
Adjusted items (including associated taxation)[1]	**3,585**	47	**3,585**	(133)
Adjusted earnings for the purposes of adjusted earnings per share	**9,075**	9,609	**9,075**	8,994

Number of shares	**2023**	2022	**2023**	2022
Weighted average number of ordinary shares for the purposes of basic earnings per share	**302,039,983**	314,818,812	**302,039,983**	314,818,812
Effect of potentially dilutive ordinary shares	**12,877,904**	5,824,398	**12,877,904**	5,824,398
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**314,917,887**	320,643,210	**319,447,348**	320,643,210
Earnings per share (basic)	**1.8p**	3.0p	**1.8p**	2.9p
Earnings per share (diluted)	**1.7p**	3.0p	**1.7p**	2.8p
Adjusted earnings per share (basic)	**3.0p**	3.1p	**3.0p**	2.9p
Adjusted earnings per share (diluted)	**2.9p**	3.0p	**2.9p**	2.8p

1 Adjusted items relating to continuing operations of £4,466k (2022: £69k) per Note 4, and associated tax credit of £881k (2022: £22k charge), resulting in an after tax charge of £3,585k (2022: £47k). Adjusted items relating to discontinued operations of £nil (2022: £180k charge), less £nil associated tax charge (2022: £nil), resulting in an after tax credit of £nil (2022: £180k charge).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

10. GOODWILL AND OTHER INTANGIBLE ASSETS

2023	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2023	**35,869**	**99,000**	**2,244**	**755**	**12,041**	**149,909**
Additions	**–**	**–**	**763**	**732**	**–**	**1,495**
Acquired through business combinations (refer to Note 13)	**14,659**	**–**	**–**	**–**	**5,884**	**20,543**
At 31 December 2023	**50,528**	**99,000**	**3,007**	**1,487**	**17,925**	**171,947**
Accumulated amortisation and impairment losses						
At 1 January 2023	**9,819**	**–**	**1,798**	**–**	**2,933**	**14,550**
Amortisation	**–**	**–**	**395**	**–**	**1,396**	**1,791**
At 31 December 2023	**9,819**	**–**	**2,193**	**–**	**4,329**	**16,341**
Net carrying value						
At 31 December 2023	**40,709**	**99,000**	**814**	**1,487**	**13,596**	**155,606**
At 1 January 2023	**26,050**	**99,000**	**446**	**755**	**9,108**	**135,359**

2022	Goodwill £'000	Brand £'000	Software £'000	Assets under construction £'000	Customer contracts and relationships £'000	Total £'000
Cost						
At 1 January 2022	27,535	99,000	2,607	–	9,143	138,285
Additions	–	–	–	755	–	755
Disposals	–	–	(363)	–	–	(363)
Acquired through business combinations	8,334	–	–	–	2,898	11,232
At 31 December 2022	35,869	99,000	2,244	755	12,041	149,909
Accumulated amortisation and impairment losses						
At 1 January 2022	9,819	–	1,589	–	1,892	13,300
Amortisation	–	–	510	–	1,041	1,551
Disposals	–	–	(301)	–	–	(301)
At 31 December 2022	9,819	–	1,798	–	2,933	14,550
Net carrying value						
At 31 December 2022	26,050	99,000	446	755	9,108	135,359
At 1 January 2022	17,716	99,000	1,018	–	7,251	124,985

Annual impairment review

a) Carrying value of goodwill and intangible assets with indefinite lives

The carrying values of goodwill and intangible assets with indefinite lives are summarised below. These assets have been subject to an annual impairment review.

	2023 £'000	2022 £'000
Lettings goodwill	**40,709**	26,050
Brand asset – Sales and Lettings	**99,000**	99,000
	139,709	125,050

- Lettings goodwill is allocated to the Lettings CGU and tested at this level. This allocation represents the lowest level at which goodwill is monitored for internal management purposes and is not larger than an operating segment.
- The brand asset has been tested for impairment by aggregating the values in use relating to the Lettings and Sales CGUs. No brand value is allocated to the Financial Services CGU since the Foxtons brand only relates to the Sales and Lettings CGUs. This grouping represents the lowest level at which management monitors the brand internally and reflects the way in which the brand asset is viewed, rather than being allocated to each segment on an arbitrary basis.

b) Impairment review approach and outcome

The Group tests goodwill and the indefinite life brand asset annually for impairment, or more frequently if there are indicators of impairment, in accordance with IAS 36 'Impairment of Assets'.

The Group has determined the recoverable amount of each CGU from value in use calculations. The value in use calculations use cash flow projections from formally approved budgets and forecasts covering a five-year period, with a terminal growth rate after five years. The resultant cash flows are discounted using a pre-tax discount rate appropriate to the CGUs.

Following the annual impairment review performed as at 30 September 2023, there has been no impairment of the carrying amount of goodwill or the brand asset.

c) Impairment review assumptions

The assumptions used in the annual impairment review are detailed below:

- **Cash flow assumptions**

The key variables in determining the cash flows are Lettings revenues, Sales revenues and the associated direct costs incurred during the forecast period. These assumptions are based upon a combination of past experience of observable trends and expectations of future changes in the market. Key assumptions are as follows:

- Sales revenue increases by a CAGR (compound average growth rate) of 10.7% as the market recovers 5% in 2024 and 2.5% annually from there and market share growth continues.
- Within the Sales revenue assumption, house prices are assumed to fall 2% in 2024 before increasing 2.5% annually from 2026.
- Lettings revenue is assumed to grow at a CAGR of 3.4% over the forecast period, excluding future Lettings portfolio acquisitions that must be excluded from forecast cash flows under the relevant accounting standard.

- **Long-term growth rates**

To evaluate the recoverable amounts of each CGU, a terminal value has been assumed after the fifth year and includes a long-term growth rate in the cash flows of 2% (2022: 2%) into perpetuity.

The long-term growth rate is derived from management's estimates, which take into account the long-term nature of the market in which each CGU operates and external long-term growth forecasts.

- **Discount rates**

In accordance with IAS 36, the pre-tax discount rate applied to the cash flows of each CGU is based on the Group's weighted average cost of capital (WACC) and is calculated using a capital asset pricing model and incorporates lease debt held under IFRS 16. The WACC has been adjusted to reflect risks specific to each CGU not already reflected in the future cash flows for that CGU.

The pre-tax discount rate used to discount Lettings cash flows used in the assessment of Lettings goodwill is 17.1% (2022: 16.0%). The pre-tax discount rate used to discount aggregated Sales and Lettings cash flows used in the assessment of the brand asset is 17.1% (2022: 16.0%). The year-on-year increase in the discount rate is attributable to market changes in WACC inputs, primarily the risk free rate.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

d) Sensitivity analysis

Sensitivity analysis has been performed to assess whether the carrying values of goodwill and the brand asset are sensitive to reasonably possible changes in key assumptions and whether any changes in key assumptions would materially change the carrying values. Lettings goodwill showed significant headroom against all sensitivity scenarios, while the brand asset is sensitive to reasonably possible changes in key assumptions.

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

The impairment model indicates brand asset headroom of £60.4 million (2022: £71.1 million) or 38% (2022: 49%) of the carrying value under test. Cash flows are sourced from the Group's Board approved plan while also complying with the requirements of the relevant accounting standard.

