



M WINKWORTH PLC
ANNUAL REPORT & ACCOUNTS 2013



Winkworth

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Company Information

DIRECTORS

S P Agace
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

Chief Executive Officer's Statement

While the number of residential transactions in England increased by a further 15% in 2013, from 803,800 to 927,850, these still remained 27% off their 2007 peak level of 1,273,510. Against this improving background Winkworth's total franchisee turnover rose by 19% to £46.3 million (£39.1 million), with revenues generated from property sales growing by 25% to £30.2 million (£24.2 million) and rental income increasing by 8% to £16.1 million (£14.9 million).

Winkworth's turnover rose to £4.94 million, an increase of 15.2% on the 2012 level of £4.29 million. At £1.69 million, profits before tax were 57.9% higher than 2012's result of £1.07 million. Operational cash flow remained strong at £2.18 million (£1.15 million), allowing an increased dividend for the year of 5.4p per share compared to 4.9p in 2012.

Momentum in property sales continued to build throughout the year, with activity quickening in the second half. The number of transactions picked up month by month, with a 9% increase by the end of the first half of 2013 rising to 18% by year end. In particular, demand continued to outstrip supply in the outer ring of London where activity was strong and prices moved up sharply. Interest in central London was sustained, with transactions growing by 10% year-on-year as buyers continued to be attracted by London's status as the leading international city in which to own a home. Currency also continued to weigh in favour of many international investors.

By the end of 2013, the ongoing recovery also became increasingly apparent outside of London, where for the full year Winkworth's country office transactions increased by 22% and gross revenues were up 31% on 2012. This reflected the positive sentiment created by the government's 'help to buy' and 'funding for lending' schemes, which reduced the cost of borrowing and allowed many new buyers to enter the property market.

Our average property price in the country rose by 14% from £284,597 in 2012 to £325,299, reflecting the improving strength of our country proposition and the value that we are able to add to agencies joining the Winkworth network.

The overall contribution of our country franchises to our business rose from 15% in 2012 to 17% in 2013. We envisage that this trend will persist as the country market moves back towards its full potential. This fits well with our strategy of growing into markets most affected during the downturn in order to benefit from the uplift of an economic revival.

Winkworth's lettings and management business continued to perform well in 2013, growing by 8% year-on-year and representing 35% of our total income. As a result of the growing strength of the sales market, this compares with the 38% contribution recorded in 2012. The most significant increase in contribution came from our newly added country offices, where rentals were strengthened by joining the Winkworth brand. Country rentals grew by 36% compared to 7% in London. We continue to help franchisees acquire lettings and management businesses and to invest in training and new technologies to advance this part of our business.

In 2013 we maintained our pace of office openings with a net four new franchises opening for business. As confidence returns and estate agency managers regain their appetite for cold starts in new locations, we are seeing increasing interest from existing franchisees to open additional branches.

In order to optimise the database of applicants that are listed with Winkworth, we are planning to launch a business services centre in the second half of this year. The centre will promote our valuation services to

those registered on our database and cross-refer both sales and lettings applicants between offices in order to generate incremental business.

Finally, we are accelerating the roll-out of our updated brand strategy, with 22 offices having now launched new interiors and a further 25 targeted for completion by the end of 2014. Our advertising campaign also continues, with 30 London taxis branded under the Winkworth banner and promotion in the print and online versions of the Financial Times, Sunday Times, BA Business Life, Telegraph Luxury Homes and The Economist.

D C M Agace

Chief Executive Officer

Non-Executive Chairman's Statement

2013 was an excellent year for Winkworth and this success has gathered momentum in the opening months of 2014. Last year we progressed with our plan to increase the number of offices and were in a position to help many of our franchisees grow in both stature and local presence, enabling us to take advantage of a strengthening market.

On a personal note, the month of May 2014 marks the 40th year of my directorship at Winkworth. I am pleased to have seen how over time the management has grown the business so successfully from its original platform. Winkworth adopted the franchising model in 1981, when I recognised that in order to obtain the full benefit of the brand we needed to expand the talent within the organisation. The company has grown ever since and, following the company's successful admission to AIM in 2009, management has gone from strength to strength. By improving our skills and our offering we have been able to provide tremendous benefits to our franchisees, thus helping the whole group to grow.

