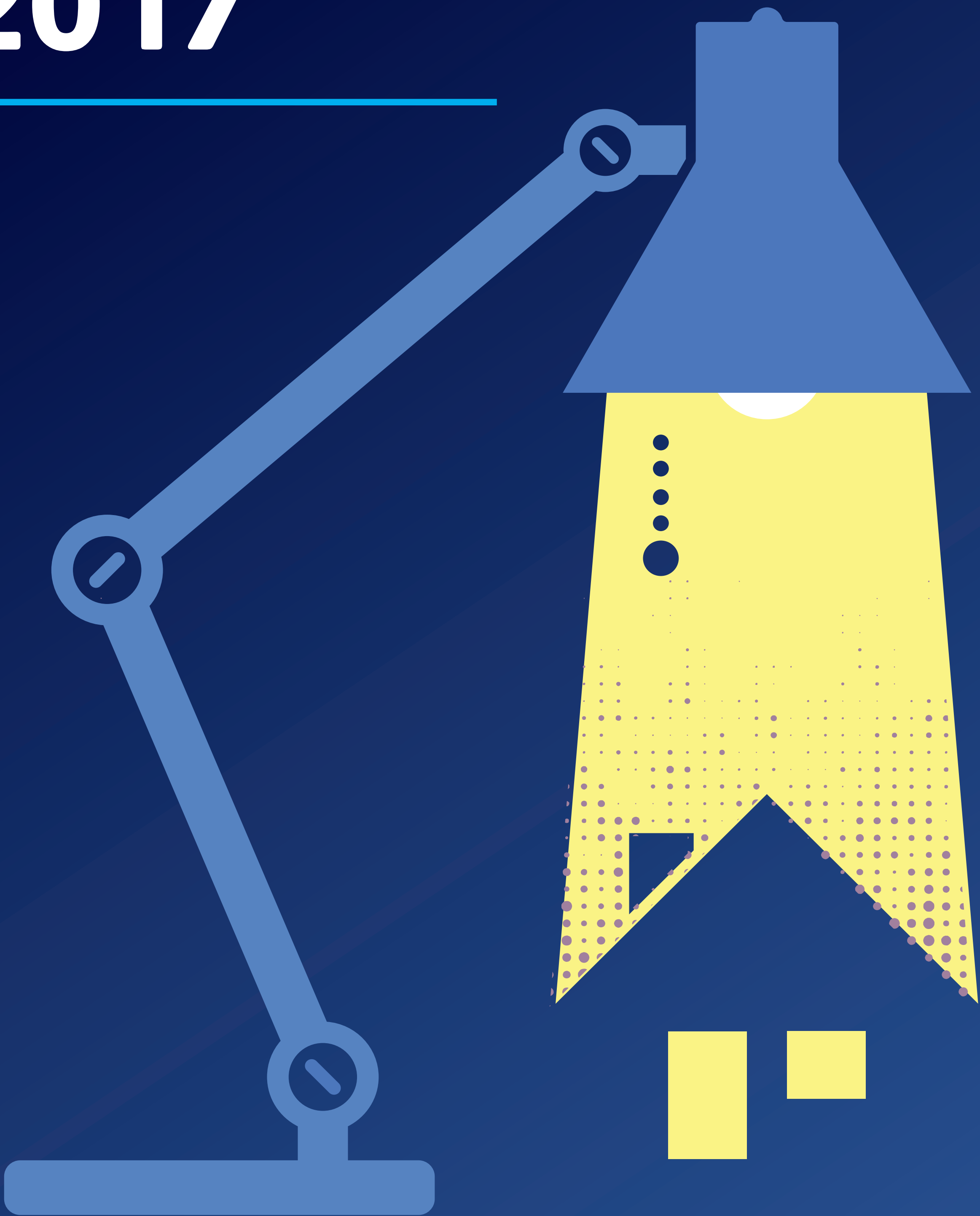
M WINKWORTH PLC

ANNUAL REPORT & ACCOUNTS 2017



Winkworth

Winkworth

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Company Information

DIRECTORS
S P Agace
D C M Agace
L M Alkin
J S Nicol
A J D Nicol

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Winkworth

Chief Executive Officer's Statement

2017 was a year that was once again affected by political developments, with an unexpected snap election and the ensuing uncertainty surrounding the government's mandate to drive a Brexit deal through, weighing on buyer sentiment in the latter half. This led to a depressed level of transactions despite the positive underlying factors of high employment and low interest rates. Despite this, and as predicted, Winkworth reverted to a more normalised year. The mini boom caused by buyers looking to beat the additional stamp duty tax of 3% on second properties in the first half of 2016 was not repeated and, once again, we achieved more of our income in the second half.