Assuming no changes in other elements of the plan, the brand asset headroom would reduce to zero if the combined revenue CAGR over the forecast period reduces from 5.5% to 3.4%. Under a reasonably possible downside scenario, in which Sales revenue only fully recovers to 2022 levels by 2028, Lettings revenue growth is limited to 2.2% and the Group takes appropriate mitigating actions, such as reducing discretionary spend and direct costs, the brand asset headroom would be reduced to £1.1 million.

11. PROPERTY, PLANT AND EQUIPMENT

2023	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2023	35,666	11,221	14	1,213	48,114
Additions	372	1,033	–	716	2,121
Acquired through business combinations (refer to Note 13)	549	–	–	–	549
Disposals	(1,689)	(583)	(14)	–	(2,286)
Reclassified as assets held for sale (refer to Note 7)	(450)	–	–	–	(450)
Transferred into use	635	1,294	–	(1,929)	–
At 31 December 2023	35,083	12,965	–	–	48,048
Accumulated depreciation and impairment losses					
At 1 January 2023	27,788	9,620	14	–	37,422
Depreciation	1,622	777	–	–	2,399
Disposals	(1,676)	(579)	(14)	–	(2,269)
Impairment	1,033	4	–		1,037
At 31 December 2023	28,767	9,822	–	–	38,589
Net carrying value					
At 31 December 2023	6,316	3,143	–	–	9,459
At 1 January 2023	7,878	1,601	–	1,213	10,692

Assets with a net book value of £17k (2022: £88k) were disposed of during the year. Nil proceeds (2022: £53k) gave rise to a loss on disposal of £17k (2022: £35k).

2022	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2022	35,061	11,335	38	17	46,451
Additions	998	759	–	1,196	2,953
Acquired through business combinations	52	22	–	–	74
Lease modifications	(445)	(895)	(24)	–	(1,364)
At 31 December 2022	35,666	11,221	14	1,213	48,114
Accumulated depreciation and impairment losses					
At 1 January 2022	26,781	9,986	32	–	36,799
Depreciation	1,599	460	4	–	2,063
Disposals	(411)	(826)	(22)	–	(1,259)
Reversal of impairment	(181)	–	–	–	(181)
At 31 December 2022	27,788	9,620	14	–	37,422
Net carrying value					
At 31 December 2022	7,878	1,601	–	1,213	10,692
At 1 January 2022	8,280	1,349	6	17	9,652

12. LEASES

Group as a lessee

The Group has lease contracts for its head office, branches and for motor vehicles used in its operations. With the exception of short-term leases, each lease is recognised on the balance sheet with a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 11).

Generally, the right-of-use assets can only be used by the Group, unless there is a contractual right for the Group to sub-lease the asset to another party. The Group is also prohibited from selling or pledging the leased assets as security.

Right-of-use assets

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	38,409	5,423	43,832
Additions	6,346	2,218	8,564
Acquired through business combinations	569	30	599
Lease modifications	138	–	138
Disposals	(154)	(404)	(558)
Depreciation	(7,018)	(3,116)	(10,134)
Impairment reversal/(charge)	163	(34)	129
At 31 December 2022	**38,453**	**4,117**	**42,570**
Additions	**5,701**	**7,831**	**13,532**
Acquired through business combinations (refer to Note 13)	**1,891**	**–**	**1,891**
Lease modifications	**(298)**	**–**	**(298)**
Disposals	**(1,845)**	**(495)**	**(2,340)**
Depreciation	**(7,012)**	**(3,499)**	**(10,511)**
Impairment charge	**(2,373)**	**–**	**(2,373)**
At 31 December 2023	**34,517**	**7,954**	**42,471**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Lease liabilities

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

	Property £'000	Motor vehicles £'000	Total £'000
At 1 January 2022	42,608	5,475	48,083
Additions	6,279	2,218	8,497
Acquired through business combinations	777	103	880
Lease modifications	138	–	138
Disposals	–	(416)	(416)
Interest charge	1,839	126	1,965
Payments	(9,452)	(3,234)	(12,686)
At 31 December 2022	**42,189**	**4,272**	**46,461**
Additions	**5,609**	**7,831**	**13,440**
Acquired through business combinations (refer to Note 13)	**1,891**	**–**	**1,891**
Lease modifications	**(574)**	**–**	**(574)**
Disposals	**(2,577)**	**(486)**	**(3,063)**
Interest charge	**1,771**	**200**	**1,971**
Payments	**(8,832)**	**(3,693)**	**(12,525)**
At 31 December 2023	**39,477**	**8,124**	**47,601**
Current	**7,394**	**3,292**	**10,686**
Non-current	**32,083**	**4,832**	**36,915**

During the year ended 31 December 2023, the difference in lease modifications movements recognised within right-of-use assets and lease liabilities, totalling £0.3 million, is recognised as an adjusted item and included in the net property related charge within Note 4.

Of the movements in the year, cash payments in respect to principal lease instalments totalling £12.5 million were made (2022: £12.7 million) and the remaining net movement of £13.7 million (2022: £11.1 million) was non-cash in nature.

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

	2023 £'000	2022 £'000
Maturity analysis – contractual undiscounted cash flows from continuing operations		
Within one year	**12,488**	11,671
In the second to fifth years inclusively	**31,007**	30,147
After five years	**14,739**	10,598
	58,234	52,416

The Group has elected not to recognise a lease liability for short-term leases (expected lease term is 12 months or less), in line with the IFRS 16 short-term lease exemption. Payments made under such leases are expensed on a straight-line basis. At 31 December 2023, the Group had a commitment of less than £0.1 million in relation to short-term leases.

Amounts recognised in profit or loss

The following are the amounts recognised in profit or loss during the year, in respect of the leases held by the Group as a lessee:

	2023 £'000			2022 £'000		
	Continuing operations	**Discontinued operations**	**Total Group**	Continuing operations	Discontinued operations	Total Group
Depreciation of right-of-use assets	**10,511**	**–**	**10,511**	10,134	–	10,134
Net impairment of right-of-use assets/(reversal of impairment)[1]	**2,373**	**–**	**2,373**	(129)	–	(129)
Interest expense on lease liabilities	**1,971**	**–**	**1,971**	1,965	21	1,986
Expenses relating to short-term leases	**1,438**	**–**	**1,438**	1,503	–	1,503
Total amount recognised in profit or loss	**16,293**	**–**	**16,293**	13,473	21	13,494

1 Net impairment of right-of-use assets/(reversal of impairment) is classified as an adjusted item due to the one-off nature and is included in the branch asset impairment charge/(reversal) within Note 4.

The group as an intermediate lessor

Finance lease receivables

The Group is an intermediate lessor for various lease arrangements considered to be finance sub-leases. The amounts recognised in the profit or loss during the year are outlined below:

	2023 £'000	2022 £'000
Finance income under finance sub-leases recognised in the period	**41**	52

As at 31 December 2023 and 2022, third parties had outstanding commitments due to the Group for future undiscounted minimum lease payments, which fall due as follows:

	2023 £'000	2022 £'000
Within one year	**210**	320
In the second to fifth years inclusive	**606**	890
After five years	**351**	470
	1,167	1,680

13. BUSINESS COMBINATIONS

On 3 March and 6 November 2023 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:

- Atkinson McLeod Limited ('Atkinson McLeod');
- Ludlow Thompson Holdings Limited and its subsidiaries Ludlowthompson SLM Ltd and Ludlowthompson.com Limited (collectively 'Ludlow Thompson').

The acquisitions are in line with the Group's strategy of acquiring high quality businesses with strong lettings portfolios.

A purchase price allocation exercise has been completed for Atkinson McLeod which identified £2.7 million of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 10 years.