During the course of 2013, Tony Snarey, who joined Winkworth as a non-executive director prior to its flotation, decided to retire and we thank him for his hard work and confidence in the business. We intend to appoint another non-executive director to the board in due course and will update the market at the appropriate time.

I am delighted that Winkworth is set for another strong year in terms of growth in both sales and rental volumes. With the benefit of having witnessed many property cycles over the years, I would stress that despite this upturn in the market we will not be tempted into taking equity positions in our franchises or acquiring offices. This would not only increase our overheads and create the need for more staff but would also divert us from our business model. Winkworth will remain true to its key objective of providing a first-class service to its franchisees and their clients.

S P Agace

Non-Executive Chairman

Group Strategic Report

The directors present their strategic report for the year ended 31 December 2013.

REVIEW OF BUSINESS

A review of the business during the year and an indication of likely future developments can be found in the Chief Executive Officer's and Non-Executive Chairman's Statements on pages 2 to 4.

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

Turnover grew to £4.94 million, an increase of 15.2% on the 2012 level of £4.29 million.

Profits before tax were £1.69 million, 57.9% higher than 2012's result of £1.07 million.

The group continues to grow with 4 new franchise offices opened in the UK (2012: – 8).

The key business highlights during the year were as follows:

Franchised offices sales up 19% on 2012 to £46 million, and London property sales accounted for 80% of the group total.

31% increase in revenues from country offices, lettings and management sales up by 36% in the country, 7% in London and 8% overall.

After dynamic growth in the residential property market in 2013, we expect further improvement in 2014 and a 15% increase in transactions as these move back towards their historic peak some 27% above last year's level.

The strategy which we adopted during the downturn, of opening new offices in key locations outside of London where transactions were most depressed, is starting to pay dividends. The country markets are showing a marked recovery and, as a result, we expect activity there to grow particularly strongly.

We look forward to extending our presence and growing our market share with the opening of new offices and this year's launch of a database management centre.

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.

Group Strategic Report continued

OUTLOOK

The current year has started very well and we envisage another positive outcome for the property market in 2014, with central London prices rising by 5%, the outer ring of London where demand remains very strong by 10%, and country market prices recovering by a further 5%. We envisage that the still benign lending conditions will lead to a 15% increase in transactions on 2013.

As focus returns to the sales market we expect growth in rentals to slow, with the notable exception of prime central London where we envisage an increase in jobs in the financial sector and stronger corporate relocation budgets that will drive positive rental growth for the first time since the 2008 credit crunch.

ON BEHALF OF THE BOARD:

D C M Agace

Director

28 April 2014

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 2013.

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 2013 to the date of this report.

S P Agace
D C M Agace
L M Alkin
C Neoh

Other changes in directors holding office are as follows:

A J Snarey – resigned 6 December 2013

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

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.

DIVIDENDS

After the year end, the company paid a final interim dividend for the year ended 31 December 2013 of 1.4p per share, giving a total net dividend for the year of 5.4p per share (2012: 4.9p).

Report of the Directors continued

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director at the date of approval of this report is 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

28 April 2014

Report of the Independent Auditors to the Members of M Winkworth Plc

We have audited the financial statements of M Winkworth Plc for the year ended 31 December 2013 on pages eleven to thirty five. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 seven, 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 Annual Report & Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRS 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 Group Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of M Winkworth Plc continued