Against this background we saw a sustained rise in sales activity in central London, where demand has increased following price falls of some 15% since the stamp duty changes of Autumn 2014. Sales revenue in central London rose by 16% on 2016, with an increase in transactions of 8%. This supported the overall London performance, which came in at broadly flat at -1%. We are also particularly pleased to note that the average price of a property sold by Winkworth's London offices rose from £692,000 to £718,000, an increase of 4% despite property prices declining across the city over the course of the year. In addition, we recorded a rise in average percentage commissions, reflecting the value that customers put on trusted advisers in an uncertain market. We see this as endorsement of the strengthening Winkworth proposition.

Gross rentals revenue grew by 6% in 2017, reflecting the initiatives we have put in place to drive this sector of the business. Our corporate rentals department (CRD) continued to support above-trend performance, with 139 deals across the network with 61 different companies adding £283,000 in gross revenue to those franchisees with markets which are the most attractive for corporate relocation. This department has started well in 2018, with a significant increase in deals closed compared to the same period in 2017.

Property management revenue grew by 15%, a similar level to the 16% achieved in 2016, while country rental income was 9% higher. As a result of the increase in rental revenue we have moved closer to our goal of a 50/50 split between lettings and sales – at the end of 2017 our revenue split was 46% lettings and management and 54% sales, up from a 44/56 split in 2016.

Total gross revenues of the franchised office network in 2017 were flat at £46.2m (2016: £46.1m) with sales 5% lower at £24.8m (2016: £25.9m) and rentals up 6% to £21.3m (2016: £20.1m). London offices accounted for 80% of gross revenues (79%). Winkworth's revenues fell by 2.7% to £5.42m (2016: £5.57m) and profit before taxation was 2.8% lower at £1.38m (2016: £1.42m). Cashflow rose by 212% to £608k (2016: £195k reduction). Dividends of 7.25p were declared for the year (2016: 7.2p).

We see the current market as an opportunity to attract experienced and talented operators to the Winkworth network, as successful agents look to move into business ownership to gain greater control over their earnings potential. This has always been a key motivation and is providing us with the opportunity not only to open new offices but also re-invigorate the network in areas where some older franchisees are looking to exit. In addition to opening seven new offices in 2017, three franchises were resold. The four offices which were resold in 2016 increased their combined turnover by 15% in 2017, despite a more difficult market, and we would expect the offices resold in 2017 to add to this growth as the new operators drive their businesses to outperform the market.

We have put significant effort into developing our centralised departments to help us to gain market share. The client services department (CSD), which refers leads between offices, continued to grow, delivering £780,000 of revenue to the network in 2017. CSD is currently on track to exceed this figure in 2018 with 73 instructions to the end of February versus 53 in the same period of 2017. As this department grows it also improves in efficiency, with the cost of a lead to franchisees falling from £170 in 2016 to £140 in 2017 and £80 so far in 2018, as the size of the network lowers the marketing costs to franchisees.

Following its launch in June 2017, centralised recruitment is progressing ahead of target, placing five candidates a month so far in 2018 and helping new offices to accelerate their launches with high quality employees. This activity also supports our new franchising efforts by increasing our connections with talented estate agents looking for new opportunities within the industry.

Finally, we are pleased that our updated website, launched in March 2017, has delivered more leads to our franchisees despite a weak second half of the year in terms of overall applicants. It has provided a robust platform for our digital evolution, enabling the launch of our vendor portal in November to which 40 offices have already signed up. We are pleased that it was recognised as website of the year at the Negotiator awards in November 2017.

We aim to continue to build on this success in 2018 with continued investment in the vendor portal for clients and the development of the landlord portal, ensuring we have a best in class website to offer existing and new franchisees. We will also be conducting nationwide digital campaigns to continue to drive leads. We are currently two months into our first campaign and this is on track to deliver an additional 200,000 visits per month to our website and, in turn, to our franchisees.

D C M Agace
Director

27 March 2018

Non-Executive Chairman's Statement

2017 was a challenging year for estate agents given evolving market conditions and a reduction in sales volumes. The strength of the Winkworth franchise model, however, has demonstrated the benefit of having individually-owned businesses which are more resilient to market change, and this is reflected in our results. Our franchisees have been able to achieve average turnover of almost £500,000 per office, well above the average turnover of our franchise competitors.

While always seeking ways to enhance our offering, we have adhered to our proven formula of concentrating on excellent levels of service and long-term relationships through our network of some 100 medium-sized offices. This business model makes us attractive to incoming franchisees as they are able to achieve more than they could were they employed at a top level elsewhere, especially at a time when many are scaling back their operations. Winkworth's efficient and economic logistics systems allow our franchisees to focus their efforts on servicing their clients and carrying out viewings.