A provisional purchase price allocation exercise, which will be finalised in the first half of 2024, has been completed for Ludlow Thompson which provisionally identified £3.2 million of acquired intangible assets relating to customer contracts and relationships, which are identifiable and separable, and will be amortised over 10 years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The discount rates applied to the forecast cash flows from the acquired customer contracts and relationships are based on Atkinson McLeod's and Ludlow Thompson's weighted average cost of capital (WACC), calculated using a capital asset pricing model. The WACC has been adjusted to reflect risks specific to Atkinson McLeod and Ludlow Thompson not already reflected in the future cash flows.

£5.6 million and £9.0 million of goodwill has arisen on the acquisitions of Atkinson McLeod and Ludlow Thompson, respectively, 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 unit which is expected to benefit from the synergies of the combination. None of the goodwill is expected to be deductible for tax purposes.

Business combinations – contribution to 2023

From the date of acquisition, 3 March 2023, the Atkinson McLeod business combination contributed £1.8 million of revenue and £0.5 million adjusted operating profit to the Group's performance for the year. If the acquisition had taken place at the beginning of the year, revenue for the period would have been £2.4 million higher and adjusted operating profit would have increased by £0.8 million.

From the date of acquisition, 6 November 2023, the Ludlow Thompson business combination contributed £1.0 million of revenue and £0.1 million adjusted operating loss to the Group's performance for the year. If the acquisition had taken place at the beginning of the year, revenue for the period would have been £6.7 million higher and adjusted operating profit would have increased by £0.2 million.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of the acquired entities as at the respective dates 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.

	Atkinson McLeod £'000	Ludlow Thompson £'000	Total £'000
Assets			
Acquired intangible assets recognised on acquisition	2,651	3,233	5,884
Property, plant and equipment	450	99	549
Right-of use assets	–	1,891	1,891
Cash and cash equivalents	1,301	5	1,306
Trade and other receivables	68	358	426
Contract assets	185	876	1,061
	4,655	6,462	11,117
Liabilities			
Trade and other payables	304	2,031	2,335
Contract liabilities	794	1,105	1,899
Lease liabilities	–	1,891	1,891
Current tax liability	154	18	172
Deferred tax liability (net)	510	763	1,273
Borrowings	161	658[1]	819
Provisions	178	746	924
	2,101	7,212	9,313
Total identifiable net assets/(liabilities) at fair value	2,554	(750)	1,804
Goodwill arising on acquisition	5,643	9,016	14,659
Fair value of consideration	8,197	8,266	16,463

1 The acquired borrowings of £658k were repaid in 2023.

The acquired lease liabilities were measured using the present value of the remaining lease payments as at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities, less any acquisition related adjustments.

The net deferred tax liabilities mainly comprise the tax effect of the accelerated amortisation for tax purposes of the acquired intangible assets recognised on acquisition offset by the deferred tax asset recognised on the acquired net contract liabilities.

Purchase consideration

	Atkinson McLeod £'000	Ludlow Thompson £'000	Total £'000
Amount settled in cash	7,457	6,312	13,769
Deferred/contingent cash consideration	740	1,954	2,694
Fair value of consideration	**8,197**	**8,266**	**16,463**

Purchase consideration settled in cash was £13.8 million, with £7.5 million paid in March 2023 and £6.3m paid in November 2023 for Atkinson McLeod and Ludlow Thompson respectively. Consideration paid in the period, net of cash acquired, was £12.5 million and is included in cash flows from investing activities.

As part of the purchase agreement with the previous owners of both Atkinson McLeod and Ludlow Thompson, £0.9 million of deferred consideration will be payable 12 months after the acquisition date. An estimated £1.8 million of contingent cash consideration will be payable 12 months after the acquisition date subject to certain performance targets being met. This deferred/contingent consideration of £2.7 million is included within trade and other payables.

Prior period acquisitions

As disclosed in Note 13 of the 2022 Annual Report and Accounts, the Group completed the acquisition of IMM Properties Limited and its subsidiary IMM Properties Investment Limited, trading under the name Gordon & Co, (collectively 'Gordon & Co') and Stones Residential Holdings Limited and its subsidiary Stones Residential (Stanmore) Limited (collectively 'Stones Residential'). Deferred consideration of £1.5 million was paid in the year.

Analysis of cash flows on acquisition

	2023 £'000	2022 £'000
Cash consideration	(13,769)	(8,221)
Cash acquired in subsidiaries	1,306	231
Current year acquisitions of subsidiaries, net of cash acquired	(12,463)	(7,990)
Deferred consideration paid in relation to prior year acquisitions	(1,472)	(500)
Acquisitions of subsidiaries, net of cash acquired (included in cash flows from investing activities)	(13,935)	(8,490)
Transaction costs of the acquisitions paid in the year (included in cash flows from operating activities)[1]	(285)	(301)
Net cash flow on acquisitions	**(14,220)**	(8,791)

1 Included in the £0.4m of transaction costs presented within adjusted items set out in Note 4.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

14. INVESTMENTS

	2023 £'000	2022 £'000
At 1 January	**6**	3,317
Additions	**25**	400
Movement in fair value	**–**	(3,711)
At 31 December	**31**	6

In 2023 the Group invested £25k in Global Property Ventures Limited (trading as Zero Deposits). Refer to Note 24 for information about methods and assumptions used in determining fair value.

15. SUBSIDIARIES

Investments in subsidiaries as at 31 December 2023 are summarised below:

Name	Place of incorporation and operation	Principal activity	Proportion of ownership interest held in ordinary shares %	Proportion of voting power held %
Foxtons Intermediate Holdings Limited[1]	United Kingdom	Holding company	100%	100%
Foxtons Operational Holdings Limited	United Kingdom	Holding company	100%	100%
Foxtons Limited	United Kingdom	Estate agency	100%	100%
Alexander Hall Associates Limited	United Kingdom	Financial services	100%	100%
Alexander Hall Direct Limited	United Kingdom	Dormant	100%	100%
London Stone Properties Limited	United Kingdom	Estate agency	100%	100%
London Stone Property Sales Limited	United Kingdom	Estate agency	100%	100%
Pillars Estates Limited	United Kingdom	Estate agency	100%	100%
Aston Rowe Holdings Limited	United Kingdom	Holding company	100%	100%
Aston Rowe Limited	United Kingdom	Estate agency	100%	100%
Foxtons Ruby Limited[2]	United Kingdom	Holding company	100%	100%
Stones Residential Holdings Limited	United Kingdom	Holding company	100%	100%
Stones Residential (Stanmore) Limited	United Kingdom	Estate agency	100%	100%
IMM Properties Limited	United Kingdom	Estate agency	100%	100%
IMM Properties Investment Limited	United Kingdom	Dormant	100%	100%
Atkinson McLeod Limited	United Kingdom	Estate agency	100%	100%
Ludlow Thompson Holdings Limited	United Kingdom	Holding company	100%	100%
Ludlowthompson SLM Ltd	United Kingdom	Estate agency	100%	100%
Ludlowthompson.com Limited	United Kingdom	Estate agency	100%	100%

1 Direct holding of Foxtons Group plc. All other subsidiaries are indirect holdings.
2 Previously Douglas & Gordon Estate Agents Limited.

