



**M WINKWORTH PLC**  
**ANNUAL REPORT & ACCOUNTS 2015**



**Winkworth**

# Contents

Company Information	1	Company Statement of Financial Position	12
Chief Executive Officer's Statement	2	Consolidated Statement of Changes in Equity	13
Non-Executive Chairman's Statement	3	Company Statement of Changes in Equity	14
Group Strategic Report	4	Consolidated Statement of Cash Flows	15
Report of the Directors	6	Company Statement of Cash Flows	16
Report of the Independent Auditor	8	Notes to the Statements of Cash Flows	17
Consolidated Statement of Comprehensive Income	10	Notes to the Financial Statements	18
Consolidated Statement of Financial Position	11	Notice of Annual General Meeting	35

## Company Information

### DIRECTORS

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

### SECRETARY

Miss M O Doregos

### REGISTERED OFFICE

11 Berkeley Street  
Mayfair  
London  
W1J 8DS

### REGISTERED NUMBER

01189557 (England and Wales)

### AUDITORS

Moore Stephens LLP  
Chartered Accountants and Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

## Chief Executive Officer's Statement

Despite the positive underlying dynamics for the residential property market in 2015, the market was dominated by election uncertainty which weighed on consumer confidence and so, in turn, on transaction levels. In addition, measures increasing the cost of stamp duty for many London homeowners and the strengthening of sterling had a negative impact. Despite these headwinds, we continued to invest in new, centralised initiatives to drive growth in the medium term, reported a broadly flat performance for the year and substantially increased our dividend.

In 2015, Winkworth's total franchisee turnover fell by 2.4% to £49.0 million (£50.2 million), with revenues generated from property sales down by 8% to 30.1 million (£32.6 million) and rental income increasing by 7% to 18.8 million (£17.5 million).

Winkworth's turnover rose to £5.87 million, an increase of 6.7% on the 2014 level of £5.50 million. At £1.91 million, profits before tax were 1% below 2014's result of £1.93 million. Cash flow remained strong at £1.91 million (£1.24 million), allowing a 40.7% increase in total dividends to 8.3p per share compared with 5.9p in 2014.

We continued to invest in the rentals side of our business and, in particular, our recently formed Corporate Relocation Department, which generated 4,000 searches for rental property for our landlords in 2015. This success helped to drive revenue growth, with rentals rising by 7% and increasing as a proportion of Winkworth's total sales from 35% in 2014 to 38% in 2015, a further step towards our goal of rentals accounting for 50% of our business.

We also saw significant progress in our Client Services Department, which after a longer lead time than anticipated delivered 300 instructions and referred 1,000 applicants between offices in 2015. This department is expected to break even in 2016 and make a contribution to profits in 2017.

Our investment in centralised services adds value. We believe that this will enable us to grow market share as our clients benefit from marketing a property through Winkworth's joined-up network, rather than through a single agency or an online agent.

Significant progress was made in improving the mix of the Winkworth network. Two new offices were opened in Sway and West Bridgford while eight franchises were resold to the next generation of Winkworth franchisees, which we expect to result in increased revenue in 2016. New franchisee applications picked up sharply in Q4 2015, with 40 applicants compared to 19 in the same period of 2014. We expect to see the number of new openings pick up with three confirmed for 2016 and a further three in advanced discussions.

**Dominic Agace**  
*Chief Executive Officer*

22 March 2016



## Non-Executive Chairman's Statement

In 2015, Winkworth focused on developing its offering, improving the overall quality of its franchises and optimising shareholder returns. Our increased investment in services, particularly the customer care service and the introduction of corporate relocations, has been very successful and enabled Winkworth to meet its gross turnover target for the year. Whilst having had an impact on profits in 2015, the full benefits of this investment will be felt late in 2016 and into 2017.

The increasing number of services introduced by the Company reinforces the strengths of the brand while increasing its appeal and profitability. As part of our three-year plan, centralised services will be fully integrated into an upgraded Winkworth online offering by 2017 and, as these gain further momentum, we expect to see them contribute to long-term growth in both net profits and new franchise interest.

