M WINKWORTH PLC

ANNUAL REPORT & ACCOUNTS 2012

Winkworth

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Company Information

DIRECTORS
S P Agace
A J Snarey
D C M Agace
L M Alkin
C Neoh

SECRETARY
Miss M O Doregos

REGISTERED OFFICE
11 Berkeley Street
Mayfair
London
W1J 8DS

REGISTERED NUMBER
01189557

COUNTRY OF INCORPORATION
England and Wales

AUDITOR
Chantrey Vellacott DFK LLP
Chartered Accountants and Statutory Auditor
Russell Square House
10-12 Russell Square
London
WC1B 5LF

Chairman's Statement

First of all, I would like to congratulate the Chief Executive and the franchisor team for their skilful navigation of the business throughout 2012. It is clear that the decisions made in 2011 to invest in the structure of the network and in our franchisees has started to pay dividends, both in terms of the quality of the new franchisees and in terms of our expansion into the provinces. I would also like to congratulate our franchisees for the quality of their work and the support that they continue to give to the brand.

Winkworth has always sought to extend its reach to meet new opportunities and our growing presence in country towns in the South of England follows this theme. This process will gather momentum over the coming year as our country expansion reaches its second phase of development and new franchisees open up to complement existing ones.

Another important decision made by the franchisor team last year was to strengthen our rental and management proposition, thus increasing the weight of rental revenues within our business and of the property management activity conducted by our franchisees. This is an on-going process which, to-date, has shown steady progress and augurs well for the future: in many key offices the value of rental and management fees has grown to 50% of turnover. Along with the sustained investment in the our transactional business, our franchisees are exceptionally well placed to blend these two offerings, enabling them to give their clients first class advice and be optimally positioned in helping them make judgements between the relative attractions of rentals and sales. We have pinpointed areas in which to invest and we will continue to concentrate on these. The Winkworth formula, whereby we seek to grow the gross turnover of our franchisees and invite new ones to join the brand so that they in turn can grow their turnover, is a simple one. As a franchisor, we are investing in the development of our infrastructure and back-up services in order to provide encouragement and the highest level of support to our franchisees, both existing and new.

We continue to resist direct ownership of our offices. We consider this to be a diversion from the franchise model and not in the best interests of our shareholders, as to do so would increase both our risk and our permanent staff costs, limiting our flexibility through the economic cycle. It remains our policy to pursue the balance between growth and a progressive dividend policy that we have delivered since flotation.

We welcome our new Indian master franchisor in Chennai and the garden city of Bangalore. Estate agency in India is unregulated and although we are not the first franchise group to open there, by observing others we have clearly defined our goals at the middle to upper end of the housing market. We have selected our master franchisor with the aim of developing our franchise style and system from his existing two offices. As I learnt when I started the Winkworth franchise network in the 1980s, in order to create a successful operation the quality of both the brand and the people are vital. It is essential to ensure that these are in place and well rooted before implementing the systematic expansion which leads to steady growth. Investment will be made by our master franchisor in India and we will provide him with all the necessary support, training and guidance.

Our UK franchisees are very pleased with this extension of the Winkworth brand and many of our offices will find this of benefit to their vendors. Adding the Indian dimension to our existing Chinese desk will offer them a significant advantage, particularly in London.

The current year has started well for Winkworth and we expect it to mark further steps along our planned route to 2015.

Simon Agace
Chairman

Chief Executive's Statement

The number of UK residential property transactions continued to rise in 2012, with evidence that this accelerated as a result of the launch of the Funding for Lending Scheme in July. This trend gained further momentum following the announcement of the government's NewBuy scheme, set for launch in January 2014. Both of these initiatives are focused on supporting the lower to middle end of the property market, which has been most affected by the credit crisis, and should stimulate activity by encouraging buyers to move up the property ladder, resulting in a healthier overall market. So far, this had led to cheaper mortgages and a good start to 2013.

Winkworth transactions increased by 6.4% in 2012 compared to an annual rise in transactions in England of 5.4% to 0.8 million. This figure compares with a peak level of 1.4 million transactions in 2007.

Against this background, the gross property revenues of our franchises grew by 7.2% to £39 million, made up of sales of £24 million and lettings of £15 million. Sales transactions increased by 12.0% in the country, 4.4% in London and 6.4% in total.

Winkworth's turnover grew to £4.29 million in 2012, an increase of 7.8% on the 2011 level of £3.98 million. At £1.07 million, profits before tax were 10.8% lower than 2011's result of £1.20 million as a result of exceptional charges of £0.27 million. These related to the closing of the French subsidiary and an £80,000 charge on the write-off of the Company's existing website following the introduction of a new site with considerably improved functionality. The exceptional items had no impact on cash flow which rose by 2.7% to £1.15 million (2011: £1.12 million), allowing an increased dividend of 4.9p per share compared to 4.6p in 2011.

The rental market continued to grow strongly as a shortage of supply and an expanding workforce, particularly in and around London, pushed prices and activity higher. Each month in 2012 marked a new record level of activity for Winkworth and, for the year as a whole, rental and management income grew by 10% on 2011 to represent 38% of gross revenues compared to 37% in 2011. We have strengthened this part of our business by bringing on board an in-house trainer to support offices both on and offsite.