All subsidiaries, with the exception of Alexander Hall Associates Limited, Ludlow Thompson Holdings Limited, Ludlowthompson SLM Ltd and Ludlowthompson.com Limited, have their registered office at Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE. Alexander Hall Associates Limited registered office is 137-144 High Holborn, London WC1V 6PL. Ludlow Thompson Holdings Limited, Ludlowthompson SLM Ltd and Ludlowthompson.com Limited have their registered office at Suite G03/G04 Oak House, Bridgwater Road, Worcester, England, WR4 9FP.

Subsidiary audit exemptions

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Name	Company number
London Stone Properties Limited	06431946
London Stone Property Sales Limited	09653811
Pillars Estates Limited	09181847
Aston Rowe Holdings Limited	13016901
Aston Rowe Limited	07734524
Foxtons Ruby Limited	09903325
Stones Residential Holdings Limited	08823115
Stones Residential (Stanmore) Limited	04141139
IMM Properties Limited	04078132
IMM Properties Investment Limited	05070828
Atkinson McLeod Limited	04242670
Ludlow Thompson Holdings Limited	07369596
Ludlowthompson SLM Ltd	05955309
Ludlowthompson.com Limited	06959011

The Company will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year ended 31 December 2023 in accordance with section 479C of the Act, as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Change of Accounting Framework) Regulations 2012. In addition, the Company will guarantee any contingent and prospective liabilities that these subsidiaries are subject to.

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of section 480 of the Act.

Name	Company number
Alexander Hall Direct Limited	03790471

16. TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Trade receivables	12,526	11,708
Less: Expected credit loss allowance	(3,103)	(3,019)
Net trade receivables	9,423	8,689
Prepayments	5,132	4,742
Other receivables	2,877	2,585
	17,432	16,016

Trade receivables without a significant financing component are classified and held at amortised cost, being initially measured at the transaction price and subsequently measured at amortised cost less any associated expected credit loss allowance. Credit losses are measured at the present value of all cash shortfalls.

Trade receivables are considered past due once they have passed their contracted due date. Amounts invoiced to customers on exchange of sales contracts or signing of lettings contracts are due immediately.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

Impairment of trade receivables

For Sales, the majority of our receivables are received directly from the conveyancing solicitor working on behalf of the seller from completion monies. This process facilitates the prompt collection of receivables. For Lettings, the vast majority of receivables are collected through rental payments from tenants, which are used to recover commission receivables prior to being paid away to landlords.

The Group applies the simplified IFRS 9 approach in measuring expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of customer type with shared credit risk characteristics. The expected credit loss rates are based on the corresponding historical credit losses over an appropriate period, taking into account the different grouping of customers, and are adjusted to reflect current and forward looking macro-economic factors affecting the customers' ability to settle the amounts outstanding. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. The Group does not hold any collateral or other credit enhancements over any of its trade receivables, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

A summary of the Group's trade receivables and credit loss allowances is set out below.

31 December 2023	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 90 days past due**	**More than 120 days past due**	**Total**
Gross carrying amount (£'000)	**5,636**	**1,523**	**857**	**594**	**3,916**	**12,526**
Expected credit loss rate	**3%**	**7%**	**10%**	**24%**	**67%**	**25%**
Expected credit loss allowance (£'000)	**(151)**	**(103)**	**(88)**	**(141)**	**(2,620)**	**(3,103)**

31 December 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 120 days past due	Total
Gross carrying amount (£'000)	4,524	1,668	899	807	3,810	11,708
Expected credit loss rate	2%	8%	12%	16%	68%	26%
Expected credit loss allowance (£'000)	(72)	(127)	(111)	(133)	(2,576)	(3,019)

The movement in the expected credit loss allowance is set out below.

	Expected credit loss allowance £'000
At 31 December 2021	(2,053)
Amounts provided for during the period	(1,027)
Amounts utilised during the period	61
At 31 December 2022	**(3,019)**
Amounts provided for during the period	**(235)**
Amounts utilised during the period	**151**
At 31 December 2023	**(3,103)**

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade debtor days at the year end were 23 days (2022: 23 days).

17. TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade creditors	**4,884**	4,017
Social security and other taxes	**3,026**	2,915
VAT payable	**1,368**	401
Contingent and deferred consideration	**2,739**	1,516
Accruals	**7,333**	6,181
Other creditors	**1,953**	1,664
	21,303	16,694

The Directors consider that the carrying amount of trade payables approximates fair value. The average trade creditor days as at 31 December 2023 were 28 days (2022: 26 days).

18. BORROWINGS

	2023 £'000	2022 £'000
Current:		
Revolving credit facility	**11,769**	–
Freehold mortgage	**40**	–
Transaction costs	**(127)**	–
Total borrowings due within one year	**11,682**	–
Non-current:		
Freehold mortgage	**98**	–
Total borrowings due in more than one year	**98**	–
Total borrowings	**11,780**	–

During the year, the Company entered into a new revolving credit facility (RCF) for a period of three years from June 2023 to June 2026 with the option of extending for up to two additional years. The RCF of £20 million attracts a margin of 1.65% above SONIA and is unsecured.

The RCF is subject to a leverage covenant (net debt to EBITDA not to exceed 1.75) and an interest cover covenant (interest to EBITDA not to be less than 4) as defined in the facility agreement. Both covenants are calculated using pre-IFRS 16 accounting principles. The Group has been in compliance with covenants throughout the period and at 31 December 2023 the leverage covenant was 0.4x and the interest cover was 59x.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

19. CONTRACT ASSETS AND LIABILITIES

Contract assets

At 31 December 2023, the Group recognised contract assets of £19.0 million (2022: £7.4 million), as summarised and explained below.

	2023 £'000	2022 £'000
Lettings: Unbilled commission	**18,818**	7,241
Sales: Off plan new homes commission	**186**	135
	19,004	7,376

- **Lettings: Unbilled commission**
  Commission for securing a tenancy for the landlord representing unbilled commission revenue due to the Group for the non-cancellable contract period. The increase in contract assets being driven by a focus on securing longer tenancy terms, and the introduction of shorter billing periods for landlords opting to agree to longer tenancy terms.
- **Sales: Off plan new homes commission**
  As explained in Note 1.9, commissions for sales of new homes purchased off-plan is treated as variable consideration under IFRS 15. For these contracts, it is necessary to constrain the consideration to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The table below summarises the movement in the contract assets in the period.

	2023 £'000	2022 £'000
At 1 January	**7,376**	4,556
Contract assets recognised in revenue	**17,711**	7,151
Contract assets invoiced	**(6,096)**	(4,403)
Acquired through business combination	**1,061**	143
Reclassification of expected credit loss provision	**(713)**	–
Movement in expected credit loss provision	**(335)**	(71)
At 31 December	**19,004**	7,376

As at 31 December 2023, the Group recognised an expected credit loss provision of £1.6 million (2022: £0.5 million). The increase includes a reclassification of £0.7m from contract liabilities to contract assets which better reflects the nature of the balance.

Contract liabilities

At 31 December 2023, the Group recognised contract liabilities of £12.2 million (2022: £10.0 million) as summarised and explained below.

	2023 £'000	2022 £'000
Lettings: Securing a tenancy for the landlord	**9,169**	7,934
Lettings: Rent collection service	**2,006**	1,448
Other amounts deferred	**1,034**	652
	12,209	10,034

A contract liability is created when charges are raised for future periods during which either the landlord or tenant will have the ability to cancel the contract. During the cancellable period, the liability is reduced and revenue is realised for the duration that the deal remains uncancelled. If the deal is cancelled, the liability reduces to zero and the deferred revenue is reversed to commission refunds.