The Company's management has maintained a good balance of business between sales and rentals, interest in which varies according to market conditions. Embracing both disciplines with a highly professional approach underpins the offering of our franchisees and strengthens their positioning in the market place. It is my belief that there will be rising interest in new franchises in the years ahead and sustained growth in the number of Winkworth franchisees.

It is hard to predict the effects on the market place of the various changes in taxation announced since the general election and, as a result, the outlook for the housing market is currently difficult to gauge. In addition, the result of the EU referendum and its potential implications are clouding visibility for 2016. I am confident, however, that Winkworth's business model will be resilient to whatever the outcome may be for both sales and rentals.

Finally, I would like to draw your attention to our prudent approach to cash management. Having ended the year with cash deposits in excess of £3 million and a revolving loan book of over four years with some of our franchisees, we were in a position to announce a very significant increase in total dividends payable for 2015. Besides having a robust business model, the group is in a strong position to face the interesting times ahead and I remain confident of its future.

**Simon Agace**  
*Non-Executive Chairman*

22 March 2016

# Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2015.

## 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 £5.87 million, an increase of 6.7% on the 2014 level of £5.50 million.
- Operating profits were £1.82 million, 1.1% lower than 2014's result of £1.84 million.
- The group continues to grow with 2 new franchise offices opened in the UK (2014 – 6).

The key business highlights during the year were as follows:

- Franchised offices sales down 2.4% on 2014 to £49 million, and London property sales accounted for 81% (2014 – 81%) of the group total.
- 38% of sales derived from lettings and management (2014 – 35%).

## RISKS MANAGEMENT

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.

## OUTLOOK

We are yet to see any negative impact on the residential property market from the proposed referendum in 2016 and have enjoyed a positive start to the year across all our offices. We have also noted an increase in franchisee applicants registering across the group. The year, therefore, has started well, with unemployment remaining low and interest rate rises having been pushed back, resulting in ongoing cheap mortgages. In January 2016, the average 2-year fixed rate 75% LTV mortgage cost 2.16% compared to 2.85% in January 2015, a reduction of 0.69%.

We have also noticed an improvement in the prime central London markets with the middle to lower end (below £4m) seeing an increase in applicants and so the potential for a resumption of growth this year. Above this level, stamp duty changes are still to be fully absorbed and we anticipate that further price reductions may occur in 2016, weighing on transactions at this level.

In the rentals market we have noted that some larger landlords may be looking to sell off parts of their portfolios following the proposed reduction in the ability to offset interest on mortgage costs against tax. With a continuing shortage of supply of properties, however, we expect that the prospects of capital growth and steadily rising rents will ensure that this sector continues to attract interest.

**ON BEHALF OF THE BOARD:**

**D C M Agace**  
*Director*

22 March 2016

## 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 2015.

### PRINCIPAL ACTIVITY

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

### STRATEGIC REPORT

The business review, outlook and financial risk objectives and policies are located in the strategic report.

### DIVIDENDS

An interim dividend of £1,053,154 (2014 – £747,898) was declared during the year.

### DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2015 to the date of this report.

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

The directors' remuneration for the year was £330,285, a breakdown of this figure 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 accordingly been prepared on a going concern basis.

### WEBSITES

The group's website is [www.winkworthplc.com](http://www.winkworthplc.com)

The commercial website is [www.winkworth.co.uk](http://www.winkworth.co.uk)

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors, Strategic Report 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 as adapted by the EU;
- 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 the financial statements may differ from legislation in other jurisdictions.

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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 Director's and Officers' liability insurance was in place for all directors throughout the financial year and is currently in force.

#### **AUDITOR**

Chantrey Vellacott DFK LLP merged its practice with Moore Stephens LLP with effect from 1 May 2015 and now practices under the name Moore Stephens LLP. A resolution to appoint Moore Stephens LLP as auditor was proposed on 25 April 2015.

#### **ON BEHALF OF THE BOARD:**

**D C M Agace**  
*Director*

22 March 2016



# 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 2015 on pages ten to thirty four. 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 a Report of the Auditors 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 pages five and six, 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 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 2015 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 Strategic Report and 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.