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

28 April 2014

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2013

	Notes	2013 £	2012 £
CONTINUING OPERATIONS			
Revenue		4,944,922	4,292,019
Cost of sales		(937,975)	(976,348)
GROSS PROFIT			
Administrative expenses		(2,347,969)	(1,982,454)
Exceptional items		–	(277,733)
OPERATING PROFIT			
Finance costs	4	(18)	(6)
Finance income	4	32,572	16,500
PROFIT BEFORE TAXATION			
Taxation	5 6	1,691,532 (417,278)	1,071,978 (316,806)
PROFIT FOR THE YEAR			
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss:			
Unrealised exchange rate loss		–	(6,928)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXATION			
		–	(6,928)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR			
		1,274,254	748,244
Profit attributable to:			
Owners of the parent		1,274,254	755,172
Total comprehensive income attributable to:			
Owners of the parent		1,274,254	748,244
Earnings per share expressed in pence per share:			
Basic	9	10.05	5.96
Diluted		9.97	–

The notes on pages 19 to 35 form part of these financial statements

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 £	2012 £
ASSETS			
NON-CURRENT ASSETS			
Goodwill	10	–	–
Intangible assets	11	1,046,350	1,071,502
Property, plant and equipment	12	88,228	189,589
Investments	13	7,200	7,200
Trade and other receivables	14	237,265	301,588
		1,379,043	1,569,879
CURRENT ASSETS			
Trade and other receivables	14	742,371	780,699
Cash and cash equivalents		2,649,072	1,597,783
		3,391,443	2,378,482
Assets held for sale	15	50,084	–
TOTAL CURRENT ASSETS		3,441,527	2,378,482
TOTAL ASSETS		4,820,570	3,948,361
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	63,381	63,381
Share premium		1,718,469	1,718,469
Share option reserve		15,829	–
Retained earnings		2,119,853	1,517,440
TOTAL EQUITY		3,917,532	3,299,290
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	21	6,063	10,092
CURRENT LIABILITIES			
Trade and other payables	17	657,502	486,173
Bank borrowings	18	–	483
Tax payable		239,473	152,323
		896,975	638,979
TOTAL LIABILITIES		903,038	649,071
TOTAL EQUITY AND LIABILITIES		4,820,570	3,948,361

The notes on pages 19 to 35 form part of these financial statements

Company Statement of Financial Position

31 December 2013

	Notes	2013 £	2012 £
ASSETS			
NON-CURRENT ASSETS			
Investments	13	15,830	1
CURRENT ASSETS			
Trade and other receivables	14	2,477,330	2,357,877
Cash and cash equivalents		352,517	470,543
		2,829,847	2,828,420
TOTAL ASSETS		2,845,677	2,828,421
EQUITY			
SHAREHOLDERS' EQUITY			
Share capital	16	63,381	63,381
Share premium		1,718,469	1,718,469
Share option reserve		15,829	–
Retained earnings		1,047,625	1,046,132
TOTAL EQUITY		2,845,304	2,827,982
LIABILITIES			
CURRENT LIABILITIES			
Tax payable		373	439
TOTAL LIABILITIES		373	439
TOTAL EQUITY AND LIABILITIES		2,845,677	2,828,421

The financial statements were approved and authorised for issue by the Board of Directors on 28 April 2014 and were signed on its behalf by:

D C M Agace
Director

Company registered number: 01189557

The notes on pages 19 to 35 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 January 2012	63,381	1,718,469	–	1,428,360	3,210,210
Dividends paid	–	–	–	(659,164)	(659,164)
Total comprehensive income	–	–	–	748,244	748,244
Balance at 31 December 2012	63,381	1,718,469	–	1,517,440	3,299,290
Dividends paid	–	–	–	(671,841)	(671,841)
Total comprehensive income	–	–	–	1,274,254	1,274,254
Share-based payment	–	–	15,829	–	15,829
Balance at 31 December 2013	63,381	1,718,469	15,829	2,119,853	3,917,532

The notes on pages 19 to 35 form part of these financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2013

	Called up share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 January 2012	63,381	1,718,469	–	1,044,374	2,826,224
Changes in equity					
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
Changes in equity					
Dividends paid	–	–	–	(671,841)	(671,841)
Total comprehensive income	–	–	–	673,334	673,334
Share-based payment	–	–	15,829	–	15,829
Balance at 31 December 2013	63,381	1,718,469	15,829	1,047,625	2,845,304