- **Lettings: Securing a tenancy for the landlord**

  As explained in Note 1.9, the contracts the Group holds with landlords are considered to be 'cancellable contracts' under IFRS 15, due to the landlord having the ability to cancel the contract at any time once the non-cancellable period has passed. If the contract is cancelled, the landlord is refunded any initial amounts paid to the Group on a pro-rata basis.

  The contract liabilities relate to contracts where charges have been raised for future periods where the landlord has the ability to cancel the contracts.

- **Lettings: Rent collection service**

  The contract liabilities relate to charges raised in advance of rent collection performance obligations being satisfied. The remaining performance obligations will be performed over the course of the remaining tenancy period which is estimated to be 11 months.

- **Other amounts deferred**

  'Other amounts deferred' relate to the Group's obligation to transfer goods or services to a customer for which the entity has received consideration (or an amount of consideration is due) from the customer or where the Group has a constructive obligation to a customer.

The table below splits the current and non-current classification of contract assets and contract liabilities with reference to when the asset or liability is expected to crystallise.

	2023 £'000	2022 £'000
Current contract assets	**14,256**	5,688
Non-current contract assets	**4,748**	1,688
Total contract assets	**19,004**	7,376
Current contract liabilities	**11,770**	9,745
Non-current contract liabilities	**439**	289
Total contract liabilities	**12,209**	10,034

20. PROVISIONS

	Provision for adjusted items £'000	**Other provisions £'000**	**Total £'000**
At 1 January 2023	**1,414**	**1,857**	**3,271**
Increase in provision	**1,431**	**486**	**1,917**
Acquired through business combinations (refer to Note 13)	**610**	**314**	**924**
Reversal of provision	**(183)**	**(367)**	**(550)**
Utilisation of provision	**(643)**	**(302)**	**(945)**
At 31 December 2023	**2,629**	**1,988**	**4,617**

	Provision for adjusted items £'000	Other provisions £'000	Total £'000
At 1 January 2022	1,793	35	1,828
Increase in provision	1,136	1,441	2,577
Acquired through business combinations	–	388	388
Reversal of provision	(291)	–	(291)
Utilisation of provision	(1,224)	(7)	(1,231)
At 31 December 2022	1,414	1,857	3,271

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

The balances are analysed as follows:

	2023 £'000	2022 £'000
Current	**1,609**	1,506
Non-current	**3,008**	1,765
	4,617	3,271

Provision for adjusted items

This provision relates to the dilapidations, rates, service charges and other unavoidable costs under onerous leases relating to branches that were no longer required. The provision is based on the present value of unavoidable costs payable during the lease term, after taking into account amounts expected to be recovered through sub-lease arrangements. The provision has an expected life of up to fifteen years (2022: five years).

During the period a net provision charge of £1.2 million (2022: £0.8 million) has been recognised as adjusted items. Refer to Note 4 for further details.

Other provisions

These provisions include dilapidation provisions relating to the ongoing branch portfolio and other onerous provisions that are incurred in the ordinary course of business and legal provisions. Movement in the year mainly relates to dilapidation provisions.

21. SHARE CAPITAL

	2023 £'000	2022 £'000
Authorised, allotted, issued and fully paid:		
Ordinary shares of £0.01 each		
At 1 January and 31 December	**3,301**	3,301

As at 31 December 2023 the Company had 330,097,758 ordinary shares (2022: 330,097,758).

22. MERGER RESERVE AND OTHER RESERVES

	2023 £'000	2022 £'000
Merger reserve	**20,568**	20,568
Capital redemption reserve	**71**	71
Other capital reserve	**2,582**	2,582
	23,221	23,221

During the period, there were no movements in either the merger reserve, capital redemption or other capital reserve. Refer to Note 36 for further details of the other capital reserve.

23. OWN SHARES RESERVE

	2023 £'000	2022 £'000
Balance at 1 January	**10,993**	6,059
Acquired during the year	**1,112**	4,941
Utilised during the year	**(13)**	(7)
Balance at 31 December	**12,092**	10,993

The own shares reserve represents the cost of shares in the Company purchased in the market and held by either the Company or the Foxtons Group Employee Benefit Trust to satisfy awards under the Group's long-term share incentive schemes (see Note 27). The number of ordinary shares held by the Employee Benefit Trust at 31 December 2023 was 57,467 (2022: 88,247).

During the year 2,847,821 (2022: 14,829,261) shares with a total value of £1.1 million (2022: £4.9 million) have been repurchased by the Company through two share buyback programmes and are held in treasury at 31 December. The number of ordinary shares held by the Company at 31 December 2023 was 28,802,778 (2022: 25,940,609).

24. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	2023 £'000	2022 £'000
Financial assets		
FVOCI financial assets	**31**	6
Cash and cash equivalents	**4,989**	12,027
Financial assets recorded at amortised cost	**31,304**	18,650
Financial liabilities		
Financial liabilities recorded at amortised cost	**(27,112)**	(21,967)
Lease liabilities	**(47,601)**	(46,461)

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

Fair value hierarchy

The Group uses the following hierarchy for determining the fair value of the financial instruments held:

Level 1 – Quoted market prices

Level 2 – Valuation techniques (market observable)

Level 3 – Valuation techniques (non-market observable)

The Group held £31k of Level 3 financial instruments relating to unlisted shares in Global Property Ventures Limited at 31 December 2023 (2022: £6k).

Capital risk management

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

A regulated subsidiary of the Group, Alexander Hall Associates Limited, is subject to externally imposed capital requirements. The required amount is calculated as 2.5% of the subsidiary's annual revenue as defined by the Financial Conduct Authority. As at 31 December 2023, the threshold was £218k (2022: £252k), for which the entity is in compliance.

Gearing ratio

The Group's gearing ratio, calculated as net debt divided by equity, at each period end is as follows:

	2023 £'000	2022 £'000
Net debt[1]	**(6,791)**	–
Equity	**125,605**	122,668
Gearing ratio[2]	**5.4%**	–

1 As defined in Note 28, net debt is defined as cash and cash equivalents less external borrowings and excludes IFRS 16 lease liabilities.

2 At 31 December 2022 the Group was in a net cash position and therefore a nil position is reflected for the purposes of calculating the gearing ratio.

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

Financial risk management

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

Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group earn interest on client deposits (see Note 26) and incur interest on RCF drawdowns based on a floating interest rate. The interest rate risk is managed by maintaining an appropriate level of gearing and mix of fixed/floating rate assets and borrowings.

Interest rate sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's profit before tax and total equity for the 12 months ended 31 December 2023 would increase/decrease by £1.2 million/£1.2 million (2022: increase/decrease by £1.2 million/£1.2 million).

Credit risk management

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

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

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

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

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

Client monies (see Note 26) are held with financial institutions with high credit ratings assigned by international credit-rating agencies. The credit risk of banks cannot be totally eliminated. However, as the funds are client monies there is the additional protection of the Financial Services Compensation Scheme (FSCS) under which the government guarantees amounts of up to £85,000 each. This guarantee applies to each individual client deposit, not the sum total on deposit.

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Additionally, the Group has access to a £20.0 million RCF (2022: £5.0 million) which expires in June 2026 with the option of extending for up to two additional years. As at 31 December 2023 the Group drew down £11.7 million (31 December 2022: £nil).

The Group's non-derivative financial liabilities consist of trade and other payables, contract liabilities and lease liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be unwound on those liabilities.