**Neil Tustian** (*Senior Statutory Auditor*)  
for and on behalf of **Moore Stephens LLP**  
Statutory Auditor  
150 Aldersgate Street  
London  
EC1A 4AB

22 March 2016

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2015

	Notes	2015 £	2014 £
<b>CONTINUING OPERATIONS</b>			
Revenue	1	<b>5,865,182</b>	5,495,517
Cost of sales		<b>(1,551,281)</b>	(950,511)
<b>GROSS PROFIT</b>			
Administrative expenses		<b>(2,496,711)</b>	(2,704,886)
<b>OPERATING PROFIT</b>			
Finance costs	4	–	(270)
Finance income	4	<b>89,839</b>	86,313
<b>PROFIT BEFORE TAXATION</b>			
Taxation	5 6	<b>1,907,029</b> <b>(391,578)</b>	1,926,163 (426,147)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<b>1,515,451</b>	1,500,016
Total comprehensive income attributable to:			
Owners of the parent		<b>1,515,451</b>	1,500,016
Earnings per share expressed in pence per share:			
Basic	9	<b>11.95</b>	11.83
Diluted		<b>11.91</b>	11.80

The notes on pages 18 to 34 form part of these financial statements

# Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 £	2014 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	976,001	1,092,790
Property, plant and equipment	11	34,650	85,211
Investments	12	7,200	7,200
Trade and other receivables	13	800,189	810,704
Deferred tax	18	2,222	–
		<b>1,820,262</b>	<b>1,995,905</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	1,166,173	879,558
Cash and cash equivalents		3,167,704	2,505,487
		<b>4,333,877</b>	<b>3,385,045</b>
<b>TOTAL ASSETS</b>		<b>6,154,139</b>	<b>5,380,950</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	63,666	63,381
Share premium		1,792,906	1,718,469
Share option reserve		51,295	47,488
Retained earnings		3,334,268	2,871,971
<b>TOTAL EQUITY</b>		<b>5,242,135</b>	<b>4,701,309</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	18	–	6,849
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	800,536	490,054
Tax payable		111,468	182,738
		<b>912,004</b>	<b>672,792</b>
<b>TOTAL LIABILITIES</b>		<b>912,004</b>	<b>679,641</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,154,139</b>	<b>5,380,950</b>

The financial statements were approved by the Board of Directors on 22 March 2016 and were signed on its behalf by:

**D C M Agace**  
Director

The notes on pages 18 to 34 form part of these financial statements

# Company Statement of Financial Position

31 December 2015

	Notes	2015 £	2014 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Investments	12	63,318	47,489
		<b>63,318</b>	<b>47,489</b>
<b>CURRENT ASSETS</b>			
Trade and other receivables	13	2,703,481	2,474,283
Cash and cash equivalents		421,326	357,050
		<b>3,124,807</b>	<b>2,831,333</b>
<b>TOTAL ASSETS</b>		<b>3,188,125</b>	<b>2,878,822</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	14	63,666	63,381
Share premium		1,792,906	1,718,469
Share option reserve		51,295	47,488
Retained earnings		1,050,671	1,049,112
<b>TOTAL EQUITY</b>		<b>2,958,538</b>	<b>2,878,450</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	15	229,198	–
Tax payable		389	372
		<b>229,587</b>	<b>372</b>
<b>TOTAL LIABILITIES</b>		<b>229,587</b>	<b>372</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,188,125</b>	<b>2,878,822</b>

The financial statements were approved by the Board of Directors on 22 March 2016 and were signed on its behalf by:

**D C M Agace**  
*Director*

Company registered number: 01189557

The notes on pages 18 to 34 form part of these financial statements



# Consolidated Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 1 January 2014</b>	63,381	1,718,469	15,829	2,119,853	3,917,532
<b>Changes in equity</b>					
Dividends	–	–	–	(747,898)	(747,898)
Total comprehensive income	–	–	–	1,500,016	1,500,016
Share-based payment	–	–	31,659	–	31,659
<b>Balance at 31 December 2014</b>	63,381	1,718,469	47,488	2,871,971	4,701,309
<b>Changes in equity</b>					
Issue of share capital	285	74,437	–	–	74,722
Dividends	–	–	–	(1,053,154)	(1,053,154)
Total comprehensive income	–	–	–	1,515,451	1,515,451
Share-based payment	–	–	3,807	–	3,807
<b>Balance at 31 December 2015</b>	<b>63,666</b>	<b>1,792,906</b>	<b>51,295</b>	<b>3,334,268</b>	<b>5,242,135</b>

The notes on pages 18 to 34 form part of these financial statements

## Company Statement of Changes in Equity

for the year ended 31 December 2015

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
<b>Balance at 1 January 2014</b>	63,381	1,718,469	15,829	1,047,625	2,845,304
<b>Changes in equity</b>					
Dividends	–	–	–	(747,898)	(747,898)
Total comprehensive income	–	–	–	749,385	749,385
Share-based payment	–	–	31,659	–	31,659
<b>Balance at 31 December 2014</b>	63,381	1,718,469	47,488	1,049,112	2,878,450
<b>Changes in equity</b>					
Issue of share capital	285	62,415	–	–	62,700
Share options exercised	–	12,022	(12,022)	–	–
Dividends	–	–	–	(1,053,154)	(1,053,154)
Total comprehensive income	–	–	–	1,054,713	1,054,713
Share-based payment	–	–	15,829	–	15,829
<b>Balance at 31 December 2015</b>	<b>63,666</b>	<b>1,792,906</b>	<b>51,295</b>	<b>1,050,671</b>	<b>2,958,538</b>

The notes on pages 18 to 34 form part of these financial statements

# Consolidated Statement of Cash Flows

for the Year Ended 31 December 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	1,913,669	1,236,895
Interest paid		–	(270)
Tax paid		(471,919)	(482,093)
Net cash from operating activities		1,441,750	754,532
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets		(107,477)	(244,732)
Purchase of property, plant and equipment		(639)	(42,977)
Sale of freehold property		–	51,177
Interest received		89,839	86,313
Net cash from investing activities		(18,277)	(150,219)
<b>Cash flows from financing activities</b>			
Share issue		62,700	–
Equity dividends paid		(823,956)	(747,898)
Net cash from financing activities		(761,256)	(747,898)
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>662,217</b>	<b>(143,585)</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<b>2,505,487</b>	<b>2,649,072</b>
<b>Cash and cash equivalents at end of year</b>	2	<b>3,167,704</b>	<b>2,505,487</b>

The notes on pages 18 to 34 form part of these financial statements

# Company Statement of Cash Flows

For the Year Ended 31 December 2015

	Notes	2015 £	2014 £
<b>Cash flows from operating activities</b>			
Cash generated from operations	1	(229,329)	2,869
Interest paid		–	(4)
Tax paid		(372)	(372)
Net cash from operating activities		(229,701)	2,493
<b>Cash flows from investing activities</b>			
Interest received		2,079	2,040
Dividends received		1,053,154	747,898
Net cash from investing activities		1,055,233	749,938
<b>Cash flows from financing activities</b>			
Share issue		62,700	–
Equity dividends paid		(823,956)	(747,898)
Net cash from financing activities		(761,256)	(747,898)
<b>Increase in cash and cash equivalents</b>		<b>64,276</b>	<b>4,533</b>
<b>Cash and cash equivalents at beginning of year</b>	2	<b>357,050</b>	<b>352,517</b>
<b>Cash and cash equivalents at end of year</b>	2	<b>421,326</b>	<b>357,050</b>

The notes on pages 18 to 34 form part of these financial statements

# Notes to the Statements of Cash Flows

for the Year Ended 31 December 2015

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

### Group

	2015 £	2014 £
Profit before taxation	1,907,029	1,926,163
Depreciation, amortisation and impairment	275,466	244,286
Profit on disposal of fixed assets	–	(1,094)
Share based payments	15,829	31,659
Finance costs	–	270
Finance income	(89,839)	(86,313)
	<b>2,108,485</b>	<b>2,114,971</b>
Increase in trade and other receivables	(276,100)	(658,818)
Increase/(decrease) in trade and other payables	81,284	(219,258)
<b>Cash generated from operations</b>	<b>1,913,669</b>	<b>1,236,895</b>