On flotation, Winkworth targeted expansion out of London in order to grow. This process has gathered pace and we welcome the new businesses that joined us in 2017 and the pipeline of offices for 2018. These have generally flowed from experienced estate agents making new starts, but we have also seen growth from the regeneration of some of the older Winkworth franchises where previous owners have retired and sold. We expect this trend to continue as many of the Winkworth franchisees commenced trading in the 1980s. Both routes provide us with a suitable base for growth.

It has been the Winkworth principle to make sure that our offices have sufficient economic turnover. This is a natural business plan for a proprietor franchisee and it has proved to be a successful policy. We continue to develop systems and services which enable our franchisees to deliver the best local and national service. In particular, we have continued to work on projects to enhance our relationships with both landlords and tenants, and I am pleased to note the ongoing growth of our rental business.

We do not believe in developing competing brands, nor do we see any value in acquisitions at present. We expect to see some market consolidation as like-minded, non-competing companies consider merging as a way of achieving cost savings and growth. We will ourselves be alert to such opportunities but without burdening our shareholders with debt, which we consider as inappropriate at this point of the cycle.

I congratulate the management and our franchisees on their performance in 2017 and a strong start to 2018.

S P Agace
Non Executive Chairman

27 March 2018

Group Strategic Report

The directors present their strategic report of the company and the group for the year ended 31 December 2017.

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 fell to £5.42 million, a decrease of 2.7% on the 2016 level of £5.57 million. Despite the tough market conditions, the increased lettings revenue generated in the year offset the reduced sales revenue. The decrease in turnover was largely the result of reduced marketing expenditure on behalf of franchisees, as traditional print advertising funds were switched and carried forward to be deployed in a digital advertising campaign at the start of 2018.

  This reduced marketing expenditure was mirrored in the lower Cost of Sales for the period.

– Operating profits were £1.30 million, 3.2% lower than 2016's result of £1.35 million.

– The group continues to grow with 7 new franchise offices opened in the UK (2016 – 2).

The Statement of Financial Position remained strong and debt free with cash balances at 31 December 2017 of £3.58m, 20.5% up on December 2016 balance of £2.97m.

The key business highlights during the year were as follows:

– Franchised offices sales at £46.2 million in line with 2016 level of £46.1 million, and London property sales accounted for 80% (2016: 79%) of the group total.

– 46% of sales derived from lettings and management (2016 – 44%).

Further explanation to support the above movements can be found in the Chief Executive Officer's Statement and the Non-Executive Chairman's Statement.

PRINCIPAL RISKS AND RESPONSIBILITIES
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

The legal and regulatory environment: The legal and regulatory environment in which Winkworth operates is changing and evolving. Winkworth needs to comply with these developments and avoid or manage situations or actions that could negatively impact on its finances, brand and reputation. The group requires adherence to membership of regulatory bodies which monitor developments and also, where able, participates in industry forums set up to respond to issues. Along with the training made available to all staff via the central Academy, support is provided to offices by centralised legal and compliance teams who also oversee the group's dispute resolution procedure.

OUTLOOK

The underlying fundamentals of the market remain positive. Following the stamp duty changes introduced in 2014, asking prices have adjusted significantly downwards in central London and this is now increasingly the case in London zones 2 and 3. Sellers are accepting these reductions and this, in turn, is in some areas leading to improved levels of transactions despite applicant numbers remaining at low levels. We expect this trend to continue throughout the year and for the reduction in stamp duty for first time buyers to stimulate the lower end of the property market, feeding through to the upper levels in due course.

On the lettings side of the business, our applicants are tracking at some 12% ahead of the same period of last year, which should support further growth in 2018. Landlords are consolidating their portfolios following the tax changes on mortgage interest and increasing their equity in buy-to-let properties, and this tightening of supply is expected to lead to further increases in rental prices.

New franchising applicant numbers are more than 25% above this point in 2017, and with two offices already opened in Banstead and Poringland we look forward to maintaining the momentum gained in 2017 by targeting to open eight new offices in 2018 in areas affiliated to our extensive London network.

We believe that a broadly flat market will continue to suit our franchise model. Our combination of local expertise, history and knowledge, combined with an evolving platform which drives leads to our office network under the umbrella of an established national brand, is a formula for success. We remain debt free, with a strong cash position and an increasing number of opportunities to grow in 2018.

ON BEHALF OF THE BOARD:

D C M Agace
Director

27 March 2018

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 2017.

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

DIVIDENDS
An interim dividend of £916,793 (2016 – £904,060) was paid during the year.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

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

The directors' remuneration for the year is set out in note 4 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

The commercial website is www.winkworth.co.uk

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Group Strategic Report, 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 as adopted 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.

Report of the Directors continued

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 auditors are 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 auditors are 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.