We have also seen that whilst the country market remains depressed, with transactions running at below 50% of their historic average, this area has represented an area of growth for Winkworth, with expansion outside of London and the uplift from businesses converted to the brand resulting in an increase in revenues from country offices of 31%.

We met our base case of growth of signing 8 new offices in 2012 in areas which are complementary to our existing network with a view to growing our market share and maximising our potential uplift as and when transactions recover. Early signs are that we will at least meet the base case target for new openings in 2013. As still the most depressed market, we would expect dynamic growth from the country as transactions recover faster than in London. In 2012 our country offices represented 15% of gross revenues compared to 12% in 2011.

We are pleased to announce the signing of a master franchise in India, with initially two offices in Bangalore and Chennai and a further office set to open in Delhi within the next 12 months. This provides us with exposure to an exciting new market, with the potential for dramatic growth once the platform is expanded across major cities.

Dominic Agace
Chief Executive Officer

Report of the Directors

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2012.

PRINCIPAL ACTIVITY
The principal activity of the group in the year under review was that of franchisor to the Winkworth estate agencies.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2012 to the date of this report.

S P Agace
A J Snarey
D C M Agace
L M Alkin
C Neoh

The directors' remuneration for the year is set out in note 3 to the financial statements.

REVIEW OF BUSINESS
A review of the business during the year and an indication of likely future developments can be found in the Chairman and Chief Executive's Statements.

The key performance indicators used by management in the year were as follows:

Turnover grew to £4.29 million, an increase of 7.8% on the 2011 level of £3.98 million.

Profits before tax were £1.07 million, 10.8% lower than 2011's result of £1.2 million.

The group continues to grow with 8 new franchise offices opened in the UK (2011 – 11).

RISK FACTORS
The group is exposed to more external than internal risks, the main ones being competitive pressures and the housing market.

Competition: Winkworth faces ongoing competition from all three types of agencies – corporate networks, independent businesses and franchise networks. With the growth of online estate agents, the margins on estate agents' commissions may come under pressure, resulting in lower revenues for the group. In the future, increased private sales activity is another factor that could affect the group's revenues.

The housing market: Winkworth is exposed to material fluctuations in the housing market. In a low volume market pressure on fees is increased, leading to lower revenues on a smaller number of transactions. In particular, Winkworth is exposed to material fluctuations in the London market, with the majority of revenues generated by franchisees concentrated in the London area.

CREDITORS' PAYMENT POLICY AND PRACTICE
It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of any transaction to ensure that suppliers are aware of these terms and endeavour to abide by them. Trade payables amounted to 34 days on average during the year (2011: 35 days).

GOING CONCERN
The Board of Directors has undertaken a recent thorough review of the group's budgets and forecasts and has produced detailed and realistic cash flow projections. These cash flow projections, when considered in conjunction with the group's existing undrawn overdraft facilities and cash (including consideration of reasonable possible changes in trading performance), demonstrate that the group has sufficient working capital for the foreseeable future. Consequently, the directors believe that the group has adequate resources to continue its operational existence. The financial statements have been prepared on a going concern basis.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. 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 company and the group and of the profit or loss of the group for that period. In preparing these 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 that the financial statements comply with IFRS;

– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

DIVIDENDS

After the year end, the company paid a final interim dividend for the year ended 31 December 2012 of 1.3p per share. This amounts to a total net dividend of £164,791.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.

DIRECTORS' INDEMNITIES

Third-party Directors' and Officers' liability insurance was in place for all directors throughout the financial year and is currently in force.

WEBSITES

The group's website is www.winkworthplc.com

The commercial website is www.winkworth.co.uk

ON BEHALF OF THE BOARD:

D C M Agace
Director

4 June 2013

Report of the Independent Auditor to the Members of M Winkworth PLC

We have audited the financial statements of M Winkworth Plc for the year ended 31 December 2012 which are set out on pages 8 to 31. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

– give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's profit for the year then ended;

– have been properly prepared in accordance with IFRSs as adopted by the European Union;

– the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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 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.

Ian Staunton *(Senior Statutory Auditor)*
for and on behalf of **Chantrey Vellacott DFK LLP**
Chartered Accountants
and Statutory Auditor
Russell Square House
10-12 Russell Square
London
WC1B 5LF

4 June 2013

Winkworth

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Notes	2012 £	2011 £
CONTINUING OPERATIONS			
Revenue		**4,292,019**	3,978,662
Cost of sales		**(976,348)**	(843,095)
GROSS PROFIT		**3,315,671**	3,135,567
Administrative expenses		**(1,982,454)**	(1,944,760)
OPERATING PROFIT BEFORE EXCEPTIONAL ITEMS		**1,333,217**	1,190,807
Exceptional items	4	**(277,733)**	–
OPERATING PROFIT AFTER EXCEPTIONAL ITEMS		**1,055,484**	1,190,807
Finance costs	5	**(6)**	–
Finance income	5	**16,500**	10,667
PROFIT BEFORE TAXATION	6	**1,071,978**	1,201,474
Taxation	7	**(316,806)**	(325,042)
PROFIT FOR THE YEAR		**755,172**	876,432
OTHER COMPREHENSIVE INCOME			
Unrealised exchange loss		**(6,928)**	(6,258)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**748,244**	870,174
Profit attributable to:			
Owners of the parent		**755,172**	878,334
Non-controlling interests		**–**	(1,902)
		755,172	876,432
Total comprehensive income attributable to:			
Owners of the parent		**748,244**	872,076
Non-controlling interests		**–**	(1,902)
		748,244	870,174
Earnings per share expressed in pence per share:	10		
Basic and diluted		**5.96**	7.11