The notes on pages 19 to 35 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from operations	1	2,184,059	1,154,698
Interest paid		(18)	(6)
Tax paid		(334,157)	(341,758)
Net cash from operating activities		1,849,884	812,934
Cash flows from investing activities			
Purchase of intangible fixed assets		(141,369)	(351,418)
Purchase of property, plant & equipment		(19,654)	(22,411)
Sale of property, plant & equipment		2,180	–
Interest received		32,572	16,500
Net cash used in investing activities		(126,271)	(357,329)
Cash flows from financing activities			
Equity dividends paid		(671,841)	(659,164)
Net cash used in financing activities		(671,841)	(659,164)
Increase/(decrease) in cash and cash equivalents		1,051,772	(203,559)
Cash and cash equivalents at beginning of year	2	1,597,300	1,800,859
Cash and cash equivalents at end of year	2	2,649,072	1,597,300

The notes on pages 19 to 35 form part of these financial statements

Company Statement of Cash Flows

for the Year Ended 31 December 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from operations	1	(119,483)	(458,366)
Interest paid		–	(2)
Tax paid		(439)	(529)
Net cash used in operating activities		(119,922)	(458,897)
Cash flows from investing activities			
Interest received		1,896	2,256
Dividends received		671,841	659,164
Net cash from investing activities		673,737	661,420
Cash flows from financing activities			
Equity dividends paid		(671,841)	(659,164)
Net cash used in financing activities		(671,841)	(659,164)
Decrease in cash and cash equivalents		(118,026)	(456,641)
Cash and cash equivalents at beginning of year	2	470,543	927,184
Cash and cash equivalents at end of year	2	352,517	470,543

The notes on pages 19 to 35 form part of these financial statements

Notes to the Statements of Cash Flows

for the Year Ended 31 December 2013

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

Group

	2013 £	2012 £
Profit before taxation	1,691,532	1,071,978
Depreciation, amortisation and impairment	235,271	513,829
Exchange rate variance	–	4
Share-based payments	15,829	–
Finance costs	18	6
Finance income	(32,572)	(16,500)
	1,910,078	1,569,317
Decrease/(increase) in trade and other receivables	102,652	(443,178)
Increase in trade and other payables	171,329	28,559
Cash generated from operations	2,184,059	1,154,698

Company

	2013 £	2012 £
Profit before taxation	673,707	661,361
Finance costs	–	2
Finance income	(673,737)	(661,420)
	(30)	(57)
Increase in trade and other receivables	(119,453)	(458,309)
Cash used in operations	(119,483)	(458,366)

2. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Cash and cash equivalents	2,649,072	1,597,783	352,517	470,543
Bank overdraft	–	(483)	–	–
	2,649,072	1,597,300	352,517	470,543

Notes to the Consolidated Financial Statements

for the Year Ended 31 December 2013

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 2012. 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 on a monthly basis as returned by franchisees.

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 relating to cash generating units 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 estimated to be 3 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.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

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).

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.

Assets held for sale

When a decision has been made to dispose of a significant non-current asset, the asset is recognised as an asset held for sale at the lower of cost and net realisable value and de-recognised as a non-current asset.

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.

Share-based payments

The company operates an Enterprise Management Incentive scheme which allows employees of the group to acquire shares in the company. The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The fair value is charged as an expense in the statement of comprehensive income over the vesting period and the charge is adjusted each year to reflect the expected and actual level of vesting.

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.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

1. ACCOUNTING POLICIES – continued

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.

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

The compliance department 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.

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.

3. EMPLOYEES AND DIRECTORS

	2013 £	2012 £
Wages and salaries	918,450	837,715
Social security costs	107,631	114,172
	1,026,081	951,887

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

	2013	2012
Office and management	18	15

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

	Salary (including bonus) £	Benefits in kind £	Share- based payments £	Year to 31 December 2013 Total £	Year to 31 December 2012 Total £
D C M Agace	155,333	1,393	5,009	161,735	138,359
C Neoh	35,845	4,957	3,006	43,808	30,000
A J Snarey	36,000	6,141	–	42,141	41,222
S P Agace	73,000	8,326	–	81,326	50,000
L M Alkin	21,500	–	–	21,500	15,000
Total	321,678	20,817	8,015	350,510	274,581

Key management personnel are considered to be as the directors of the company.