### Company

	2015 £	2014 £
Profit before taxation	1,055,102	749,757
Finance costs	–	4
Finance income	(1,055,233)	(749,938)
	<b>(131)</b>	<b>(177)</b>
(Increase)/decrease in trade and other receivables	(229,198)	3,047
Increase/(decrease) in trade and other payables	–	(1)
<b>Cash generated from operations</b>	<b>(229,329)</b>	<b>2,869</b>

## 2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the statements of cash flows in respect of cash and cash equivalents are in respect of these statement of financial position amounts:

### Year ended 31 December 2015

	Group		Company	
	31/12/15 £	1/1/15 £	31/12/15 £	1/1/15 £
Cash and cash equivalents	3,167,704	2,505,487	421,326	357,050



# Notes to the Consolidated Financial Statements

for the year Ended 31 December 2015

## 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 (the ‘company’) and all its subsidiary undertakings (‘Winkworth’ or the ‘group’). 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 2014. New standards introduced during the period had no material impact on the results or net assets of the company or group.

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 other than the following:

Effective date (periods commencing on or after) 1 January 2016:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

The impact of the adoption of these standards and interpretations on the Group’s financial statements in the period of initial application has not been quantified, but is not expected to be material.

### Revenue

Revenue represents the value of commissions and subscriptions 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, property management and administration services is recognised in the period to which the services relate.

## 1. ACCOUNTING POLICIES (continued)

### 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 initial 10 year franchise agreement on a straight line basis. The website development costs are amortised over their useful life which is deemed to be 3 years. They are assessed for impairment by performing a value in use calculation when indicators of impairment exist. Amortisation is included within administrative expenses in the statement of comprehensive income.

### 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 fitting – 15% – 33% straight line,

Freehold property – 2% straight line,

Computer equipment – 25% 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 reporting date.

### Deferred tax

Deferred tax is recognised in respect of all material temporary differences that have originated but not reversed at the reporting 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 statement of financial position 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.

# Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

## 1. ACCOUNTING POLICIES (continued)

### 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.

### Share-based payments

The company operates an Enterprise Management Incentive scheme which allows employees of the group to acquire shares in the parent 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. 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, taking into account the terms and conditions upon which the options were granted.

### Cash and cash equivalents

Cash and cash equivalents is defined as cash balances in hand and in the bank (including short term cash deposits with a maturity date of 3 months or less). 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 principal financial assets are 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.

## 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 group 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 statement of financial position 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.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 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

	2015 £	2014 £
Wages and salaries	1,360,740	1,150,771
Social security costs	151,891	112,991
Share based payment charge	15,829	31,659
	<b>1,528,460</b>	<b>1,295,421</b>

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

	2015 £	2014 £
Office and management	34	27

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 2015 Total £	Year to 31 December 2014 Total £
D C M Agace	150,500	512	5,009	156,021	150,524
C Neoh	34,000	731	3,006	37,737	36,765
S P Agace	100,000	1,527	–	101,527	59,472
J Nicol	15,000	–	–	15,000	11,667
L M Alkin	20,000	–	–	20,000	20,000
Total	319,500	2,770	8,015	330,285	278,428

Key management personnel are defined as directors of the group.

See also note 19 for transactions with directors.



**4. NET FINANCE INCOME**

	2015 £	2014 £
Finance income:		
Interest receivable	89,839	86,313
Finance costs:		
Interest payable	–	270
Net finance income	89,839	86,043

**5. PROFIT BEFORE TAXATION**

The profit before taxation is stated after charging/(crediting):

	2015 £	2014 £
Amortisation	224,266	198,292
Depreciation	51,200	45,994
Profit on disposal of fixed assets	–	(1,094)
Auditors' remuneration	31,000	31,000
Rents payable under operating leases	103,670	103,670

Included within auditor's remuneration above is £11,000 (2014 – £11,000) relating to the company.