31 December 2023	**Carrying amounts £'000**	**Contractual cash flows £'000**	**Within 1 year £'000**	**1- 2 years £'000**	**2-3 years £'000**	**3-4 years £'000**	**After 4 years £'000**
Trade and other payables	**(16,909)**	**(16,909)**	**(16,909)**	**–**	**–**	**–**	**–**
Borrowings	**(11,780)**	**(12,143)**	**(12,035)**	**(67)**	**(41)**	**–**	**–**
Contract liabilities[1]	**(10,203)**	**(10,203)**	**(9,764)**	**(439)**	**–**	**–**	**–**
Lease liabilities	**(47,601)**	**(58,235)**	**(12,488)**	**(11,595)**	**(9,308)**	**(6,278)**	**(18,566)**
	(86,493)	**(97,490)**	**(51,196)**	**(12,101)**	**(9,349)**	**(6,278)**	**(18,566)**

31 December 2022	Carrying amounts £'000	Contractual cash flows £'000	Within 1 year £'000	1- 2 years £'000	2-3 years £'000	3-4 years £'000	After 4 years £'000
Trade and other payables	(13,378)	(13,378)	(13,378)	–	–	–	–
Contract liabilities[1]	(8,589)	(8,589)	(8,189)	(385)	(14)	(1)	–
Lease liabilities	(46,461)	(52,416)	(11,671)	(9,522)	(8,514)	(6,918)	(15,791)
	(68,428)	(74,383)	(33,238)	(9,907)	(8,528)	(6,919)	(15,791)

1 This amount excludes £2.0 million (2022: £1.4 million) of non-contractual contract liabilities.

25. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and, in accordance with IAS 24, are not disclosed in this note.

Remuneration of key management personnel

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24: 'Related Party Disclosures'. The definition of key management personnel extends to the Directors of the Company.

	2023 £'000	2022 £'000
Short-term employee benefits	**2,021**	1,946
Post-employment benefits	**21**	40
Share-based payments	**878**	210
	2,920	2,196

Other transactions

As set out in Note 7, on 11 February 2022, the D&G Sales business was disposed of through the sale of the entire share capital of Douglas & Gordon Limited and Douglas & Gordon (2) Limited, to Lochlan Holdings Limited, a company owned by the CEO of Douglas & Gordon Limited, for nominal consideration of £2. This transaction was a related party transaction due to both the CEO and Lochlan Holdings Limited constituting related parties.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

26. CLIENT MONIES

At 31 December 2023, client monies held within the Group in approved bank accounts amounted to £122.4 million (31 December 2022: £112.4 million). Neither this amount, nor the matching liabilities to the clients concerned, are included in the consolidated statement of financial position since these funds belong to clients. Foxtons Limited's terms and conditions provide that any interest income received on these deposits accrues to the Company and is recognised in line with the accounting policy set out in Note 1.9.

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.

27. SHARE-BASED PAYMENTS

A net income statement charge of £1.0 million (2022: £0.3 million) has been incurred in relation to the Group's equity-settled share option schemes and the equity element of the Bonus Banking Plan. The 2022 net income statement charge consisted of £0.6 million of adjusted item credits, relating to reorganisation (refer to Note 4), and £0.9 million of underlying charges. In 2023, no adjusted share-based payment charges/credits were incurred. National Insurance contributions payable in connection with the schemes granted is treated as a cash-settled transaction.

Equity-settled share option schemes

The Group had three equity-settled share option schemes in operation during the period.

a) Restricted Share Plan (RSP) Awards

The Company introduced the RSP awards in 2020 for Executive Directors and Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to service conditions, vest over a three year period, and the holding period subsequent to the vesting date is two years. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions. A net income statement charge of £0.3 million has been incurred in relation to this scheme (2022: £0.4 million credit).

During the year, 1,589,114 share awards (2022: 1,775,417) with a fair value of £0.6 million (2022: £0.7 million) were awarded.

b) Salary Substitute Restricted Share Awards

The Company introduced salary substitute restricted share awards in 2022 for Executive Directors and Senior Management. The awards have been made in the form of an option with a nil option price. The awards are subject to service conditions, vest over a three year period for Executive Directors and two years for Senior Management, with a two year holding period for Executive Directors. If the options remain unexercised after a period of 10 years from the date of grant the options expire. The treatment of leavers before options vest is determined by good leaver/bad leaver provisions. A net income statement charge of £0.3 million has been incurred in relation to this scheme (2022: £0.1 million).

During the year, 1,593,751 share awards (2022: 1,169,028) with a fair value of £0.5 million (2022: £0.5 million) were awarded.

c) LTIP Buyout Award

Upon joining the business Guy Gittins, CEO, was awarded an LTIP buyout award to compensate for the forfeiture of incentive arrangements from his previous employer. The awards were granted on appointment as nil cost options that vest three years after the grant date in September 2025. The vesting of the award is subject to a performance requirement for the Foxtons share price to be at least 70p for any 30 consecutive days during the vesting period. If this condition is not met, the award will lapse in full. A net income statement charge of £0.3 million has been incurred in relation to this scheme (2022: £0.1 million).

The inputs into the Monte Carlo models used in determining the fair value of the LTIP buyout award were as follows:

	2022 award
Weighted average share price	35.40p
Weighted average exercise price	52.38p
Expected volatility	54.02%
Expected life	3 years
Risk-free rate	3.00%
Expected dividend yield	1.33%

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

Outstanding share options

Details of the share options in relation to the RSP, the RSA, the LTIP buyout award and the legacy RSIP scheme outstanding during the year are as follows.

	2023		2022	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at beginning of period	**9,464,881**	**nil**	17,196,760	69.98p
Granted during the period	**3,182,865**	**nil**	9,828,336	nil
Forfeited during the period	**(84,129)**	**nil**	(6,005,747)	nil
Lapsed during the period	**–**	**–**	(11,540,120)	104.28
Exercised during the period	**(30,960)**	**nil**	(14,348)	nil
Outstanding at the end of the period	**12,532,657**	**nil**	9,464,881	nil
Exercisable at the end of the period	**938,243**	**nil**	114,528	nil

The options outstanding at 31 December 2023 had a weighted average remaining contractual life of nine years (2022: nine years). The entire balance of share options outstanding at the end of the period have a nil cost exercise price (2022: nil).

Employer's National Insurance contributions are accrued, where applicable, at the rate of 13.8% (2022: 13.8%) which management expects to be the prevailing rate at the time the options are exercised.

Equity-settled share bonus payment schemes

Bonus Banking Plan (BBP)

In 2020 the Company introduced a performance-related bonus scheme, BBP, for Executive Directors whereby the bonus amount paid is based on a percentage of salary and is paid partly in cash and partly in shares. Bonuses are awarded in cash annually depending on the achievement of performance measures that are also determined annually. An income statement charge of £0.1 million has been incurred in relation to this scheme (2022: £0.2 million).

The BBP scheme runs in three year performance cycles, with each cycle vesting over a four-year period in shares. A contribution will be made by the Company into the participant's plan account following the end of each plan year. The scheme pays out 50% of the cumulative balance annually for the first three years of the plan, with 100% of the residual value paid out at the end of the four-year period.

The fair value of shares awarded under these schemes is based on the Group's 30-day average share price in the period up to the end of the financial year in which the shares were granted.