The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Financial Position

31 December 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	11	**–**	203,437
Intangible assets	12	**1,071,502**	894,701
Property, plant and equipment	13	**189,589**	309,885
Investments	14	**7,200**	7,200
Trade and other receivables	15	**301,588**	135,574
		1,569,879	1,550,797
CURRENT ASSETS			
Trade and other receivables	15	**780,699**	503,535
Cash and cash equivalents		**1,597,783**	1,878,306
		2,378,482	2,381,841
TOTAL ASSETS		**3,948,361**	3,932,638
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	17	**63,381**	63,381
Share premium		**1,718,469**	1,718,469
Translation reserve		**27,239**	34,167
Retained earnings		**1,490,201**	1,394,193
TOTAL EQUITY		**3,299,290**	3,210,210
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	22	**10,092**	34,347
CURRENT LIABILITIES			
Trade and other payables	18	**486,173**	457,614
Bank borrowings	19	**483**	77,447
Tax payable		**152,323**	153,020
		638,979	688,081
TOTAL LIABILITIES		**649,071**	722,428
TOTAL EQUITY AND LIABILITIES		**3,948,361**	3,932,638

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2013 and were signed on its behalf by:

D C M Agace
Director

The notes on pages 16 to 31 form part of these financial statements

Winkworth

Company Statement of Financial Position

31 December 2012

	Notes	2012 £	2011 £
ASSETS			
NON-CURRENT ASSETS			
Investments	14	**1**	1
CURRENT ASSETS			
Trade and other receivables	15	**2,357,877**	1,899,568
Cash and cash equivalents		**470,543**	927,184
		2,828,420	2,826,752
TOTAL ASSETS		**2,828,421**	2,826,753
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	17	**63,381**	63,381
Share premium		**1,718,469**	1,718,469
Retained earnings		**1,046,132**	1,044,374
TOTAL EQUITY		**2,827,982**	2,826,224
LIABILITIES			
CURRENT LIABILITIES			
Tax payable		**439**	529
TOTAL LIABILITIES		**439**	529
TOTAL EQUITY AND LIABILITIES		**2,828,421**	2,826,753

The financial statements were approved and authorised for issue by the Board of Directors on 4 June 2013 and were signed on its behalf by:

D C M Agace
Director

Company registered number: 01189557

The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Share capital £	Share premium £	Translation reserve £	Retained earnings £	Shareholders' equity £
Balance at 1 January 2011	57,144	777,213	40,425	1,044,720	1,919,502
Issue of share capital	6,237	941,256	–	–	947,493
Dividends paid	–	–	–	(528,861)	(528,861)
Total comprehensive income	–	–	(6,258)	878,334	872,076
Balance at 31 December 2011	63,381	1,718,469	34,167	1,394,193	3,210,210
Dividends paid	–	–	–	(659,164)	(659,164)
Total comprehensive income	–	–	(6,928)	755,172	748,244
Balance at 31 December 2012	**63,381**	**1,718,469**	**27,239**	**1,490,201**	**3,299,290**

	Non-controlling interests £	Total equity £
Balance at 1 January 2011	1,902	1,921,404
Issue of share capital	–	947,493
Dividends paid	–	(528,861)
Total comprehensive income	(1,902)	870,174
Balance at 31 December 2011	–	3,210,210
Dividends paid	–	(659,164)
Total comprehensive income	–	748,244
Balance at 31 December 2012	–	3,299,290

The notes on pages 16 to 31 form part of these financial statements

Winkworth

Company Statement of Changes in Equity
for the year ended 31 December 2012

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2011	57,144	777,213	1,042,290	1,876,647
Issue of share capital	6,237	941,256	–	947,493
Dividends paid	–	–	(528,861)	(528,861)
Total comprehensive income	–	–	530,945	530,945
Balance at 31 December 2011	63,381	1,718,469	1,044,374	2,826,224
Dividends paid	–	–	(659,164)	(659,164)
Total comprehensive income	–	–	660,922	660,922
Balance at 31 December 2012	63,381	1,718,469	1,046,132	2,827,982

The notes on pages 16 to 31 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	**1,154,698**	1,118,136
Interest paid		**(6)**	–
Tax paid		**(341,758)**	(344,525)
Net cash from operating activities		**812,934**	773,611
Cash flows from investing activities			
Purchase of intangible fixed assets		**(351,418)**	(772,744)
Purchase of property, plant & equipment		**(22,411)**	(137,867)
Interest received		**16,500**	10,667
Net cash used in investing activities		**(357,329)**	(899,944)
Cash flows from financing activities			
Share issue		**–**	947,493
Equity dividends paid		**(659,164)**	(528,861)
Net cash (used in)/from financing activities		**(659,164)**	418,632
(Decrease)/increase in cash and cash equivalents		**(203,559)**	292,299
Cash and cash equivalents at beginning of year	2	**1,800,859**	1,508,560
Cash and cash equivalents at end of year	2	**1,597,300**	1,800,859