**6. TAXATION****Analysis of tax expense**

	2015 £	2014 £
Current tax:		
Taxation	405,389	432,028
Adjustment re previous years	(4,740)	(6,667)
Total current tax	400,649	425,361
Deferred tax	(9,071)	786
Total tax expense in consolidated statement of comprehensive income	391,578	426,147

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 6. TAXATION (continued)

#### Factors affecting the tax expense

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2015 £	2014 £
Profit on ordinary activities before income tax	<b>1,907,029</b>	1,926,163
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014 – 21.49%)	<b>386,173</b>	413,932
Effects of:		
Expenses not deductible for tax purposes	<b>11,176</b>	13,241
Adjustment in respect of prior periods	<b>(4,740)</b>	(6,667)
Different tax rates	<b>(340)</b>	1,194
Depreciation in excess of capital allowances	–	4,447
Capital allowances in excess of depreciation	<b>(691)</b>	–
Tax expense	<b>391,578</b>	426,147

### 7. PROFIT OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £1,054,713 (2014 – £749,385).

### 8. DIVIDENDS

	2015 £	2014 £
Ordinary shares of 0.5p each		
Interim declared 2015 – 8.3p per share (2014 – 5.9p per share)	<b>1,053,154</b>	747,898

## 9. EARNINGS PER SHARE

Basic 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 £	2015 Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	1,515,451	12,681,548	11.95
<b>Effect of dilutive securities</b>			
Options	–	41,298	–
<b>Diluted EPS</b>			
Adjusted earnings	1,515,451	12,722,846	11.91
<hr/>			
	Earnings £	2014 Weighted average number of shares	Per-share amount pence
<b>Basic EPS</b>			
Earnings attributable to ordinary shareholders	1,500,016	12,676,238	11.83
<b>Effect of dilutive securities</b>			
Options	–	39,157	–
<b>Diluted EPS</b>			
Adjusted earnings	1,500,016	12,715,395	11.80

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 10. INTANGIBLE ASSETS

	Franchises £	Website development £	Total £
<b>COST</b>			
At 1 January 2015	2,011,470	155,208	2,166,678
Additions	30,000	77,477	107,477
At 31 December 2015	2,041,470	232,685	2,274,155
<b>AMORTISATION</b>			
At 1 January 2015	993,912	79,976	1,073,888
Amortisation for year	165,951	58,315	224,266
At 31 December 2015	1,159,863	138,291	1,298,154
<b>NET BOOK VALUE</b>			
At 31 December 2015	881,607	94,394	976,001
At 31 December 2014	1,017,558	75,232	1,092,790
<b>COST</b>			
At 1 January 2014	1,812,187	109,759	1,921,946
Additions	199,283	45,449	244,732
At 31 December 2014	2,011,470	155,208	2,166,678
<b>AMORTISATION</b>			
At 1 January 2014	837,271	38,325	875,596
Amortisation for year	156,641	41,651	198,292
At 31 December 2014	993,912	79,976	1,073,888
<b>NET BOOK VALUE</b>			
At 31 December 2014	1,017,558	75,232	1,092,790
At 31 December 2013	974,916	71,434	1,046,350

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.

**11. PROPERTY, PLANT AND EQUIPMENT****Group****Year ended 31 December 2015**

	Computer equipment £	Fixtures and fittings £	Totals £
<b>COST</b>			
At 1 January 2015	4,870	751,728	756,598
Additions	–	639	639
Disposals	–	–	–
At 31 December 2015	4,870	752,367	757,237
<b>DEPRECIATION</b>			
At 1 January 2015	671	670,716	671,387
Charge for year	1,217	49,983	51,200
At 31 December 2015	1,888	720,699	722,587
<b>NET BOOK VALUE</b>			
At 31 December 2015	2,982	31,668	34,650