ON BEHALF OF THE BOARD:

D C M Agace
Director

27 March 2018

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

Opinion

We have audited the financial statements of M Winkworth Plc for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and company Statements of Financial Position, the Consolidated and company Statements of Changes in Equity, the Consolidated and company Statements of Cash Flows, the Accounting Policies and the related notes. 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 company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2017 and of the group's profit for the year then ended;

– the group financial statements 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 provision of the Companies Act 2006; and

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

– the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or

– the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most

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

significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Completeness of revenue
Revenue of the group was derived mainly from its principal activity, being commissions and subscriptions 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 commission due on lettings, property management and administration services is recognised in the period to which the services relate. There is a risk that revenue is received and not recorded, especially due to the under-reporting of revenue on part of the franchisees. Therefore, there is a potential risk in terms of the completeness of the revenue being recognised.

In this area our audit procedures included:

– Reviewing the compliance work carried out to ensure completeness of income, especially in relation to:
    - o Random monthly visits
    - o Reviews and analysis of monthly reporting
    - o VAT reconciliations of franchisees
    - o Reviews of franchisee books and records
– Reconciliation of information received from the lawyers and the franchisees in respect of house sales
– Performing test of details to validate that revenue transactions had been appropriately recorded.

Our application of materiality
We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

We determined the materiality for the group financial statements as a whole to be £82,500, calculated with reference to a benchmark of group profit before tax averaged over 4 years, of which it represents 5%. This is the threshold above which missing or incorrect information in the financial statements is considered to have an impact on the decision making of users.

We reported to the Audit Committee all potential adjustments in excess of £4,125 being 5% of the materiality for the financial statements as a whole.

The parent company materiality was £57,500.

An overview of the scope of our audit
We considered the risk of the financial statements being misstated or not prepared in accordance with the underlying legislation or standards. We then directed our work toward areas of the financial statements which we assessed as having the highest risk of containing material misstatements.

We tested and examined information using both analytical procedures and tests of detail, to the extent necessary to provide us with a reasonable basis to draw conclusions. These procedures gave us the evidence that we need for our opinion on the group's financial statements as a whole and, in particular, helped mitigate the risks of material misstatement mentioned above.

We also documented and reviewed the group's systems, primarily to confirm that they form an adequate basis for the preparation of the financial statements, but also to identify the controls operated to ensure the completeness and accuracy of the data.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

– the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such

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

internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Paul Clark *(Senior Statutory Auditor)*
for and on behalf of **Moore Stephens LLP**
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

27 March 2018

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 £'000	2016 £'000
CONTINUING OPERATIONS			
Revenue	3	**5,423**	5,568
Cost of sales		**(1,292)**	(1,477)
GROSS PROFIT		**4,131**	4,091
Administrative expenses		**(2,829)**	(2,746)
OPERATING PROFIT		**1,302**	1,345
Finance income	5	**74**	71
PROFIT BEFORE TAXATION	6	**1,376**	1,416
Tax	7	**(273)**	(290)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,103**	1,126
Earnings per share expressed in pence per share:	9		
Basic		**8.66**	8.84
Diluted		**8.66**	8.84

The notes on pages 21 to 36 form part of these financial statements

Winkworth

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**796**	777
Property, plant and equipment	11	**98**	116
Investments	12	**7**	7
Trade and other receivables	13	**516**	716
		1,417	1,616
CURRENT ASSETS			
Trade and other receivables	13	**1,102**	1,348
Corporation tax receivable		**208**	69
Cash and cash equivalents		**3,579**	2,971
		4,889	4,388
TOTAL ASSETS		**6,306**	6,004
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	**64**	64
Share premium		**1,793**	1,793
Other reserves		**51**	51
Retained earnings		**3,742**	3,556
TOTAL EQUITY		**5,650**	5,464
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	21	**11**	16
CURRENT LIABILITIES			
Trade and other payables	16	**645**	524
TOTAL LIABILITIES		**656**	540
TOTAL EQUITY AND LIABILITIES		**6,306**	6,004

The financial statements were approved by the Board of Directors on 27 March 2018 and were signed on its behalf by:

D C M Agace
Director

The notes on pages 21 to 36 form part of these financial statements

Company Statement of Financial Position

31 December 2017

	Notes	2017 £'000	2016 £'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	10	**–**	–
Property, plant and equipment	11	**–**	–
Investments	12	**63**	63
		63	63
CURRENT ASSETS			
Trade and other receivables	13	**2,474**	2,474
Cash and cash equivalents		**424**	424
		2,898	2,898
TOTAL ASSETS		**2,961**	2,961
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	14	**64**	64
Share premium		**1,793**	1,793
Other reserves		**51**	51
Retained earnings		**1,053**	1,053
TOTAL EQUITY		**2,961**	2,961
LIABILITIES			
TOTAL LIABILITIES		**–**	–
TOTAL EQUITY AND LIABILITIES		**2,961**	2,961
Company's profit for the financial year		**917**	906