See also note 22 for transactions with directors.

4. FINANCE INCOME AND FINANCE COSTS

	2013 £	2012 £
Finance income:		
Interest receivable	32,572	16,500
Finance costs:		
Interest payable	18	6

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

5. PROFIT BEFORE TAXATION

The profit before income tax is stated after charging:

	2013 £	2012 £
Depreciation	40,431	141,895
Amortisation	166,521	174,617
Auditor's remuneration	23,625	22,000
Rents payable under operating leases	103,670	80,620
Exchange rate variance	(13)	–
Impairment of goodwill	–	197,317

Included within auditor's remuneration above is £11,000 (2012: £11,000) relating to the company.

6. TAXATION

Analysis of the tax charge

	2013 £	2012 £
Current tax:		
Taxation	418,826	341,061
Adjustment re previous years	2,481	–
Total current tax	421,307	341,061
Deferred tax	(4,029)	(24,255)
Total tax charge in statement of comprehensive income	417,278	316,806

Factors affecting the tax expense

The tax assessed for the year is higher (2012 – higher) than the standard rate of corporation tax in the UK.

The difference is explained below:

	2013 £	2012 £
Profit on ordinary activities before income tax	1,691,532	1,071,978
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	393,281	262,635
Effects of:		
Expenses not deductible for tax purposes	13,625	59,072
Adjustment in respect of prior periods	2,481	(121)
Different tax rates	(340)	(2,587)
Capital allowances	8,231	22,062
Tax expense	417,278	341,061

7. 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 £673,334 (2012 – £660,922).

8. DIVIDENDS

	2013 £	2012 £
Ordinary shares of 0.5p each		
Interim paid 2013 – 5.3p per share (2012 – 5.2p per share)	671,841	659,164

9. 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.

	Earnings £	2013 Weighted average number of shares	Per-share amount pence
Basic EPS			
Earnings/number of shares	1,274,254	12,676,238	10.05
Effect of dilutive securities	–	109,883	–
Diluted EPS			
Adjusted earnings/number of shares	1,274,254	12,786,121	9.97
	Earnings £	2012 Weighted average number of shares	Per-share amount pence
Basic and diluted EPS			
Earnings/number of shares	755,172	12,676,238	5.96

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

10. GOODWILL

Group

	2013 £	2012 £
COST		
At 1 January	–	203,437
Impairments	–	(197,317)
Exchange differences	–	(6,120)
At 31 December	–	–
NET BOOK VALUE		
At 31 December	–	–

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

11. INTANGIBLE ASSETS

Group

	Franchises £	Website development £	Total £
COST			
At 1 January 2013	1,698,397	82,180	1,780,577
Additions	113,790	27,579	141,369
At 31 December 2013	1,812,187	109,759	1,921,946
AMORTISATION			
At 1 January 2013	699,598	9,477	709,075
Amortisation for year	137,673	28,848	166,521
At 31 December 2013	837,271	38,325	875,596
NET BOOK VALUE			
At 31 December 2013	974,916	71,434	1,046,350
At 31 December 2012	998,799	72,703	1,071,502

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 3 years.

12. PROPERTY, PLANT AND EQUIPMENT
Group
Year ended 31 December 2013

	Freehold property £	Fixtures and fittings £	Totals £
COST			
At 1 January 2013	83,407	703,623	787,030
Additions	–	19,654	19,654
Disposals	–	(9,656)	(9,656)
Transfer to fixtures and fittings	(5,004)	5,004	–
Transfer to assets held for sale	(78,403)	–	(78,403)
At 31 December 2013	–	718,625	718,625
DEPRECIATION			
At 1 January 2013	3,336	594,105	597,441
Charge for year	1,668	38,763	40,431
Eliminated on disposal	–	(7,475)	(7,475)
Transfer to fixtures and fittings	(5,004)	5,004	–
At 31 December 2013	–	630,397	630,397
NET BOOK VALUE			
At 31 December 2013	–	88,228	88,228

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

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

13. INVESTMENTS

Group

Unlisted investments

	2013 £	2012 £
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

	2013 £	2012 £
COST		
At 1 January	1	1
Additions	15,829	–
NET BOOK VALUE		
At 31 December	15,830	1

The additions for the year represent a capital contribution by way of the grant of options to employees of Winkworth Franchising Limited.