**Year ended 31 December 2014**

	Freehold property £	Computer equipment £	Fixtures and fittings £	Totals £
<b>COST</b>				
At 1 January 2014	5,004	–	713,621	718,625
Additions	–	4,870	38,107	42,977
Disposals	(5,004)	–	–	(5,004)
At 31 December 2014	–	4,870	751,728	756,598
<b>DEPRECIATION</b>				
At 1 January 2014	5,004	–	625,393	630,397
Charge for year	–	671	45,323	45,994
Eliminated on disposal	(5,004)	–	–	(5,004)
At 31 December 2014	–	671	670,716	671,387
<b>NET BOOK VALUE</b>				
At 31 December 2014	–	4,199	81,012	85,211



## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 12. INVESTMENTS

#### Group

#### Unlisted investments

	2015 £	2014 £
<b>COST</b>		
At 1 January	7,200	7,200
At 31 December	7,200	7,200
<b>NET BOOK VALUE</b>		
At 31 December	7,200	7,200

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

#### Company

	2015 £	2014 £
<b>COST</b>		
At 1 January	47,489	15,830
Addition	15,829	31,659
<b>NET BOOK VALUE</b>		
At 31 December	63,318	47,489

The addition for the year relates to the share based payment for directors and employees of Winkworth Franchising Limited (see note 20).

#### Subsidiary undertakings

M Winkworth Plc had the following subsidiary undertakings as at 31 December 2015:

	% 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

**12. INVESTMENTS (continued)**

The following are shares held indirectly:

Company Name	Country of Incorporation	Nature of Business	Class of Shares	% Holding
Winkworth Client Services Limited (formerly Winkworth France Limited)	England and Wales	Administration services to estate agencies	Ordinary Shares	100
Winkworth Financial Services Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Auctions Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Conveyancing Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Land and New Homes Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Property Management Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Lettings Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Residential Sales Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Short Lets Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveying Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveyors Limited	England and Wales	Dormant	Ordinary Shares	100
Winkworth Surveys Limited	England and Wales	Dormant	Ordinary Shares	100
See Things Differently Limited	England and Wales	Dormant	Ordinary Shares	100

**13. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Current:</b>				
Trade receivables	602,597	566,733	–	–
Amounts owed by group undertakings	–	–	2,703,481	2,474,283
Other receivables	375,257	244,218	–	–
Amounts due from related company	198	–	–	–
VAT	–	2,126	–	–
Prepayments and accrued income	188,121	66,481	–	–
	<b>1,166,173</b>	<b>879,558</b>	<b>2,703,481</b>	<b>2,474,283</b>
<b>Non-current:</b>				
Other receivables	800,189	810,704	–	–
<b>Aggregate amounts</b>	<b>1,966,362</b>	<b>1,690,262</b>	<b>2,703,481</b>	<b>2,474,283</b>

Trade receivables are stated net of bad debt provisions of £101,425 (2014 – £158,173). The movement in the provision has been recognised in the statement of comprehensive income.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 13. TRADE AND OTHER RECEIVABLES (continued)

#### Ageing of trade receivables

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
Trade receivables not due	<b>313,465</b>	323,025	–	–
Trade receivables past due 1-30 days	<b>94,652</b>	40,382	–	–
Trade receivables past due 31-60 days	<b>25,803</b>	21,003	–	–
Trade receivables past due 61-90 days	<b>32,053</b>	19,036	–	–
Trade receivables past due over 90 days	<b>136,624</b>	163,287	–	–
	<b>602,597</b>	566,733	–	–

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

### 14. SHARE CAPITAL

		2015 £	2014 £
<b>Authorised:</b>			
20,000,000	Ordinary shares of 0.5p	<b>100,000</b>	100,000
<b>Allotted and fully paid:</b>		£	£
12,733,238 (2014 – 12,676,238)		<b>63,666</b>	63,381

57,000 Ordinary shares of 0.5p each were allotted as fully paid at a premium of £1.31 per share during the year.