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 financial statements were approved by the Board of Directors on 27 March 2018 and were signed on its behalf by:

D C M Agace
Director

The notes on pages 21 to 36 form part of these financial statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2016	64	3,334	1,793	51	5,242
Changes in equity					
Transactions with owners					
Dividends	–	(904)	–	–	(904)
Total comprehensive income	–	1,126	–	–	1,126
Balance at 31 December 2016	64	3,556	1,793	51	5,464
Changes in equity					
Transactions with owners					
Dividends	–	(917)	–	–	(917)
Total comprehensive income	–	1,103	–	–	1,103
Balance at 31 December 2017	**64**	**3,742**	**1,793**	**51**	**5,650**

The notes on pages 21 to 36 form part of these financial statements

Company Statement of Changes in Equity

for the year ended 31 December 2017

	Called up share capital £'000	Retained earnings £'000	Share premium £'000	Other reserves £'000	Total equity £'000
Balance at 1 January 2016	64	1,051	1,793	51	2,959
Changes in equity					
Transactions with owners					
Dividends	–	(904)	–	–	(904)
Total comprehensive income	–	906	–	–	906
Balance at 31 December 2016	64	1,053	1,793	51	2,961
Changes in equity					
Transactions with owners					
Dividends	–	(917)	–	–	(917)
Total comprehensive income	–	917	–	–	917
Balance at 31 December 2017	**64**	**1,053**	**1,793**	**51**	**2,961**

The notes on pages 21 to 36 form part of these financial statements

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated from operations	1	**2,115**	1,568
Tax paid		**(417)**	(452)
Net cash from operating activities		**1,698**	1,116
Cash flows from investing activities			
Purchase of intangible fixed assets		**(224)**	(122)
Purchase of tangible fixed assets		**(23)**	(128)
Interest received		**74**	71
Net cash from investing activities		**(173)**	(179)
Cash flows from financing activities			
Equity dividends paid		**(917)**	(1,132)
Net cash from financing activities		**(917)**	(1,132)
Increase/(decrease) in cash and cash equivalents		**608**	(195)
Cash and cash equivalents at beginning of year		**2,971**	3,166
Cash and cash equivalents at end of year		**3,579**	2,971

The notes on pages 21 to 36 form part of these financial statements

Company Statement of Cash Flows
For the Year Ended 31 December 2017

	Notes	**2017 £'000**	2016 £'000
Cash flows from operating activities			
Cash generated from operations	1	**–**	230
Net cash from operating activities		**–**	230
Cash flows from investing activities			
Interest received		**–**	2
Dividends received		**917**	904
Net cash from investing activities		**917**	906
Cash flows from financing activities			
Equity dividends paid		**(917)**	(1,133)
Net cash from financing activities		**(917)**	(1,133)
Increase in cash and cash equivalents		**–**	3
Cash and cash equivalents at beginning of year		**424**	421
Cash and cash equivalents at end of year		**424**	424

The notes on pages 21 to 36 form part of these financial statements

Notes to the Statements of Cash Flows
for the Year Ended 31 December 2017

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

Group

	2017 £'000	2016 £'000
Profit before tax	**1,376**	1,416
Depreciation charges	**246**	368
Finance income	**(74)**	(71)
	1,548	1,713
Decrease/(increase) in trade and other receivables	**446**	(98)
Increase/(decrease) in trade and other payables	**121**	(47)
Cash generated from operations	**2,115**	1,568

Company

	2017 £'000	2016 £'000
Profit before tax	**917**	906
Finance income	**(917)**	(906)
Increase in trade and other payables	**–**	230
Cash generated from operations	**–**	230

The movements in liabilities from financing cashflows are nil.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2017

1. STATUTORY INFORMATION

M Winkworth Plc is a public company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. 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.

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, subscriptions and administration services is recognised in the period to which the services relate.

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 fittings	– 15% – 33% 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.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2017

2. ACCOUNTING POLICIES – continued

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

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

Employee benefit costs

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

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.

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 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, 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). 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.

2. ACCOUNTING POLICIES – continued

Dividends
All dividends paid to shareholders are recognised when they have been paid.

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

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.

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.

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
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.

Standards and interpretations in issue but not yet effective
A number of new standards and amendments to existing standards have been published which are mandatory, but are not effective for the year ended 31 December 2017. The Directors do not anticipate that the adoption of these revised standards and interpretations will have a significant impact on the figures included in the financial statements in the period of initial application other than the following:

IFRS 9 – Financial Instruments
The standard is effective for periods beginning on or after 1 January 2018 therefore there is no impact on these financial statements from this standard as it has not been early adopted.