The notes on pages 16 to 31 form part of these financial statements

Winkworth

Company Statement of Cash Flows

for the Year Ended 31 December 2012

	Notes	2012 £	2011 £
Cash flows from operating activities			
Cash generated from operations	1	**(458,366)**	(688,506)
Interest paid		**(2)**	–
Tax paid		**(529)**	(310)
Net cash used in operating activities		**(458,897)**	(688,816)
Cash flows from investing activities			
Interest received		**2,256**	2,645
Dividends received		**659,164**	528,861
Net cash from investing activities		**661,420**	531,506
Cash flows from financing activities			
Share issue		**–**	947,493
Equity dividends paid		**(659,164)**	(528,861)
Net cash (used in)/from financing activities		**(659,164)**	418,632
(Decrease)/increase in cash and cash equivalents		**(456,641)**	261,322
Cash and cash equivalents at beginning of year	2	**927,184**	665,862
Cash and cash equivalents at end of year	2	**470,543**	927,184

The notes on pages 16 to 31 form part of these financial statements

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2012

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

Group

	2012 £	2011 £
Profit before taxation	**1,071,978**	1,201,474
Depreciation, amortisation and impairment	**513,829**	141,215
Loss on disposal of fixed assets	**–**	35,600
Exchange rate variance	**4**	(2,950)
Finance costs	**6**	–
Finance income	**(16,500)**	(10,667)
	1,569,317	1,364,672
Increase in trade and other receivables	**(443,178)**	(140,789)
Increase/(decrease) in trade and other payables	**28,559**	(105,747)
Cash generated from operations	**1,154,698**	1,118,136

Company

	2012 £	2011 £
Profit before taxation	**661,361**	531,474
Finance costs	**2**	–
Finance income	**(661,420)**	(531,506)
	(57)	(32)
Increase in trade and other receivables	**(458,309)**	(688,474)
Cash used in operations	**(458,366)**	(688,506)

2. CASH AND CASH EQUIVALENTS

	Group		Company	
	31.12.12 £	1.1.12 £	31.12.12 £	1.1.12 £
Cash and cash equivalents	**1,597,783**	1,878,306	**470,543**	927,184
Bank overdraft	**(483)**	(77,447)	**–**	–
	1,597,300	1,800,859	**470,543**	927,184

Notes to the Consolidated Financial Statements
for the Year Ended 31 December 2012

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared under the historical cost convention, with the exception of financial instruments as set out below, and in accordance with International Financial Reporting Standards adopted by the European Union ("IFRS"). The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of consolidation
The group financial statements consolidate the financial statements of M Winkworth Plc and all its subsidiary undertakings. All subsidiary companies have coterminous year ends.

Acquisitions of companies that are consolidated are accounted for using the purchase method, by allocating their acquisition cost to the acquired identifiable assets and liabilities at the time of acquisition. Where the acquisition cost exceeds the net fair value of the acquired assets and liabilities, the difference is recognised as goodwill. Goodwill is not amortised but is tested for impairment at least annually and written down only in the event of impairment.

Adoption of new and revised standards
The accounting policies applied are the same as those applied in the financial statements for the year ended 31 December 2011. New standards introduced during the period had no material impact on the results or net assets of the company.

The directors anticipate that the adoption of those standards and interpretations which, at the date of authorisation of these financial statements, were in issue but not yet effective will have little or no impact on the financial statements when they come into effect.

Revenue
Revenue represents the value of commissions due to the group under franchise agreements. Revenue in respect of commissions due on house sales is recognised at the point of the relevant property sale having been completed by the franchisee. Revenue in respect of commissions due on lettings and property management is recognised in the period to which the services relate.

Goodwill
Goodwill (being the difference between the fair value of consideration paid and the fair value of the net assets) is capitalised. Goodwill is not amortised, but subject to an annual review for impairment (or more frequently if necessary). Any impairment is charged to the statement of comprehensive income as it arises.

Impairment is based on a value in use calculation whereby the net present value of future cash flows are reviewed in order to see whether these exceed the current net book value.

Intangible assets
Intangible assets represent amounts paid to franchisees on the incorporation of their business into the Winkworth brand and website development costs.

Amounts paid to franchisees are amortised over the period of the franchise to which they relate on a straight line basis. The website development costs are amortised over their useful life which is deemed to be 8 years. They are assessed for impairment by performing a value in use calculation when indicators of impairment exist. Amortisation is shown within administrative expenses in the statement of comprehensive income.

1. **ACCOUNTING POLICIES – continued**

Property, plant and equipment

Property, plant and equipment is recognised at cost. Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings – 15% – 33% on reducing balance,

Freehold property – 2% straight line.