	2023 Number of awards
Outstanding at beginning of period	**773,482**
Granted during the period	**686,937**
Forfeited during the period	**–**
Exercised during the period	**–**
Outstanding at the end of the period	**1,460,421**

At 31 December 2023 the awards had an average remaining life of less than a year (2022: one year). There is no exercise price for these awards. The weighted average fair value of awards at 31 December 2023 was £0.45 per share (2022: £0.30). Of the awards outstanding at the end of the period, nil were exercisable.

d) Share Option Plan (SOP)

The Company introduced a SOP in 2017 for Executive Directors and Senior Management. The awards were made in three tranches in 2017 and 2019 in the form of an option with an option price of 105.67p and 52.38p respectively. The awards were subject to a total shareholder return (TSR) performance condition and vest over a five-year period.

The performance period for the awards granted in 2017 ended in May 2022, the TSR vesting conditions were not met and therefore none of the awards vested. The 2019 award was forfeited due to the Director leaving office. At the end of the period there are no outstanding share options in relation to the SOP. An income statement charge of £0.3 million has been incurred in relation to this scheme in 2022.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

28. ALTERNATIVE PERFORMANCE MEASURES

In reporting financial information the Group presents APMs which are not defined or specified under the requirements of IFRS. The Group believes that the presentation of APMs provides stakeholders with additional helpful information on the performance of the business, but does not consider them to be a substitute for or superior to IFRS measures.

The Group's APMs are aligned to the Group's strategy and together are used to measure the performance of the business with certain APMs forming the basis of remuneration performance measures. Adjusted results exclude certain items, because if included, these 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.

Additional APMs have been disclosed in the 2023 financial statements, along with a comparator, in order provide readers with additional information beyond statutory disclosures to provide increased visibility of underlying results excluding one-off items. The additional measures, which are defined in the section below, are as follows:

- Adjusted EBITDA and EBITDA margin (item (b) below)
- Adjusted profit before tax (item (d) below)

a) Contribution and contribution margin

Contribution is defined as revenue less direct salary costs of front office staff and costs of bad debt. Contribution margin is defined as contribution divided by revenue. Contribution and contribution margin are key metrics for management since both are measures of the profitability and efficiency before the allocation of shared costs. A reconciliation between continuing operations revenue and contribution is presented below.

31 December 2023	**Lettings £'000**	**Sales £'000**	**Financial Services £'000**	**Consolidated £'000**
Revenue	**101,188**	**37,158**	**8,781**	**147,127**
Less: Direct operating costs	**(25,807)**	**(22,703)**	**(5,371)**	**(53,881)**
Contribution	**75,381**	**14,455**	**3,410**	**93,246**
Contribution margin	**74.5%**	**38.9%**	**38.8%**	**63.4%**

31 December 2022	Lettings £'000	Sales £'000	Financial Services £'000	Consolidated £'000
Revenue	86,918	43,182	10,222	140,322
Less: Direct operating costs	(22,130)	(21,142)	(5,739)	(49,011)
Contribution	64,788	22,040	4,483	91,311
Contribution margin	74.5%	51.0%	43.9%	65.1%

b) Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA represents the profit before tax before finance income, non-IFRS 16 finance costs, other gains/(losses), depreciation of property, plant and equipment (but after IFRS 16 depreciation), amortisation, share-based payment charges and adjusted items. Since the measure includes IFRS 16 lease depreciation and IFRS 16 lease finance cost, adjusted EBITDA includes all elements of the Group's leasing costs and therefore fully reflects the Group's lease cost base. Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue. These measures are frequently used by investors, securities analysts and other interested parties to evaluate financial performance and compare performance of sector peers. Furthermore, adjusted EBITDA is used to calculate the leverage and interest cover ratios for the purposes of the Group's RCF covenants. A reconciliation between continuing operations operating profit and adjusted EBITDA is presented below.

	Notes	2023 £'000	2022 £'000
Operating profit		**9,790**	13,840
Add back: adjusted items	4	**4,466**	69
Adjusted operating profit		**14,256**	13,909
Add back: Amortisation of non-acquired intangibles	10	**395**	510
Add back: Amortisation of acquired intangibles	10	**1,396**	1,041
Add back: Depreciation of property, plant and equipment[1]	11	**2,399**	2,063
Add back: Share-based payment charges[2]	3	**1,036**	931
Deduct: Interest on IFRS 16 leases[3]	12	**(1,971)**	(1,965)
Adjusted EBITDA		**17,511**	16,489
Adjusted EBITDA margin		**11.9%**	11.8%

1 Depreciation of IFRS 16 right-of-use assets is not added back so that adjusted EBITDA includes the non-financing element of property and vehicle leases.

2 Only underlying share-based payment charges are included in the reconciliation. As explained in Note 27, in 2022 the Group's total net share-based payment charge consisted of £0.6 million of adjusted item credits and £0.9 million of underlying charges.

3 Interest on IFRS 16 leases is deducted so that adjusted EBITDA includes the financing cost of property and vehicle leases.

c) Adjusted operating profit and adjusted operating profit margin

Adjusted operating profit represents the profit before tax for the period before finance income, finance cost, other gains/(losses) and adjusted items (defined within Note 1.20). This measure is reported to the Board for the purpose of resource allocation and assessment of segment performance. The closest equivalent IFRS measure to adjusted operating profit is profit before tax.

Adjusted operating profit margin is defined as adjusted operating profit divided by revenue. This APM is a key performance indicator of the Group and is used to measure the delivery of the Group's strategic priorities.

Refer to Note 2 for a reconciliation between profit before tax and adjusted operating profit and for the inputs used to derive adjusted operating profit margin.

d) Adjusted profit before tax

Adjusted profit before tax represents profit before tax before adjusted items and provides a view of the underlying profit before tax and aids comparability of performance from one period to another. A reconciliation between profit before tax and adjusted profit before tax is presented below.

	Notes	2023 £'000	2022 £'000
Profit before tax		**7,894**	11,939
Add back: adjusted items	4	**4,466**	69
Adjusted profit before tax		**12,360**	12,008

e) Adjusted earnings per share

Adjusted earnings per share is defined as earnings per share excluding adjusted items.

The measure is derived by dividing profit after tax, adjusted for post-tax adjusted items, by the weighted average number of ordinary shares in issue during the financial period, excluding own shares held. This APM is a measure of management's view of the Group's underlying earnings per share.

The closest equivalent IFRS measure is earnings per share. Refer to Note 9 for a reconciliation between earnings per share and adjusted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

f) 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 used in investing activities, excluding the acquisition of subsidiaries (net of any cash acquired), divestments and purchase of investments. This measure is used to monitor cash generation. A reconciliation between net cash from operating activities and net free cash flow is presented below.

	2023 £'000	2022 £'000
Net cash from operating activities	**15,672**	23,932
Less: Repayment of IFRS 16 lease liabilities	**(12,525)**	(12,686)
Net cash from operating activities, after repayment of IFRS 16 lease liabilities	**3,147**	11,246
Investing activities:		
Interest received	**381**	137
Proceeds on disposal of property, plant and equipment	**–**	53
Purchases of property, plant and equipment	**(2,121)**	(2,953)
Purchases of intangibles	**(1,495)**	(755)
Net cash used in investing activities	**(3,235)**	(3,518)
Net free cash flow	**(88)**	7,728

g) Net (debt)/cash

Net (debt)/cash is defined as cash and cash equivalents less external borrowings and excludes IFRS 16 lease liabilities. The measure is monitored internally for the purposes of assessing the availability of capital and balance sheet strength. A reconciliation of the measure is presented below.

	2023 £'000	2022 £'000
Cash and cash equivalents	**4,989**	12,027
Less: External borrowings	**(11,780)**	–
Net (debt)/cash	**(6,791)**	12,027

h) Other performance measure definitions

Definitions of other performance measures presented in the Group's Annual Report and Accounts are summarised below.