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2017

2. ACCOUNTING POLICIES – continued

The standard makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets whereby financial assets are recognised at either fair value through profit or loss, fair value through other comprehensive income or measured at amortised cost. On adoption of the standard, the group will have to re-determine the classification of its financial assets based on the business model for each category of financial asset. This is not considered likely to give rise to any significant adjustments.

The principal change to the measurement of financial assets measured at amortised cost or fair value through other comprehensive income is that impairments will be recognised on an expected loss basis compared to the current incurred loss approach. As such, where there are expected to be credit losses these are recognised in profit or loss. For financial assets measured at amortised cost the carrying amount of the asset is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income the loss allowance is recognised in the profit or loss and does not reduce the carrying amount of the financial asset.

Financial liabilities will continue to be carried at amortised cost.

An impact assessment of the standard was carried out. It was concluded IFRS 9 will have no material impact.

IFRS 15 – Revenue from contracts with customers

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around the following steps in recognising revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognise revenue when a performance obligation is satisfied.

On application of the standard the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

The standard is effective from 1 January 2018 therefore there is no impact on these financial statements from this standard as it has not been early adopted.

An impact assessment of the standard was carried out. It was concluded IFRS 15 will have no material impact.

IFRS 16 – Leases

The standard is effective for periods beginning on or after 1 January 2019. There is no impact on these financial statements as this standard has not been early adopted. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. Leases are ‘capitalised’ by recognising the present value of the lease payments and showing them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a company also recognises a financial liability representing its obligation to make future lease payments. IFRS 16 replaces the typical straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for lease assets (included within operating costs) and an interest expense on lease liabilities (included within finance costs).

We have carried out an impact assessment of IFRS 16 and believe the impact to be a capitalisation of around £500,000.

3. 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.

4. EMPLOYEES AND DIRECTORS

	2017 £'000	2016 £'000
Wages and salaries	**1,421**	1,342
Social security costs	**171**	149
Other pension costs	**8**	2
	1,600	1,493

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

	2017	2016
Office and management	**33**	32

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

	Salary (including bonus) £'000	Pension contributions £'000	Benefits in kind £'000	Share based payments £'000	**Year to 31 December 2017 Total £'000**	Year to 31 December 2016 Total £'000
D C M Agace	184	–	1	–	**185**	153
S P Agace	50	–	2	–	**52**	52
J Nicol	20	–	–	–	**20**	20
L M Alkin	20	–	–	–	**20**	20
A J D Nicol	92	–	–	–	**92**	15
Total	366	–	3	–	**369**	260

Key management personnel are defined as directors of the group.

The number of directors to whom retirement benefits were accruing during the year was 2 (2016 – 1). The cost of these benefits is not in the above table once rounded to the nearest £1,000.

At the year end, D C M Agace held 305,000 (2016: 95,000) share options with a value of £20,306 (2016: £20,037) and A J D Nicol held 150,000 (2016: Nil) share options with a value of £192 (2016: £Nil).

See also note 22 for transactions with directors.

5. NET FINANCE INCOME

	2017 £'000	2016 £'000
Finance income:		
Interest receivable	**74**	71

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2017

6. PROFIT BEFORE TAXATION

The profit before taxation is stated after charging:

	2017 £'000	2016 £'000
Depreciation – owned assets	**41**	35
Loss on disposal of fixed assets	**–**	118
Intangible assets amortisation	**205**	215
Auditors' remuneration	**30**	30
Rents payable under operating leases	**217**	142

Included within auditor's remuneration above is £11,000 (2016 – £11,000) relating to the company.

7. TAXATION

Analysis of tax expense

	2017 £'000	2016 £'000
Current tax:		
Taxation	**274**	274
Adjustment re previous years	**4**	(2)
Total current tax	**278**	272
Deferred tax	**(5)**	18
Total tax expense in consolidated statement of profit or loss and other comprehensive income	**273**	290

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:

	2017 £'000	2016 £'000
Profit before tax	**1,376**	1,416
Profit multiplied by the standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	**265**	283
Effects of:		
Expenses not deductible for tax purposes	**7**	8
Adjustment in respect of prior periods taxable	**4**	(2)
Depreciation in excess of capital allowances	**(3)**	1
Tax expense	**273**	290

8. DIVIDENDS

	2017 £'000	2016 £'000
Ordinary shares of 0.5p each		
Interim	**917**	904

There are no proposed dividends at the reporting date.

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 £'000	2017 Weighted average number of shares '000	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,103	12,733	8.66
Effect of dilutive securities			
Options	–	–	–
Diluted EPS			
Adjusted earnings	1,103	12,733	8.66

Given that the market price of the shares has fallen lower than the strike price, this has made the shares anti-dilutive.