Property, plant and equipment is subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is recognised in respect of all material temporary differences that have originated but not reversed at the balance sheet date.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Foreign currencies

SARL Agence Fraxinoise is a foreign subsidiary of the group and carries out its trade in Euros. Transactions made during the year are restated into sterling at the average rate of exchange for the year. At the balance sheet date all balances are restated into sterling at the rate of exchange ruling at that date. Exchange differences are recognised in the statement of comprehensive income.

Leased assets and obligation

Lease arrangements where substantially all the benefits and risks of ownership remain with the lessor are treated as operating leases and charged to the statement of comprehensive income on a straight line basis over the life of the lease.

Investments

Unlisted investments are classified as non-current assets and are stated at cost less provision for any necessary impairments.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2012

1. ACCOUNTING POLICIES – continued

Cash and cash equivalents

Cash and cash equivalents is defined as cash balances in hand and in the bank (including short term cash deposits). The company routinely utilises short term bank overdraft facilities, which are repayable on demand, as an integral part of its cash management policy. As such these are included as a component of net cash and cash equivalents within the statement of cash flows. Bank overdrafts are shown within bank borrowings in current liabilities on the statement of financial position.

Financial assets

The group has only financial assets classified as loans and receivables.

The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Loans and receivables:

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to franchisees (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision. From time to time, the Group elects to renegotiate the terms of trade receivables due from franchisees. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, where material the new expected cash flows are discounted at the original effective interest rate.

Financial liabilities

Trade payables and other short-term monetary liabilities are classified as financial liabilities and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Bank borrowings are recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

1. ACCOUNTING POLICIES – continued

Critical accounting estimates and judgements

The group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of intangibles and goodwill

The group is required to test, where indicators of impairment exist, whether intangible assets have suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

(b) Recoverability of trade receivables

A risk management committee determines concentrations of credit risk by quarterly monitoring of the creditworthiness rating of franchisees and through a monthly review of the trade receivables ageing analysis.

(c) Contingent liabilities

The group recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognised or disclosed in the financial statements, could have a material effect on the group's financial position. Application of these accounting principles to legal cases requires the group's management to make determinations about various factual and legal matters beyond its control. The group reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the group's management as to how it will respond to the litigation, claim or assessment.

2. SEGMENTAL REPORTING

The directors believe that the Group has only one segment, that of a franchising business. Currently, these operations principally occur in the UK, with only limited business in other territories. Accordingly no segmental analysis is considered necessary.

Notes to the Consolidated Financial Statements continued
for the Year Ended 31 December 2012

3. EMPLOYEES AND DIRECTORS

	2012	2011
	£	£
Wages and salaries	**837,715**	801,616
Social security costs	**114,172**	110,984
	951,887	912,600

The average monthly number of employees during the year was as follows:

	2012	2011
Office and management	**15**	14

Details of the remuneration of the directors individually and in total are shown below:

	Salary (including bonus) £	Benefits in kind £	**Year to 31 December 2012 Total £**	Year to 31 December 2011 Total £
D C M Agace	137,125	1,234	**138,359**	131,972
C Neoh	30,000	–	**30,000**	30,000
A J Snarey	36,000	5,222	**41,222**	40,132
S P Agace	50,000	–	**50,000**	50,000
L M Alkin	15,000	–	**15,000**	15,000
Total	268,125	6,456	**274,581**	267,104

Key management personnel are defined as directors of the group.

See also note 23 for transactions with directors.

4. EXCEPTIONAL ITEMS
During the year, the following impairments were charged to the income statement:

	£
Goodwill	197,317
Property, plant & equipment	80,416
	277,733

5. NET FINANCE INCOME

	2012 £	2011 £
Finance income:		
Interest receivable	**16,500**	10,667
Finance costs:		
Bank interest	**6**	–

6. PROFIT BEFORE TAXATION

The profit before income tax is stated after charging:

	2012 £	2011 £
Depreciation	**141,895**	59,709
Loss on disposal of fixed assets	**–**	35,600
Impairment of goodwill	**197,317**	–
Amortisation	**174,617**	81,506
Auditors' remuneration – audit fees	**22,000**	21,500
Auditors' remuneration – other services	**–**	750
Rents payable under operating leases	**80,620**	56,698

Included within auditor's remuneration above is £11,000 (2011: £11,000) relating to the company.

7. TAXATION

Analysis of the tax charge

	2012 £	2011 £
Current tax	**341,061**	320,395
Deferred tax	**(24,255)**	4,647
Total tax charge in statement of comprehensive income	**316,806**	325,042

Notes to the Consolidated Financial Statements continued
for the Year Ended 31 December 2012

7. TAXATION – continued

Factors affecting the tax charge
The tax assessed for the year is higher (2011 – higher) than the standard rate of corporation tax in the UK. The difference is explained below:

	2012 £	2011 £
Profit on ordinary activities before taxation	**1,071,978**	1,201,474
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011 – 26.5%)	**262,635**	318,391
Effects of:		
Expenses not deductible for tax purposes	**59,072**	3,027
Adjustment in respect of prior periods	**(121)**	313
Different tax rates	**(2,587)**	5,553
Capital allowances in excess of depreciation	**22,062**	(6,889)
Total current tax	**341,061**	320,395

8. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £660,922 (2011 – £530,945).