Volumes

- **Sales volumes:** Total number of property sales transactions which have exchanged during the period.
- **Lettings volumes:** Total of the number of long and short lets entered into by tenants and the number of renewals agreed between tenants and landlords during the period.
- **Financial Services volumes:** Total number of mortgages arranged during the period (purchase and refinance units).

Revenue per transaction

- **Revenue per Sales transaction:** Sales revenue during the period divided by Sales volumes during the period.
- **Revenue per Lettings transaction:** Lettings revenue during the period divided Lettings volumes during the period.
- **Revenue per Financial Services transaction:** Financial Services revenue during the period divided by Financial Services volumes during the period.

29. EVENTS AFTER THE REPORTING PERIOD

There are no post balance sheet events to report.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 £'000	2022 £'000
Non-current assets			
Investment in subsidiaries	32	**39,238**	38,354
Other receivables	33	**16,557**	–
Deferred tax asset		**113**	38
		55,908	38,392
Current assets			
Trade and other receivables	34	**25,184**	40,094
Cash and cash equivalents		**3**	1,999
		25,187	42,093
Current liabilities			
Trade and other payables	35	**(3,981)**	(11,451)
Borrowings	18	**(11,642)**	–
		(15,623)	(11,451)
Net current assets		**9,564**	30,642
Net assets		**65,472**	69,034
Equity			
Share capital	21	**3,301**	3,301
Merger reserve	36	**20,568**	20,568
Other reserves	36	**2,653**	2,653
Own shares reserve	23	**(12,092)**	(10,993)
Retained earnings		**51,042**	53,505
Equity attributable to owners of the Company		**65,472**	69,034

The Company reported a loss for the financial year ended 31 December 2023 of £0.8 million (2022: profit of £3.5 million).

The financial statements of Foxtons Group plc, registered number 07108742, were approved by the Board of Directors on 4 March 2024.

Signed on behalf of the Board of Directors

Chris Hough
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2023		**3,301**	**(10,993)**	**20,568**	**2,653**	**53,505**	**69,034**
Loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(761)**	**(761)**
Dividends	**8**	**–**	**–**	**–**	**–**	**(2,725)**	**(2,725)**
Own shares acquired in the period	**23**	**–**	**(1,112)**	**–**	**–**	**–**	**(1,112)**
Credit to equity for share-based payments		**–**	**–**	**–**	**–**	**152**	**152**
Capital contribution given relating to share-based payments		**–**	**–**	**–**	**–**	**884**	**884**
Settlement of share incentive plan		**–**	**13**	**–**	**–**	**(13)**	**–**
Balance at 31 December 2023		**3,301**	**(12,092)**	**20,568**	**2,653**	**51,042**	**65,472**

	Notes	Share capital £'000	Own shares reserve £'000	Merger reserve £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021		3,301	(6,059)	20,568	2,653	51,349	71,812
Profit and total comprehensive income for the year		–	–	–	–	3,480	3,480
Dividends	8	–	–	–	–	(1,487)	(1,487)
Own shares acquired in the period	23	–	(4,941)	–	–	–	(4,941)
Credit to equity for share-based payments		–	–	–	–	82	82
Capital contribution given relating to share-based payments		–	–	–	–	88	88
Settlement of share incentive plan		–	7	–	–	(7)	–
Balance at 31 December 2022		3,301	(10,993)	20,568	2,653	53,505	69,034

At 31 December 2023, retained earnings were fully distributable.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

30. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied in preparing the financial statements for the years ended 31 December 2022 and 2023. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below.

Basis of preparation

The Company's financial statements are prepared in accordance with the Companies Act 2006 and FRS 101 Reduced Disclosure Framework as issued by the Financial Reporting Council. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

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

Investments in subsidiary companies

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements. The assessment has taken into consideration the Company's financial position, liquidity requirements and reasonably possible changes in performance and outlook. Accordingly, the going concern basis has been adopted in preparing the financial statements. Refer to Note 1.7 for a full description of the Directors' considerations made in respect to the Group's going concern assessment.

31. (LOSS)/PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the financial year. The Company's loss for the year was £0.8 million (2022: profit of £3.5 million).

The Company has two employees at 31 December 2023 (2022: two).

The auditor's remuneration for audit and other services is disclosed in Note 3 to the consolidated financial statements.

32. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investments in subsidiary undertakings were as follows:

	£'000
At 31 December 2021	38,266
Capital contribution arising from share-based payments	88
At 31 December 2022	**38,354**
Capital contribution arising from share-based payments	**884**
At 31 December 2023	**39,238**

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

The subsidiary undertakings, all of which are wholly owned and included in the consolidated accounts, are shown in Note 15 of the consolidated financial statements.

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS CONTINUED

33. OTHER RECEIVABLES

Amounts falling due after one year:	2023 £'000	2022 £'000
Amounts owed by subsidiary undertakings	**16,557**	–
	16,557	–

The loan was extended effective as of 27 February 2023 and matures at the end of a two-year period. The facility incurs interest at 1.5% per annum above base rate of the Bank of England.

34. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:	2023 £'000	2022 £'000
Amounts owed by subsidiary undertakings	**25,179**	40,023
Prepayments and accrued income	**5**	71
	25,184	40,094

Amounts owed by subsidiary undertakings are unsecured, interest free and repayable on demand except the loan receivable of £16.6 million extended effective as of 27 February 2023 (refer to Note 33).

35. TRADE AND OTHER PAYABLES

Amounts falling due within one year:	2023 £'000	2022 £'000
Amounts owed to subsidiary undertakings	**(2,782)**	(10,034)
Accruals	**(1,199)**	(1,417)
	(3,981)	(11,451)

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

36. MERGER RESERVE AND OTHER RESERVES

Balance at 1 January and 31 December:	2023 £'000	2022 £'000
Merger reserve	**20,568**	20,568
Other capital reserve	**2,582**	2,582
Capital redemption reserve	**71**	71
	23,221	23,221

Prior to the Company's initial public offering, a ratchet mechanism reduced the number of shares in issue resulting in a reduction in share capital and transfer to the other capital reserve.

INFORMATION FOR SHAREHOLDERS

Company registration number

07108742

Registered and head office

Foxtons Group plc, Building One, Chiswick Park, 566 Chiswick High Road, London W4 5BE

2024 Financial calendar

2023 financial year end	31 December 2023
Year end trading update	25 January 2024
Preliminary announcement	5 March 2024
Publish Annual Report and Accounts	March 2024
First quarter trading update	18 April 2024
Annual General Meeting	7 May 2024
Interim period end	30 June 2024
Announcement of interim results	30 July 2024
Third quarter trading update	24 October 2024

Corporate website

You can access the corporate website at www.foxtonsgroup.co.uk. The Foxtons Group plc website provides useful information including annual and half year reports, results announcements and presentations, share price data and financial news.

Shareholder enquiries

For shareholder enquiries please contact our Registrars, Link Group. For general enquiries please call Link Group's Customer Support Centre on: 0371 664 0300 (lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales), or alternatively email: shareholderenquiries@linkgroup.co.uk.

Electronic communications

Help us to save paper and get your shareholder information quickly and securely by signing up to receive your shareholder communications by email. To register for electronic communications, visit www.foxtonsshares.co.uk. Please note, you will need your investor code, which can be found on your share certificate or your dividend tax voucher.

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FOXTONS GROUP PLC ANNUAL REPORT AND ACCOUNTS 2023