	Earnings £'000	2016 Weighted average number of shares '000	Per-share amount pence
Basic EPS			
Earnings attributable to ordinary shareholders	1,126	12,733	8.84
Effect of dilutive securities	–	–	–
Diluted EPS			
Adjusted earnings	1,126	12,733	8.84

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2017

10. INTANGIBLE ASSETS

	Franchises £'000	Website development £'000	Total £'000
COST			
At 1 January 2017	1,896	336	2,232
Additions	140	84	224
Disposals	–	(180)	(180)
At 31 December 2017	2,036	240	2,276
AMORTISATION			
At 1 January 2017	1,232	223	1,455
Amortisation for year	139	67	205
Eliminated on disposal	–	(180)	(180)
At 31 December 2017	1,371	110	1,480
NET BOOK VALUE			
At 31 December 2017	665	130	795
At 31 December 2016	664	113	777

	Franchises £'000	Website development £'000	Total £'000
COST			
At 1 January 2016	2,041	233	2,274
Additions	18	103	122
Disposals	(164)	–	(164)
At 31 December 2016	1,896	336	2,232
AMORTISATION			
At 1 January 2016	1,160	138	1,298
Amortisation for year	130	85	215
	(58)	–	(58)
At 31 December 2016	1,232	223	1,455
NET BOOK VALUE			
At 31 December 2016	664	113	777
At 31 December 2015	882	95	976

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 2017

	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
COST			
At 1 January 2017	**5**	**862**	**867**
Additions	**–**	**23**	**23**
At 31 December 2017	**5**	**885**	**890**
DEPRECIATION			
At 1 January 2017	**3**	**748**	**751**
Charge for year	**1**	**40**	**41**
At 31 December 2017	**4**	**788**	**792**
NET BOOK VALUE			
At 31 December 2017	**1**	**97**	**98**

Year ended 31 December 2016

	Computer equipment £'000	Fixtures and fittings £'000	Totals £'000
COST			
At 1 January 2016	5	752	757
Additions	–	128	128
Disposals	–	(18)	(18)
At 31 December 2016	5	862	867
DEPRECIATION			
At 1 January 2016	2	721	723
Charge for year	1	34	35
Eliminated on disposal	–	(7)	(7)
At 31 December 2016	3	748	751
NET BOOK VALUE			
At 31 December 2016	2	114	116

Notes to the Consolidated Financial Statements continued
for the year ended 31 December 2017

12. INVESTMENTS
Group
Unlisted investments

	2017 £'000	2016 £'000
COST		
At 1 January	**7**	7
At 31 December	**7**	7
NET BOOK VALUE		
At 31 December	**7**	7

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

Company
Investment in subsidiaries

	2017 £'000	2016 £'000
COST		
At 1 January	**63**	63
NET BOOK VALUE		
At 31 December	**63**	63

Subsidiary undertakings
M Winkworth Plc had the following subsidiary undertakings as at 31 December 2017:

	% 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	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 Private Clients 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

The registered office for each of the above subsidiary companies is 4th Floor, 1 Lumley Street, London, W1K 6TT.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Current:				
Trade receivables	**491**	642	**–**	–
Amounts owed by group undertakings	**–**	–	**2,474**	2,474
Loans to franchisees	**465**	479	**–**	–
Other receivables	**8**	9	**–**	–
Prepayments and accrued income	**138**	218	**–**	–
	1,102	1,348	**2,474**	2,474
Non-current:				
Loans to franchisees	**516**	716	**–**	–
Aggregate amounts	**1,618**	2,064	**2,474**	2,474

Trade receivables are stated net of bad debt provisions of £155,067 (2016 – £129,667). 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 December 2017

13. TRADE AND OTHER RECEIVABLES (continued)
Ageing of trade receivables

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Trade receivables not due	**308**	368	**–**	–
Trade receivables past due 1-30 days	**72**	63	**–**	–
Trade receivables past due 31-60 days	**26**	34	**–**	–
Trade receivables past due 61-90 days	**13**	39	**–**	–
Trade receivables past due over 90 days	**72**	138	**–**	–
	491	642	**–**	–

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

14. CALLED UP SHARE CAPITAL

Authorised:		**2017 £'000**	2016 £'000
20,000,000	Ordinary shares of 0.5p	**100**	100

Issued and fully paid:		**2017 £'000**	2016 £'000
12,733,238	Ordinary shares of 0.5p	**64**	64

15. RESERVES
Retained earnings are earnings retained by the company not paid out in dividends.

Share premium is the premium paid on shares purchased in the company.

Other reserves are the fair value equity components recognised over the vesting period of share based payments.