9. DIVIDENDS

	2012 £	2011 £
Ordinary shares of 0.5p each Interim paid 2012 – 5.3p per share (2011 – 4.3p per share)	**659,164**	528,861

10. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

There are no dilutive potential shares in issue.

	Earnings £	Weighted average number of shares	Per-share amount pence
2012	**755,172**	**12,676,238**	**5.96**
2011	878,334	12,345,752	7.11

11. GOODWILL
Group

	2012 £	2011 £
COST		
At 1 January	**203,437**	208,965
Impairments	**(197,317)**	–
Exchange differences	**(6,120)**	(5,528)
At 31 December	**–**	203,437
NET BOOK VALUE		
At 31 December	**–**	203,437

The carrying amount of goodwill relates entirely to one cash generating unit, which arose on the purchase of an estate agency in France and is determined based on value in use calculations. The estate agency closed at the end of the year and as no future cash flow is expected, the goodwill has been fully impaired.

12. INTANGIBLE ASSETS
Group

	2012 £	2011 £
COST		
At 1 January	**1,429,159**	656,415
Additions	**351,418**	772,744
At 31 December	**1,780,577**	1,429,159
AMORTISATION		
At 1 January	**534,458**	452,952
Amortisation for year	**174,617**	81,506
At 31 December	**709,075**	534,458
NET BOOK VALUE		
At 31 December	**1,071,502**	894,701

Intangible assets relate to the carrying value of amounts paid to franchisees on incorporation of their business into the Winkworth brand which are being amortised over the period of the franchise agreement to which they relate and website development costs which are being amortised over 8 years.

Notes to the Consolidated Financial Statements continued
for the Year Ended 31 December 2012

13. PROPERTY, PLANT AND EQUIPMENT

Group

Year ended 31 December 2012

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2012	**83,407**	**681,511**	**764,918**
Additions	**–**	**22,411**	**22,411**
Exchange differences	**–**	**(299)**	**(299)**
At 31 December 2012	**83,407**	**703,623**	**787,030**
DEPRECIATION			
At 1 January 2012	**1,668**	**453,365**	**455,033**
Charge for year	**1,668**	**140,227**	**141,895**
Exchange differences	**–**	**513**	**513**
At 31 December 2012	**3,336**	**594,105**	**597,441**
NET BOOK VALUE			
At 31 December 2012	**80,071**	**109,518**	**189,589**

Year ended 31 December 2011

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2011	83,407	625,018	708,425
Additions	–	137,867	137,867
Disposals	–	(84,141)	(84,141)
Exchange differences	–	2,767	2,767
At 31 December 2011	83,407	681,511	764,918
DEPRECIATION			
At 1 January 2011	–	443,318	443,318
Charge for year	1,668	58,041	59,709
Eliminated on disposal	–	(48,541)	(48,541)
Exchange differences	–	547	547
At 31 December 2011	1,668	453,365	455,033
NET BOOK VALUE			
At 31 December 2011	81,739	228,146	309,885

14. INVESTMENTS

Group

Unlisted investments

	2012 £	2011 £
COST		
At 1 January	**7,200**	7,200
At 31 December	**7,200**	7,200
NET BOOK VALUE		
At 31 December	**7,200**	7,200

Unlisted investments of the group relate to minor shareholdings in other companies which are not actively traded.

Company

Shares in group undertakings

	2012 £	2011 £
COST		
At 1 January and 31 December	**1**	1
NET BOOK VALUE		
At 31 December	**1**	1

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2012

14. INVESTMENTS – continued

Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2012

	% holding
Winkworth Franchising Limited Country of incorporation: England and Wales Nature of business: Franchisor to the Winkworth estate agencies Class of shares: Ordinary shares	100
Winkworth France Limited (shares held indirectly) Country of incorporation: England and Wales Nature of business: International estate agents Class of shares: Ordinary shares	100
SARL Agence Fraxinoise (shares held indirectly) Country of incorporation: France Nature of business: Estate agents Class of shares: Ordinary shares	90
Winkworth Financial Services Limited (shares held indirectly) Country of incorporation: England and Wales Nature of business: Dormant Class of shares: Ordinary shares	100

During the year the company increased its holding in Winkworth France Limited by 10% at nil consideration.

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Current:				
Trade receivables	**496,751**	316,443	**–**	–
Amounts owed by group undertakings	**–**	–	**2,357,870**	1,899,561
Other receivables	**84,543**	28,240	**7**	7
Amounts due from related parties (note 23)	**51,019**	86,416	**–**	–
Prepayments and accrued income	**148,386**	72,436	**–**	–
	780,699	503,535	**2,357,877**	1,899,568

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Non-current:				
Other receivables	**301,588**	135,574	**–**	–

Trade receivables are stated net of bad debt provisions of £155,409 (2011 – £55,518). The movement in the provision has been recognised in the statement of comprehensive income.

15. TRADE AND OTHER RECEIVABLES – continued

Ageing of trade receivables

	Group		Company	
	2012	2011	**2012**	2011
	£	£	**£**	£
Trade receivables not due	**276,427**	185,452	**–**	–
Trade receivables past due 1-30 days	**47,153**	22,243	**–**	–
Trade receivables past due 31-60 days	**89,706**	42,551	**–**	–
Trade receivables past due 61-90 days	**7,136**	2,605	**–**	–
Trade receivables past due over 90 days	**76,329**	63,592	**–**	–
Total trade receivables	**496,751**	316,443	**–**	–

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

16. NON-CONTROLLING INTERESTS

Non-controlling interests relate to a minority shareholding in SARL Agence Fraxinoise which was closed at the of the year and is in the process of liquidation.