13. INVESTMENTS – continued**Subsidiary undertakings**

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2013

	% 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 Business Services Limited (formerly Winkworth France Limited)	
Country of incorporation: England and Wales	
Nature of business: International estate agents	
Class of shares: Ordinary shares	100
Winkworth Financial Services Limited (shares held indirectly)	
Country of incorporation: England and Wales	
Nature of business: Dormant	
Class of shares: Ordinary shares	100

At 31 December 2012, the company held 90% of the ordinary shares in SARL Agence Fraxinoise. During the year SARL Agence Fraxinoise was dissolved.

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Current:				
Trade receivables	469,465	496,751	–	–
Amounts owed by group undertakings	–	–	2,477,323	2,357,870
Loans to franchisees	97,938	84,543	7	7
Amounts due from related parties (note 22)	–	51,019	–	–
Other debtors	23,299	–	–	–
Prepayments and accrued income	151,669	148,386	–	–
	742,371	780,699	2,477,330	2,357,877
Non-current:				
Loans to franchisees	237,265	301,588	–	–

Trade receivables are stated net of bad debt provisions of £105,946 (2012 – £155,409). Bad debt provisions are calculated based on past experience and information received from franchisees.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

14. TRADE AND OTHER RECEIVABLES – continued

Ageing of trade receivables

	Group		Company	
	2013 £	2012 £	2013 £	2012 £
Trade receivables not due	214,760	276,427	–	–
Trade receivables past due 1-30 days	55,066	47,153	–	–
Trade receivables past due 31-60 days	70,081	89,706	–	–
Trade receivables past due 61-90 days	6,649	7,136	–	–
Trade receivables past due over 90 days	122,909	76,329	–	–
	469,465	496,751	–	–

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

15. ASSETS HELD FOR SALE

Freehold property held for sale

	2013 £	2012 £
Transfer from property, plant and equipment	78,403	–
Impairment	(28,319)	–
	50,084	–

The group intends to dispose of its freehold property and it was actively marketed during the year. Since the year end, the group has accepted an offer to purchase the property. The property has been impaired to its fair value less costs to sell.

16. SHARE CAPITAL

Authorised:		2013 £	2012 £
20,000,000	Ordinary shares of 0.5p	100,000	100,000
Issued and fully paid:		2013 £	2012 £
12,676,238 (2012 – 12,676,238)	Ordinary shares of 0.5p	63,381	63,381

17. TRADE AND OTHER PAYABLES
Group

	2013 £	2012 £
Trade payables	348,530	160,539
Other taxes and social security	170,204	160,402
Other payables	36,515	92,944
Amounts due to related company	–	15
Accruals and deferred income	102,253	72,273
	657,502	486,173

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

18. BANK BORROWINGS
Group

	2013 £	2012 £
Bank overdraft	–	483

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

19. LEASING AGREEMENTS
Group

	Non-cancellable operating leases	
	2013 £	2012 £
Land and buildings expiring between one and five years	149,273	252,943

20. 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.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

20. FINANCIAL INSTRUMENTS – continued

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.

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 policies 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:

20. FINANCIAL INSTRUMENTS – continued

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.

The concentration of credit risk from trade receivables and other current assets varies throughout the year depending on the timing of transactions. There is very little concentration on any one entity.

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.

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 £2,649,072 (2012: £1,597,300) 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.