16. TRADE AND OTHER PAYABLES

	Group	
	2017 £'000	2016 £'000
Current:		
Trade payables	**281**	259
Other taxes and social security	**235**	191
Other payables	**3**	36
Accruals and deferred income	**122**	38
VAT	**4**	–
	645	524

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

17. LEASING AGREEMENTS

Group

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

	2017 £'000	2016 £'000
Within one year	**217**	217
Between one and five years	**401**	618
	618	835

18. CONTINGENT LIABILITIES

There is a cross guarantee and debenture between M Winkworth Plc and Winkworth Franchising Limited and also between M Winkworth Plc and Winkworth Client Services Limited. There is a floating charge over the assets or undertaking of the company filed at Companies House in respect of the individually named companies above.

19. 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 December 2017

19. 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 polices that seek to reduce risk as far as possible without unduly affecting the group's competitiveness and flexibility. There are no significant concentrations of risk within the group. 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 franchises. It is group policy to assess the credit risk of new franchisees before entering contracts.

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

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

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

All financial liabilities are repayable on demand.

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.

19. FINANCIAL INSTRUMENTS (continued)

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.

Currency risk

The directors consider that the potential effects of foreign exchange fluctuations will not have a material impact on the financial statements.

Interest rate and currency of cash balances

Floating rate financial assets of £3,580,732 (2016 – £2,972,072) comprise sterling cash deposits. There are no fixed rate financial assets. If interest rates had been 0.25% higher during the year, then the group would have generated c£9,000 of additional interest income.

Fair values of financial instruments

As a result of their short term nature, there are no material differences between book value and fair value of financial instruments as, where appropriate, all are subject to floating rates as set by the market.

Changes in legislation

The directors estimate that the loss of tenancy administration fees in 2018, resulting from changes in government legislation, could account for up to 10% of franchisees' lettings revenue, which will in turn impact on commission income.

20. DEFERRED TAX

Group

	2017 **£'000**	2016 £'000
Balance at 1 January	**16**	(2)
Transfer from/(to) profit or loss	**(5)**	18
Balance at 31 December	**11**	16

Deferred tax relates wholly to accelerated capital allowances.

21. RELATED PARTY DISCLOSURES

During the year total dividends of £457,661 (2016 – 448,674) were paid to directors.

During the year the company received a dividend of £916,793 (2016 – £904,060) from its subsidiary undertaking Winkworth Franchising Limited. The balance owed by Winkworth Franchising Limited to the company at the year end was £2,474,284 (2016 – £2,474,284).

Winkworth Franchising Limited received net income of £66,231 (2016 – £41,484) from, paid fees of £7,605 (2016 – £4,991) to and purchased tax losses of £4,935 (2016 – £16,240) from Winkworth Client Services Limited. The balance owed by Winkworth Client Services Limited to Winkworth Franchising Limited at the year end was £374,818 (2016 – £346,391).

Notes to the Consolidated Financial Statements continued

for the year ended 31 December 2017

22. 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 at 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
Granted on 10 May 2017	360,000	10/05/2017	09/05/2027	150	1

The weighted average fair value of options granted during 2017 determined using the Black-Scholes valuation model was £0.0041 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 21%, an expected option life of eight years and an annual risk-free interest rate of 1.17%. 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:

	2017		2016	
	Number of options	**Weighted average exercise price (p)**	Number of options	Weighted average exercise price (p)
Balance at beginning of year	**243,200**	**110**	243,200	110
Granted during the year	**360,000**	**150**	–	–
Balance at end of year	**603,200**	**134**	243,200	110

At 31 December 2017, 243,200 of the above options were exercisable. No options were exercised in 2017. The share options outstanding at the year-end had a weighted average contractual life of 8.1 years.

The charge for the period has not been recognised because it is deemed to be trivial.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of M Winkworth PLC (the "**Company**") will be held on Tuesday 1 May at 10.30 a.m. at 4th Floor, 1 Lumley Street, London W1K 6TT to transact the following business, of which Resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and Resolution 9 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 2017.

2. TO re-appoint Moore Stephens LLP 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. TO re-elect Dominic Agace as a director of the Company.

5. TO re-elect Simon Agace as a director of the Company.

6. TO re-elect Lawrence Alkin as a director of the Company.

7. TO re-elect John Nicol as a director of the Company.

8. 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:

   8.1 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

   8.2 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 8.1 and 8.2 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

9. THAT, subject to the passing of resolution 8, 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 8 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:

 9.1 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 8.2 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

 9.2 the allotment (otherwise than pursuant to paragraph 9.1 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 8 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: 27 March 2018

REGISTERED OFFICE:
4th Floor,
1 Lumley Street,
London W1K 6TT

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 Link Asset Services, at PX1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than 10.30 a.m. on 27 April 2018.

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 Link Asset Services, at PXS1, 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, Link 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.

Notice of Annual General Meeting continued

(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 27 April 2018 (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 5 April 2018 (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 5 April 2018 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
1 Lumley Street
Mayfair, London
W1K 6TT

winkworthplc.com

Winkworth