17. SHARE CAPITAL

		2012	2011
Authorised:		**£**	£
20,000,000	Ordinary shares of 0.5p	**100,000**	100,000

		2012	2011
Issued and fully paid:		**£**	£
12,676,238 (2011 – 12,676,238)	Ordinary shares of 0.5p	**63,381**	63,381

18. TRADE AND OTHER PAYABLES

Group

	2012	2011
	£	£
Trade payables	**160,539**	170,710
Other taxes and social security	**160,402**	121,760
Other payables	**92,944**	56,458
Amounts due to related company	**15**	15
Accruals and deferred income	**72,273**	108,671
	486,173	457,614

The directors consider that the carrying value of trade and other payables approximates to their fair value.

Notes to the Consolidated Financial Statements continued
for the Year Ended 31 December 2012

19. BANK BORROWINGS
Group

	2012 £	2011 £
Bank overdraft	**483**	77,447

The bank overdraft is secured by a fixed and floating charge on all assets of Winkworth Franchising Limited.

20. LEASING AGREEMENTS
Group
The group has the following total commitments under lease arrangements:

	Non-cancellable operating leases	
	2012 £	2011 £
Land and buildings		
Expiring between one and five years	**252,943**	356,613

21. FINANCIAL INSTRUMENTS
Capital management
The group manages its capital to ensure its operations are adequately provided for, while maximising the return to shareholders through the effective management of its resources.

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and so provide returns for shareholders and benefits for other members. The group meets its objectives by aiming to achieve a steady growth while mitigating risk, which will generate regular and increasing returns to the shareholders.

The group also seeks to minimise the cost of capital and optimise its capital structure. The capital structure of the group consists of cash and cash equivalents and equity attributable to equity holders of the parent comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity. The group currently does not carry any debt.

Risk management
The group is exposed through its operations to the following financial risks:

Credit risk
Liquidity risk
Currency risk
Market risk

In common with all other businesses, the group is exposed to risks that arise from its use of financial instruments. This note describes the group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

21. FINANCIAL INSTRUMENTS – continued

There have been no substantive changes in the group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

– trade receivables

– cash at bank

– bank overdrafts

– trade and other payables

– loans from related parties

General objectives, policies and processes

The Board has overall responsibility for the determination of the group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the group's finance function. The Board receives monthly reports from the group financial controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to the group if a franchisee or a counterparty to a financial instrument fails to meet its contractual obligations. The group is mainly exposed to credit risk from franchise commissions. It is group policy to assess the credit risk of new franchisees before entering contracts.

The directors have established a credit policy under which each new franchisee is analysed individually for creditworthiness before a franchise is offered. The group's review includes external ratings, when available, and in some cases bank references.

Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with minimum rating "A" are accepted.

The group does not enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

Notes to the Consolidated Financial Statements continued
for the Year Ended 31 December 2012

21. FINANCIAL INSTRUMENTS – continued

Liquidity risk

Liquidity risk arises from the group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the group will encounter difficulty in meeting its financial obligations as they fall due.

The group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

Currency risk

Currency risk arises from the group's French subsidiary, SARL Agence Fraxinoise. The directors consider that the potential effects of foreign exchange fluctuations will not have a material impact on the financial statements.

Market risk

Market risks are the inherent risks which arise from the group's presence within the market in which it operates. The directors consider there to be no key risks to the group that can be quantified and so no sensitivity analysis has been carried out on any potential impacts to the financial statements.

Interest rate and currency of cash balances

Floating rate financial assets of £1,597,300 (2011: £1,800,859) comprise sterling cash deposits. There are no fixed rate financial assets.

Fair values of financial instruments

There are no material differences between book value and fair value of financial instruments as all are subject to floating rates as set by the market.

22. DEFERRED TAX

Group

	2012 £	2011 £
Balance at 1 January	**34,347**	29,700
Transfer to profit and loss	**(24,255)**	4,647
Balance at 31 December	**10,092**	34,347

Deferred tax relates wholly to accelerated capital allowances.

23. RELATED PARTY DISCLOSURES

The company trades in the normal course of business with some of the franchisees, groups and other companies where one or more of the directors is a related party or the directors exercise significant control.