Notes to the Consolidated Financial Statements continued

for the Year Ended 31 December 2013

21. DEFERRED TAX

Group

	2013 £	2012 £
Balance at 1 January	10,092	34,347
Transfer to profit and loss	(4,029)	(24,255)
Balance at 31 December	6,063	10,092

Deferred tax relates wholly to accelerated capital allowances.

22. 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:

	Note	Net income		Fees payable		Year end balances	
		2013 £	2012 £	2013 £	2012 £	2013 £	2012 £
Christopher Garveigh Limitada	a	44,800	18,630	–	–	–	46,209
Craven Estate Agents Limited	a	–	41,337	–	–	–	1,365
Tony Snarey Developments and Construction Limited	a	–	–	39,020	41,526	–	–
Waldeck Snarey & Brown Limited	a	88,982	63,077	–	–	–	3,445
Snarey Lettings Limited	a	35,945	–	–	–	–	–
Filross Securities Limited	b	–	–	21,968	14,230	–	–
Caxton Street Properties Limited	c	–	–	–	–	–	(15)
Pibeta S.A.	c	–	–	81,326	56,963	–	–

The relationships with the above companies are as follows:

- a Company of which Mr A J Snarey is a director
- b Company in which Mr L M Alkin has an interest
- c Company in which Mr S P Agace has an interest

Note that Mr A J Snarey was a director of M Winkworth Plc only until 6 December 2013 and, as such, the year end balances with the relevant companies above are not considered related party matters.

22. RELATED PARTY DISCLOSURES – continued

During the year the following dividends were paid to directors:

- A J Snarey £40,016 (2012: £68,250)
- S P Agace £308,724 (2012: £109,944)
- L M Alkin £13,581 (2012: £13,325)
- D Agace £28,521 (2012: £26,458)
- C Neoh £663 (2012: £650)

During the year the company received dividends of £671,841 (2012: £659,164) from its subsidiary undertaking Winkworth Franchising Limited.

23. SHARE-BASED PAYMENT TRANSACTIONS

Share options have been granted to certain directors and employees during the year. All options are granted at market value of shares at the date of grant. Options are conditional on the employee completing two years' service. The options are exercisable starting two years from the grant date and expiring ten years from the grant date. No payment is required from option holders on the grant of an option. The company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related exercise prices are as follows:

Option series	Number	Grant date	Expiry date	Exercise price (p)	Fair value at grant date (p)
Granted on 1 July 2013	300,200	01/07/2013	30/06/2023	110	21

The fair value of options granted during the period determined using the Black-Scholes valuation model was £0.2109 per option. The significant inputs into the model were weighted average share price of £1.10 at the grant date, exercise price shown above, volatility of 33%, dividend yield of 3.46%, an expected option life of two years and an annual risk-free interest rate of 0.38%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

The following reconciles the share options outstanding at the beginning and end of the year:

	2013		2012	
	Number of options	Exercise price (p)	Number of options	Exercise price (p)
Balance at beginning of year	–	–	–	–
Granted during the year	300,200	110	–	–
Balance at end of year	300,200	110	–	–

No options were exercisable at 31 December 2013 and no options were exercised or forfeited during 2013. The share options outstanding at the year-end had a weighted average contractual life of 9.5 years.

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 May 2014 at 10:30 a.m. at 11 Berkeley Street, London W1J 8DS to transact the following business, of which Resolutions 1 to 4 (inclusive) will be proposed as an ordinary resolution and Resolution 5 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 2013.
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 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:
 - 4.1 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
 - 4.2 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** 4.1 and 4.2 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

5. THAT, subject to the passing of resolution 4, 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 4 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:
- 5.1 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 4.2** 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
- 5.2 the allotment (otherwise than pursuant to **paragraph 5.1** 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 4 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: 29 April 2014

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 Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 10:30 a.m. on 26 May 2014.
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 Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. 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. (a) 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.

(b) 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.

- (c) 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.
 - (d) 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 May 2014 (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 28 April 2014 (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 28 April 2014 are 12,676,238.

Notice of Annual General Meeting continued

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;
 - (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.

M Winkworth PLC

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