### 15. TRADE AND OTHER PAYABLES

	Group		Company	
	2015 £	2014 £	2015 £	2014 £
<b>Current:</b>				
Trade payables	<b>243,154</b>	143,994	–	–
Other taxes and social security	<b>197,221</b>	178,773	–	–
Other payables	<b>348,927</b>	53,032	<b>229,198</b>	–
Accruals and deferred income	<b>8,008</b>	114,255	–	–
VAT	<b>3,226</b>	–	–	–
	<b>800,536</b>	490,054	<b>229,198</b>	–

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

**16. LEASING AGREEMENTS****Group**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2015 £	2014 £
Within one year	45,603	–
Between one and five years	–	149,273
	<b>45,603</b>	<b>149,273</b>

**17. 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 also 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.

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 17. FINANCIAL INSTRUMENTS (continued)

#### Principal financial instruments

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

- trade and other receivables
- cash at bank
- trade and other payables

These are considered below.

#### 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:

#### 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 and loans to franchisees. 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 routinely enter into derivatives to manage credit risk, although in certain isolated cases may take steps to mitigate such risks if it is sufficiently concentrated.

**17. 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. All liabilities are due within one year.

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.

**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 £3,167,704 (2014 – £2,505,487) 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.

**18. DEFERRED TAX****Group**

	2015 £	2014 £
Balance at 1 January	6,849	6,063
Transfer from/(to) profit and loss	(9,071)	786
Balance at 31 December	(2,222)	6,849

Deferred tax relates wholly to accelerated capital allowances.

**19. RELATED PARTY DISCLOSURES**

The group 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	
		2015 £	2014 £	2015 £	2014 £	2015 £	2014 £
Heathdene Limited	a	164	–	–	–	198	–

The relationships with the above companies are as follows:

- a Company in which S P Agace is a director

## Notes to the Consolidated Financial Statements continued

for the year ended 31 March 2015

### 19. RELATED PARTY DISCLOSURES (continued)

During the year the following dividends were declared to directors:

- S P Agace £440,616 (2014 – £313,653)
- L M Alkin £21,269 (2014 – £15,119)
- D Agace £45,329 (2014 – £31,975)
- C Neoh £2,064 (2014 – £738)
- J Nicol £3,113 (2014 – £2,213)

During the year the company received a dividend of £1,053,154 (2014 – £747,898) from its subsidiary undertaking Winkworth Franchising Limited.

### 20. SHARE-BASED PAYMENT TRANSACTIONS

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the market price of the shares date of the grant. Options are conditional on the employee completing two years' service (the vesting period). The options are exercisable starting two years from the grant date and expire ten years from the grant date. 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 weighted average 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 weighted average fair value of options granted during 2013 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. See note 3 for the total expense recognised in the income statement for share options granted to directors and employees.

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

	2015		2014	
	Number of options	Weighted average exercise price (p)	Number of options	Weighted average exercise price (p)
Balance at beginning of year	300,200	110	300,200	110
Exercised during the year	(57,000)	110	–	–
Balance at end of year	243,200	110	300,200	110

At 31 December 2015, all options were exercisable. 57,000 options were exercised in 2015. The share options outstanding at the year-end had a weighted average contractual life of 7.5 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 25 April 2016 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 ordinary resolutions 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 2015.
2. TO re-appoint Moore Stephens LLP (formerly known as 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, two hundred and twenty two pounds (£21,222); 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, two hundred and twenty two pounds (£21,222) 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.



## Notice of Annual General Meeting continued

### **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, seven hundred and thirty three pounds (£12,733),

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: 25 March 2016

**REGISTERED OFFICE:**

11 Berkeley Street  
Mayfair, London W1J 8DS

**BY ORDER OF THE BOARD**  
**Margaret Ogunbunmi Doregos**  
*Secretary*

**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 21 April 2016.
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. (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, Capita Asset Services, (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

## Notice of Annual General Meeting continued

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 22 April 2016 (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. 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.
9. As at 24 March 2016 (being the last business day before the publication of this Notice), the Company's issued share capital consisted of 12,733,238 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 24 March 2016 are 12,733,238.
10. 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.
11. 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

11 Berkeley Street  
Mayfair, London  
W1J 8DS

[winkworthplc.com](http://winkworthplc.com)

Winkworth