Details of net commission income received, fees payable and year end balances are as follows:

		Net income		Fees payable		Year end balances	
		2012	2011	**2012**	2011	**2012**	2011
	Note	**£**	£	**£**	£	**£**	£
Christopher Garveigh Limitada	a	18,630	18,672	–	–	46,209	44,675
Craven Estate Agents Limited (formerly Snarey Price Shelley Limited)	a	41,337	58,464	–	–	1,365	3,398
Tony Snarey Developments and Construction Limited	a	–	–	41,526	43,487	–	–
Waldeck Snarey & Brown Limited	a	63,077	58,102	–	–	3,445	1,860
YH Investments Limited	b	–	48,794	–	–	–	36,483
Filross Securities Limited	c	–	–	14,230	15,000	–	–
Caxton Street Properties Limited	d	–	–	–	–	(15)	(15)
Pibeta S.A.	d	–	–	56,963	56,096	–	–

The relationships with the above companies are as follows:

a Company of which Mr A J Snarey is a director

b Company of which Mr S P Agace is a director

c Company in which Mr L M Alkin has an interest

d Company in which Mr S P Agace has an interest

During the year the following dividends were paid to directors:

- A J Snarey £68,250 (2011: £57,047)
- S P Agace £109,944 (2011: £225,014)
- L M Alkin £13,325 (2011: £11,019)
- D Agace £26,458 (2011: £21,500)
- C Neoh £650 (2011: £538)

During the year the company received a dividend of £659,164 (2011: £528,861) from its subsidiary undertaking Winkworth Franchising Limited.

Winkworth

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of M Winkworth plc (the "**Company**") will be held on 28 June 2013 at 10:30 a.m. at 11 Berkeley Street, London W1J 8DS to transact the following business, of which Resolutions 1 to 5 (inclusive) will be proposed as an ordinary resolution and Resolution 6 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1. TO receive the accounts, the report of the directors and the auditors' report on the accounts for the year ended 31 December 2012.

2. TO re-appoint Chantrey Vellacott DFK as auditors to the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company.

3. TO authorise the directors to determine the auditors' remuneration.

4. THAT the M Winkworth Plc EMI Share Option Plan (the "**Plan**"), being in substantially the same form as the draft rules submitted to the meeting, be and is hereby approved and that the directors of the Company be and are hereby authorised to adopt the Plan and do all other acts and things necessary or desirable to establish and carry the Plan into effect.

5. THAT the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") in substitution for all existing and unexercised authorities:

   5.1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "**Relevant Securities**") up to an aggregate nominal amount of twenty one thousand, one hundred and twenty seven pounds (£21,127); and

   5.2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560(1) of the 2006 Act) up to an additional aggregate nominal amount of twenty one thousand, one hundred and twenty seven pounds (£21,127) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

   provided that the authorities in **paragraphs** 5.1 and 5.2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired.

SPECIAL RESOLUTION

6. THAT, subject to the passing of resolution 5, the directors be and are empowered generally, in accordance with section 570 of the 2006 Act, in substitution for all existing and unexercised powers, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash either pursuant to the authority conferred by resolution number 5 or by way of a sale of treasury shares as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

    6.1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority conferred by **paragraph** 5.2 above, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held (or deemed to be held) by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever; and

    6.2 the allotment (otherwise than pursuant to **paragraph** 6.1 above) of equity securities up to an aggregate nominal amount of twelve thousand, six hundred and seventy six pounds (£12,676);

    and shall expire upon the expiry of the general authority conferred by resolution 5 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted and/or shares held by the Company in treasury to be sold or transferred after such expiry and the directors may allot equity securities and/or sell or transfer shares held by the Company in treasury in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

Dated: 5 June 2013

REGISTERED OFFICE:
11 Berkeley Street
Mayfair, London W1J 8DS

BY ORDER OF THE BOARD
Margaret Ogunbunmi Doregos
Secretary

Notice of Annual General Meeting continued

NOTES:

1. A member entitled to attend and vote at the annual general meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the annual general meeting. A member can appoint more than one proxy in relation to the annual general meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him.

2. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy will vote as you instruct and must attend the meeting for your vote to be counted. Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form. Appointing a proxy does not preclude you from attending the meeting and voting in person. If you attend the meeting in person, your proxy appointment will automatically be terminated.

3. An appointment of proxy is provided with this notice and instructions for use are shown on the form. In order to be valid, completed proxies must be received (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) by Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 10:30 a.m. on 26 June 2013.

4. To change your proxy instructions you may return a new proxy appointment using the methods set out in the form. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions. Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded. Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   (a) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   (b) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(c) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

6. Only those shareholders registered in the Register of Members of the Company as at 6:00 p.m. on 26 June 2013 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting.

7. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

8. The proxy card accompanying this notice includes an election form which asks shareholders to decide (i) if they wish to continue to receive documents or information in paper form (ii) to provide an email address to which notifications that documents or information are available on the website can be sent or (iii) to take no action and view any documents or information via the Company's website. Shareholders should note that if they do not respond to the election form, they will be taken to have agreed that the Company may send or supply documents or information by means of its website. However, where shareholders are provided with documents by means of the Company's website, they will be notified by the Company whenever a relevant document has been made available on that website.

9. You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.

10. As at 4 June 2013 (being the last business day before the publication of this Notice), the Company's issued share capital consisted of 12,676,238 ordinary shares carrying one vote each. The Company does not hold any shares in treasury. Therefore the total voting rights in the Company as at 4 June 2013 are 12,676,238.

11. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

(a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

Notice of Annual General Meeting continued

(b) the answer has already been given on a website in the form of an answer to a question; or

(c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.

12. The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting:

(a) copies of the executive directors' service contracts with the Company; and

(b) copies of the letters of appointment of the non-executive directors.

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